

**CEDAR BAYOU PARK UTILITY DISTRICT
HARRIS COUNTY, TEXAS**

**Financial Statements as of
May 31, 2019**

**Together With
Independent Auditors' Report**

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }
COUNTY OF: HARRIS }

I, _____ of the
(Name of Duly Authorized District Representative)

CEDAR BAYOU PARK UTILITY DISTRICT
(Name of District)

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the District's Board of Directors on the 28th day of October, 2019 its annual audit report for the fiscal period ended May 31, 2019 and that copies of the annual audit report have been filed in the District's office located at _____.

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: _____

By: _____
(Signature of District Representative)

(Typed Name & Title of District Representative)

Sworn to and subscribed to before me this 28th day of October, 2019.

(Signature of Notary)

My Commission Expires On: _____,
Notary Public in the State of Texas.



Start, Garcia & Stanley, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cedar Bayou Park Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and the major fund of Cedar Bayou Park Utility District (the District) as of and for the year ended May 31, 2019, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 auditors' 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 entity'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 the major fund of the District as of May 31, 2019, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 4 - 7 and page 16 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 U.S. generally accepted auditing standards, 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 Texas Supplementary Information contained in pages 17 through 24, inclusive, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Texas Supplementary 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. Such information 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 U.S. generally accepted auditing standards. In our opinion, the Texas Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Baytown, Texas
October 25, 2019

Start, Garcia & Stanley
Start, Garcia & Stanley, LLC

**CEDAR BAYOU PARK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2019**

This section of Cedar Bayou Park Utility District's (the District) annual financial report presents the administration's discussion and analysis of the District's financial performance during the fiscal period ended May 31, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The financial statements that follow reflect the financial position of the District as of May 31, 2019, and the results of its operations for the year then ended.
- The District's net position was \$388,502 as of May 31, 2019, and \$181,322 as of May 31, 2018.
- During the year, the District's revenues of \$534,013, generated from taxes and other governmental activities, exceeded total expenditures by \$164,452.
- The general fund reported a fund balance of \$329,920 as of May 31, 2019, and \$165,468 as of May 31, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – Management's Discussion and Analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *Government-Wide Financial Statements* – The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position and changes in them.
- *Fund Financial Statements* – The fund financial statements provide detailed information about the most significant funds-not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The Governmental Funds Balance Sheet and Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balances focus on the short-term financial position and results of operations, respectively, using the modified accrual basis of accounting.

- The accompanying financial statements present the "fund financial statements" (first column) and the government-wide financial statements (last column). The adjustments (column two) necessary to reconcile the fund financial statements to the government-wide financial statements are described in the footnotes to the financial statements.

The financial statements also include Notes to Financial Statements that explain in narrative form some of the information in the financial statements and also provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The other supplementary schedules required by the Texas Commission on Environmental Quality (TCEQ) are presented immediately following the required supplementary information.

The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

**CEDAR BAYOU PARK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2019**

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The last column of the Statement of Net Position and Governmental Funds Balance Sheet includes all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources. All of the current period revenues and expenses are accounted for in the last column of the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances regardless of when cash was received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District reflect the governmental activities, which include the District's basic services.

Fund Financial Statements

The fund financial statements (column one) provide more detailed information about the District's most significant funds, but not the District as a whole. A fund is a group of accounts that the District uses to record specific sources of revenue and to track expenditures used for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Directors establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

Governmental Funds – All of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District reports the following major governmental fund:

- General Fund – used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Texas and the bylaws of the District.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As of May 31, 2019, total assets of the District were \$438,462 (consisting of cash of \$360,088, net receivables of \$21,292, and investment in capital assets of \$57,357). Total liabilities and deferred inflows of resources were \$49,960 of which \$43,196 was payable within one year. The District's net position, therefore, was \$388,502 on May 31, 2019. This compares to May 31, 2018 when the total assets of the District were \$487,215 (consisting of cash of \$453,278, net receivables of \$22,655, and investment in capital assets of \$11,282). Total liabilities and deferred inflows of resources were \$305,893 of which \$301,679 was payable within one year. The District's net position, therefore, was \$181,322 on May 31, 2018.

