

CROSBY MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

CROSBY MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO FINANCIAL STATEMENTS	16-38
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL-GENERAL FUND	40
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS	41-42
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION	43
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS	44
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to financial statements)	
SERVICES AND RATES	46-48
GENERAL FUND EXPENDITURES	49
INVESTMENTS	50
TAXES LEVIED AND RECEIVABLE	51-52
LONG-TERM DEBT SERVICE REQUIREMENTS	53-58
ANALYSIS OF CHANGES IN LONG-TERM DEBT	59-60
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND- FIVE YEARS	61-64
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	65-66

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Crosby Municipal Utility District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Crosby Municipal Utility District (the "District"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Crosby Municipal Utility District

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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 1, 2021

CROSBY MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020

Management's discussion and analysis of Crosby Municipal Utility District (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities, deferred inflows of resources and deferred outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for customer service revenues, tax revenues 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.

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

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund. Additional schedules related to the pension plan and the other postemployment benefits plan are included as RSI as well.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$16,206,484 as of December 31, 2020. A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as the water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in Net Position:

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 11,458,793	\$ 13,517,395	\$ (2,058,602)
Capital Assets (Net of Accumulated Depreciation)	17,223,533	14,551,709	2,671,824
Total Assets	\$ 28,682,326	\$ 28,069,104	\$ 613,222
Deferred Outflows of Resources	\$ 183,950	\$ 305,825	\$ (121,875)
Long -Term Liabilities	\$ 9,629,577	\$ 10,821,366	\$ 1,191,789
Other Liabilities	1,617,476	978,570	(638,906)
Total Liabilities	\$ 11,247,053	\$ 11,799,936	\$ 552,883
Deferred Inflows of Resources	\$ 1,412,739	\$ 1,496,405	\$ 83,666
Net Position:			
Net Investment in Capital Assets	\$ 12,049,672	\$ 10,854,883	\$ 1,194,789
Restricted	1,397,403	1,256,470	140,933
Unrestricted	2,759,409	2,967,235	(207,826)
Total Net Position	\$ 16,206,484	\$ 15,078,588	\$ 1,127,896

*

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

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,475,040	\$ 1,518,766	\$ (43,726)
Charges for Services	2,222,142	2,282,368	(60,226)
Other Revenues	882,415	585,163	297,252
Total Revenues	\$ 4,579,597	\$ 4,386,297	\$ 193,300
Expenses for Services	3,451,701	3,247,130	(204,571)
Change in Net Position	\$ 1,127,896	\$ 1,139,167	\$ (11,271)
Net Position, Beginning of Year	15,078,588	13,939,421	1,139,167
Net Position, End of Year	\$ 16,206,484	\$ 15,078,588	\$ 1,127,896

*

*As adjusted, see Note 15.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2020, were \$8,577,798, a decrease of \$2,574,232 from the prior year.

The General Fund fund balance decreased by \$154,310. Operating revenues exceeded operating and capital costs which was offset by a transfer to the Capital Projects Fund.

The Debt Service Fund fund balance increased by \$119,953, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$2,539,875, primarily due to the use of bond proceeds received in a prior year to pay for current year projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$192,825 less than budgeted revenues, actual expenditures were \$93,027 less than budgeted expenditures and actual transfers exceeded budgeted transfers by \$176,602. This resulted in a negative variance of \$276,400. See the budget to actual comparison for more information.

LONG-TERM DEBT ACTIVITY

As of December 31, 2020, the District had total bond debt payable of \$9,600,000. The changes in the debt position of the District during the fiscal year ended December 31, 2020, are summarized as follows:

Bond Debt Payable, January 1, 2020	\$ 10,695,000
Less: Bond Principal Paid	<u>1,095,000</u>
Bond Debt Payable, December 31, 2020	<u>\$ 9,600,000</u>

The District's Series 2011 and Series 2011 Refunding Bonds carry underlying ratings of "A" and an insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The Series 2015 Refunding, Series 2017 and Series 2019 Bonds carry underlying ratings of "A" and insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. These ratings were in effect for the current and prior fiscal years.

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

CAPITAL ASSETS

Capital assets as of December 31, 2020, total \$17,223,533 (net of accumulated depreciation) and include land, buildings and