**CEDAR BAYOU PARK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2019**

Changes in net position – The District's total operating revenues were \$290,838 for 2019. The District's revenues consist of 88% from charges for services and 12% from taxes. During 2019, the District also received \$243,175 from insurance proceeds related to Hurricane Harvey. Total revenues less expenses of \$369,561 equals to the increase in net position of \$207,180 for the year ended May 31, 2019. This compares to the District's total operating revenues in 2018 of \$201,643, when the District's revenues consisted of 86% from charges for services and 14% from taxes. During 2018, the District also received \$395,382 from insurance proceeds related to Hurricane Harvey. Total revenues less expenses of \$526,105 equals to the increase in net position of \$71,036 for the year ended May 31, 2018.

GOVERNMENTAL FUNDS

- In 2019, the District assessed a maintenance tax of \$.09272 per \$100 valuation to supplement operating revenues.
- Sewer service rates increased between fiscal years 2018 and 2019. Total revenues exceeded total operating expenses, which was due to an increase in sewer service rates and receiving insurance proceeds as a result of Hurricane Harvey. Rates are raised and lowered from year to year to fund needed repairs to the system.
- The total cost of all programs and services in the District was \$369,561 for 2019 and \$526,105 for 2018. The governmental activities and their percentages are shown below. Those amounts calculated under .5% are shown as 0%.

	2018		2019	
Management and Consulting Fees	\$ 49,253	9%	\$ 45,880	12%
Legal & Professional	50,453	10%	54,387	15%
Utilities	2,701	1%	-	0%
Maintenance	320,023	40%	46,507	13%
Tax Collector Fees	3,600	1%	3,600	1%
Regulatory Assessment	1,446	0%	206	0%
Bulk Water Purchases	68,329	13%	145,229	39%
Insurance	2,416	0%	3,283	1%
Collection Expenditure	24,086	5%	19,155	5%
Miscellaneous	3,798	1%	5,239	1%
Capital Outlay	-	0%	46,075	12%
	<u>\$ 526,105</u>		<u>\$ 369,561</u>	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$534,013 for the year. An ad valorem tax is levied upon all taxable property subject to taxation within the District. The current amount levied represents \$.09272 per \$100 valuation. The ad valorem tax levy is used for operations within the District. Total appraised and assessed values for the period were approximately \$31.1 million and \$30.6 million, respectively. Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property taxes are recognized as revenues when received. Taxes levied but not collected are reported as deferred inflows of resources in the fund statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were more than the original and final budget (see page 16) amount by \$104,448.

Actual expenditures were \$247,239 less than final budgeted amounts. Most notable variances were attributed to decreases in management and consulting, legal and professional, and maintenance expenditures during the current fiscal year. The District incurred majority of the additional expenditures related to the damage of Hurricane Harvey in the prior year, including wastewater purchases and repairs and maintenance.

**CEDAR BAYOU PARK UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2019**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. The District's capital assets were fully depreciated in prior years; therefore, no depreciation expense is recorded in the accompanying financial statements.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Water and sewer system	25 years
Machinery and equipment	5-10 years
Improvements	10-20 years

Long-Term Debt

The District has no outstanding bonded indebtedness.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In August 2017, the District's wastewater treatment plant suffered significant damages rendering it inoperable. The District entered into an agreement with the City of Baytown to treat the wastewater. The District is exploring options to construct new facilities or continue its agreement with the City.

For fiscal year 2020, the District did not change its tax rate or sewer rates. Management believes anticipated tax collections should provide adequate funds to meet its 2020 obligations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors of Cedar Bayou Park Utility District with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District at 281-422-8166.

**CEDAR BAYOU PARK UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019**

	GENERAL FUND	ADJUSTMENTS (NOTE 1)	STATEMENT OF NET POSITION
ASSETS			
Cash	\$ 360,088	\$ -	\$ 360,088
Receivables:			
Taxes	1,225	-	1,225
Sewer service, net of \$1,500 allowance for uncollectible accounts	19,792	-	19,792
Capital assets (net of accumulated depreciation)	-	57,357	57,357
TOTAL ASSETS	\$ 381,105	\$ 57,357	\$ 438,462
LIABILITIES			
Accounts payable	\$ 43,196	\$ -	43,196
Customer deposits	6,764	-	6,764
TOTAL LIABILITIES	49,960	-	49,960
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	1,225	(1,225)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,225	(1,225)	-
FUND BALANCES/NET POSITION			
Fund balances:			
Unassigned	329,920	(329,920)	-
TOTAL FUND BALANCES	329,920	(329,920)	-
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 381,105		
Net position:			
Net investment in capital assets		57,357	57,357
Unrestricted		331,145	331,145
TOTAL NET POSITION		\$ 388,502	\$ 388,502

The accompanying notes are an integral part of this financial statement.

**CEDAR BAYOU PARK UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2019**

	GENERAL FUND	ADJUSTMENTS (NOTE 1)	STATEMENT OF ACTIVITIES
Revenues:			
Charges for sewer services	\$ 255,755	\$ -	\$ 255,755
Property taxes and related revenue	31,561	(3,347)	28,214
Penalties and interest	3,421	-	3,421
Investment earnings	101	-	101
Other revenue	243,175	-	243,175
Total revenues	<u>534,013</u>	<u>(3,347)</u>	<u>530,666</u>
Expenditures/expenses:			
Service operations:			
Management and consulting fees	\$ 45,880	\$ -	\$ 45,880
Legal and professional	54,387	-	54,387
Maintenance	46,507	-	46,507
Tax collector fees	3,600	-	3,600
Regulatory assessment	206	-	206
Bulk water and wastewater service purchases	145,229	-	145,229
Insurance	3,283	-	3,283
Collection expenditure	19,155	-	19,155
Miscellaneous	5,239	-	5,239
Capital outlay	46,075	(46,075)	-
Total expenditures/expenses	<u>369,561</u>	<u>(46,075)</u>	<u>323,486</u>
Excess (deficiency) of revenues over expenditures	164,452	42,728	
Other financing sources/uses:			
Transfers	-	-	
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	164,452	(164,452)	
Change in net position		207,180	207,180
Fund balance/net position			
Beginning of the year	<u>165,468</u>	<u>15,854</u>	<u>181,322</u>
End of the year	<u>\$ 329,920</u>	<u>\$ 58,582</u>	<u>\$ 388,502</u>

The accompanying notes are an integral part of this financial statement.

CEDAR BAYOU PARK UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Cedar Bayou Park Utility District (the District) was created, effective May 21, 1969, by the 61st Legislature of the State of Texas and operates under Chapter 51 of the Texas Water Code. The Board of Directors held its first meeting on January 18, 1969 and the first bonds were sold on November 9, 1978. The District provides wastewater services to residents and businesses within its boundaries. Generally all revenues are derived from sale of services or taxes levied on real and personal property within the District. No funds are received from other local, state or federal government sources. The District is governed by a board of directors elected by the public. The Board has decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The accompanying statements of the District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The financial statements include all activities and functions that comprise the District (the primary entity) and for which it is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units. Additionally, the District is not a component unit of any other governmental entity.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's sewer services are classified as governmental activities.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected as of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Grants and entitlements and interest associated with the current fiscal period are considered susceptible to accrual and are recognized as revenues when earned. All other revenue items are considered measurable and available only when the District receives cash.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

**CEDAR BAYOU PARK UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019**

Governmental Funds

Governmental funds are those through which most governmental functions are typically financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance.

The District reports the following major governmental fund:

General Fund - used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Texas and the bylaws of the District.

Revenues – Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. For the District, available means expected to be received by the close of the fiscal year. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving value in return, include ad valorem taxes. On an accrual basis, revenue from ad valorem taxes is recognized in the fiscal year in which the taxes are levied. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Cash

At May 31, 2019, the carrying amount of the District's cash was \$360,088 and the bank balance was \$359,640. From this amount, \$93,587 is not covered by Federal depository insurance.

Capital Assets

Capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Water and sewer system	25 years
Machinery and equipment	5-10 years
Improvements	10-20 years

**CEDAR BAYOU PARK UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019**

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not report any deferred outflows of resources in the financial statements.

In addition to liabilities, the financial statements sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable property tax revenue as deferred inflows of resources in the fund financial statements.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The classifications used in the government-wide financial statements are as follows:

- *Net investment in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- *Restricted net position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted net position* – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The District's policy is to first apply restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net position is available.

Fund Balance

In the fund financial statements, governmental fund balances are reported in the following classifications:

- *Nonspendable* – amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.
- *Committed* – amounts that can only be used for specific purposes determined by a formal action of the Board of Directors (highest level of decision-making authority).
- *Assigned* – amounts intended to be used by the District for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors.
- *Unassigned* – all other spendable amounts in the General Fund that are available for any purpose.

**CEDAR BAYOU PARK UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019**

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the District specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the District's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation ("adjustments column") between *total governmental fund balances* and *net position of governmental activities* as reported in the government-wide statement of net position. Capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. The details of the reconciliation are as follows:

Capital assets, net	\$ 57,357
Unavailable revenue - property taxes	1,225
Net adjustments to increase fund balance - total governmental funds to arrive at net position	\$ 58,582

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation ("adjustments column") between *net changes in fund balances--total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. The explanation of the elements of that reconciliation follow. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds until they are available. Governmental funds report capital outlays as expenditures; however, costs of those assets is capitalized and depreciated over their estimated useful lives.

The details of the reconciliation are as follows:

Property taxes receivable (net)	\$ (3,347)
Expenditures for capital assets	46,075
Net adjustments to increase net changes in fund balances--total governmental funds to change in net position of governmental activities	\$ 42,728

Budget

The District adopts an annual budget which is used as a management tool only. The budget, prepared in accordance with U.S. generally accepted accounting principles, is not an "appropriations" budget.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**CEDAR BAYOU PARK UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019**

2. PROPERTY TAX

An ad valorem tax is levied upon all taxable property subject to taxation within the District. The current amount levied represents \$.09272 per \$100.00 valuation. The ad valorem tax levy is used to supplement General Fund revenues. (Total appraised and assessed values for the 2018-19 fiscal year were approximately \$31.1 million and \$30.6 million, respectively.)

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property taxes are recognized as revenues when received. Taxes levied but not collected are reported as unavailable revenues in the fund financial statements.

3. CHANGES IN CAPITAL ASSETS

A summary of changes in Capital Assets follows:

Capital Assets	Balance May 31, 2018	Additions	Deletions	Balance May 31, 2019
<u>Not Being Depreciated:</u>				
Land	\$ 11,282	\$ 21,053	\$ -	\$ 32,335
Construction in Progress	-	25,022	-	25,022
<u>Being Depreciated:</u>				
Wastewater Treatment Plant	-	-	-	-
Wastewater Collection System	231,562	-	-	231,562
Organization Costs	65,814	-	-	65,814
Accumulated Depreciation and Amortization	(297,376)	-	-	(297,376)
Total Capital Assets	<u>\$ 11,282</u>	<u>\$ 46,075</u>	<u>\$ -</u>	<u>\$ 57,357</u>

4. LONG-TERM DEBT

The District had no outstanding bonded indebtedness during the year ended May 31, 2019.

5. PENSION PLAN

The District has no employees and therefore has no pension plan.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool (the Pool). The Pool is a public entity risk pool currently operating as a common risk management and insurance program. The District pays an annual premium to the Pool for its property, casualty, and liability insurance coverage. The Pool is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverages has its own level of reinsurance. All coverage amounts are substantially unchanged from prior year amounts and settled claims have not exceeded commercial coverage in any of the past three fiscal years.

**CEDAR BAYOU PARK UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019**

7. CONSTRUCTION COMMITMENTS

At May 31, 2019, the District had a commitment under a construction contract totaling approximately \$222,000.

8. HURRICANE HARVEY

In August 2017, the President of the United States issued a major disaster declaration where the District is located. The major disaster declaration made federal assistance available for debris removal and emergency protective measures, including direct federal assistance, under the Public Assistance program. The District has utilized its general fund balance to cover Hurricane Harvey related expenses. The District has filed for reimbursement from the Federal Emergency Management Agency for eligible disaster-related expenses

9. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 25, 2019, the date which the financial statements were available to be issued.

**CEDAR BAYOU PARK UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2019**

	<u>ACTUAL</u>	<u>ORIGINAL*</u> <u>BUDGET</u>	<u>VARIANCE</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
Revenues:			
Charges for sewer services	\$ 255,755	\$ 150,000	\$ 105,755
Property taxes and related revenue	31,561	29,000	2,561
Penalties and interest	3,421	550	2,871
Investment earnings	101	15	86
Other revenue	243,175	250,000	(6,825)
	<u>534,013</u>	<u>429,565</u>	<u>104,448</u>
Total revenues			
Expenditures/expenses:			
Service operations:			
Management and consulting fees	45,880	108,500	62,620
Legal and professional	54,387	125,100	70,713
Utilities	-	6,000	6,000
Maintenance	46,507	332,500	285,993
Tax collector fees	3,600	3,600	-
Regulatory assessment	206	1,490	1,284
Bulk water and wastewater services purchases	145,229	5,500	(139,729)
Insurance	3,283	2,500	(783)
Collection expenditure	19,155	25,500	6,345
Miscellaneous	5,239	6,110	871
Capital outlay	46,075	-	(46,075)
	<u>369,561</u>	<u>616,800</u>	<u>247,239</u>
Total expenditures/expenses			
Excess (deficiency) of revenues over expenditures	164,452	(187,235)	351,687
Other financing sources/uses:			
Transfers	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	164,452	(187,235)	351,687
Fund Balance:			
Beginning of the year	165,468	165,468	-
	<u>165,468</u>	<u>165,468</u>	<u>-</u>
End of the year	<u>\$ 329,920</u>	<u>\$ (21,767)</u>	<u>\$ 351,687</u>

*Budget was not amended during the fiscal year.

The District adopts an annual budget which is used as a management tool only. The budget, prepared in accordance with U.S. generally accepted accounting principles, is not an "appropriations" budget.

**CEDAR BAYOU PARK UTILITY DISTRICT
 SUPPLEMENTAL SCHEDULES INCLUDED WITHIN THIS REPORT
 MAY 31, 2019**

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Board Members, Key Personnel, and Consultants	24

A Schedule of Temporary Investments is not included as there were no temporary investments during the year ended May 31, 2019.

A Schedule of Long-Term Debt Service Requirements by Years is not included as there was no outstanding bonded indebtedness during the year ended May 31, 2019.

A Schedule of Changes in Long-Term Bonded Debt is not included as there was no outstanding bonded indebtedness during the year ended May 31, 2019.

**CEDAR BAYOU PARK UTILITY DISTRICT
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
MAY 31, 2019**

a. Creation of District:

See Note 1 to financial statements.

b. Contingent Liabilities:

The District had no contingent liabilities at May 31, 2019.

c. Pension Coverage:

See Note 5 to financial statements.

d. Pledges of Revenues:

See Note 4 to the financial statements. The District had no outstanding bond indebtedness at May 31, 2019.

e. Compliance with Debt Service Requirements:

See Note 4 to the financial statements. The District had no outstanding bond indebtedness at May 31, 2019.

f. Bond Redemption:

See Note 4 to the financial statements. The District had no outstanding bond indebtedness at May 31, 2019.

**CEDAR BAYOU PARK UTILITY DISTRICT
SERVICES AND RATES
MAY 31, 2019**

1. **Services Provided by the District during the Fiscal Year:**

- | | | |
|--|---|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service
(other than emergency interconnect) | | |
| <input type="checkbox"/> Other | | |

2. **Retail Service Providers:**

a. **Retail rates for a 5/8" meter (or equivalent):**

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum Use	Usage Levels
WATER:	\$ _____ -	N/A	N/A	\$ _____ -	_____ to _____
WASTEWATER:	\$ 40.00 (in District)	N/A	Y	\$ _____ -	_____ to _____
	\$ 62.49 (out of District)	N/A	Y	\$ _____ -	_____ to _____
SURCHARGE:	\$ _____ N/A	N/A	N/A	\$ _____ -	_____ to _____

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

Total charges per 10,000 gallons usage: Water: \$ _____ Wastewater: \$40 in District; \$62.49 out of District

b. **Water and Wastewater Retail Connections:**

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	_____	_____	X 1.0	_____
≤ 3/4"	_____	_____	X 1.0	_____
1"	_____	_____	X 2.5	_____
1 1/2"	_____	_____	X 5.0	_____
2"	_____	_____	X 8.0	_____
3"	_____	_____	X 15.0	_____
4"	_____	_____	X 25.0	_____
6"	_____	_____	X 50.0	_____
8"	_____	_____	X 80.0	_____
10"	_____	_____	X 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	186	159	X 1.0	159

**CEDAR BAYOU PARK UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2019**

Personnel Expenditures (including benefits)*	\$ -
Professional Fees:	
Auditing	8,575
Legal	14,444
Engineering	25,376
Financial Advisor	1,200
Purchased Services for Resale:	
Bulk Water & Wastewater Services Purchases	145,229
Contracted Services:	
Bookkeeping	4,800
General Manager	61,336
Appraisal District	206
Tax Collector	3,600
Other Contracted Services	-
Utilities	-
Repairs and Maintenance	46,406
Administrative Expenditures:	
Directors' Fees	3,200
Office Supplies	-
Insurance	3,283
Other Administrative Expenditures	5,831
Capital Outlay:	
Capitalized Assets	46,075
Expenditures not Capitalized	-
Tap Connection Expenditures	-
Solid Waste Disposal	-
Fire Fighting	-
Parks and Recreation	-
Other Expenditures	-
TOTAL EXPENDITURES	<u>\$ 369,561</u>

**CEDAR BAYOU PARK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
MAY 31, 2019**

	Maintenance Taxes			
Taxes receivable, beginning of year	\$		4,572	
2018 original tax levy			25,882	
(+/- adjustments)			2,340	
Total to be accounted for			32,794	
Tax collections:				
Current year			27,260	
Prior years			4,309	
Total collections			31,569	
Taxes receivable, end of year	\$		1,225	
Taxes receivable, by years				
2017	\$		379	
2018			846	
Taxes receivable, end of year	\$		1,225	
		2018	2017	2016
Property valuations:				2015
Land	\$	7,719,388	\$ 7,719,388	\$ 4,025,783
Improvements		22,908,811	25,504,964	27,640,395
Personal property		493,386	465,504	570,005
Total property valuations		\$ 31,121,585	\$ 33,689,856	\$ 32,236,183
Tax rates per \$100 valuation:				
Maintenance tax rates	\$	0.09272	\$ 0.08674	\$ 0.08822
Debt service tax rates		-	-	-
Total tax rates per \$100 valuation	\$	0.09272	\$ 0.08674	\$ 0.08822
Original tax levy:	\$	25,882	\$ 27,387	\$ 25,202
Percent of taxes collected to taxes levied*		96.90%	97.20%	97.60%
		97.20%		

* Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

**CEDAR BAYOU PARK UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES –
GENERAL FUND
FIVE YEARS ENDED MAY 31, 2019**

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
REVENUES:										
Charges for sewer services	\$ 255,755	\$ 172,953	\$ 137,371	\$ 139,284	\$ 136,869	48%	29%	83%	85%	85%
Property taxes and related revenue	31,561	28,204	26,983	24,497	23,814	6%	5%	16%	15%	15%
Penalties and interest	3,421	472	667	504	349	1%	0%	0%	0%	0%
Investment earnings	101	14	25	9	8	0%	0%	0%	0%	0%
Other	243,175	395,382	30	21	30	46%	66%	0%	0%	0%
TOTAL REVENUES	534,013	597,025	165,076	164,315	161,070	100%	100%	100%	100%	100%
EXPENDITURES:										
Management and consulting fees	45,880	49,253	48,487	48,255	47,560	9%	8%	29%	29%	30%
Legal and professional	54,387	50,453	14,832	22,193	14,983	10%	8%	9%	14%	9%
Utilities	-	2,701	6,346	6,651	8,075	0%	0%	4%	4%	5%
Maintenance	46,507	320,023	79,466	43,763	54,065	9%	54%	48%	27%	34%
Tax Collector Fees	3,600	3,600	3,600	3,600	3,600	1%	1%	2%	2%	2%
Regulatory assessment	206	1,446	1,397	1,490	7,503	0%	0%	1%	1%	5%
Bulk water purchases	145,229	68,329	5,295	4,327	4,181	27%	11%	3%	3%	3%
Insurance	3,283	2,416	2,366	2,302	2,244	1%	0%	1%	1%	1%
Collection expenditure	19,155	24,086	27,555	24,244	16,711	4%	4%	17%	15%	10%
Miscellaneous	5,239	3,798	5,963	4,831	4,457	1%	1%	4%	3%	3%
Capital Outlay	46,075	-	-	-	-	9%	0%	0%	0%	0%
TOTAL EXPENDITURES	369,561	526,105	195,307	161,656	163,379	69%	88%	118%	98%	101%
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 164,452	\$ 70,920	\$ (30,231)	\$ 2,659	\$ (2,309)	31%	12%	-18%	2%	-1%

**CEDAR BAYOU PARK UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES –
DEBT SERVICE FUND
FIVE YEARS ENDED MAY 31, 2019**

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
REVENUES:										
Property taxes and related revenue	\$ -	\$ -	\$ -	\$ -	\$ -	0%	0%	0%	0%	0%
Penalties and interest	-	-	-	-	-	0%	0%	0%	0%	0%
Interest income	-	-	-	-	-	0%	0%	0%	0%	0%
TOTAL REVENUES	-	-	-	-	-	0%	0%	0%	0%	0%
EXPENDITURES:										
Principal retirement	-	-	-	-	-	0%	0%	0%	0%	0%
Debt service - interest	-	-	-	-	-	0%	0%	0%	0%	0%
Tax collector fees	-	-	-	-	-	0%	0%	0%	0%	0%
Miscellaneous	-	-	-	-	-	0%	0%	0%	0%	0%
TOTAL EXPENDITURES	-	-	-	-	-	0%	0%	0%	0%	0%
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	0%	0%	0%	0%	0%
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	159	159	168	169	170					

**CEDAR BAYOU PARK UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
MAY 31, 2019**

Complete District Mailing Address:

Mr. Herbert E. Bruner, President
Cedar Bayou Park Utility District
c/o Reid, Strickland & Gillette
1300 Rollingbrook Drive
Baytown, Texas 77521

District Business Telephone Number:

(281) 422-8166

Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): November 1, 2016

Limit on Fees of Office that a Director may receive during a fiscal year: \$50 per meeting + \$50 for extra duties
(set by Board Resolution – TWC Section 49.060)

Name	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid* May 31, 2019	Expense Reimbursements May 31, 2019	Title at Year End
Board Members:				
Herbert E. Bruner, Jr.	(Elected) 05/14-05/20	\$ 600	\$ 250	President
Dennis Sanderson	(Elected) 05/14-05/20	\$ 600	\$ 50	Director
Tom Ortman	(Appointed) 05/18-05/20	\$ 600	-	Director
Crystal Butler	(Appointed) 11/18-05/22	\$ 550	\$ 100	Secretary
Raland Wray	(Elected) 05/14-05/20	\$ 450	-	Director
Key Administrative Personnel:				
None				
Consultants:				
Reid, Strickland, & Gillette, L.L.P.	06/90	\$ 10,611	\$ -	Attorney
Fred M. Bosse	10/17	\$ 2,385	\$ -	Attorney
Bob Leared Interests	02/78	\$ 4,075	\$ 1,412	Tax Assessor/ Collector
Gulf Coast Waste Disposal Authority	1978	\$ 61,336	\$ 192,788	Operator/ General Manager
Bethany Credeur, CPA	09/16	\$ 5,525	\$ -	Accountant
Start, Garcia & Stanley, LLC	09/18	\$ 8,575	\$ -	Auditor
LJA Engineering & Surveying, Inc.	07/08	\$ 47,646	\$ 2,752	Engineer
KDM Acquisition Services, Inc.	04/18	\$ 1,440	\$ -	ROW Agent

*Fees of Office are the amounts actually paid to a director during the District's fiscal year.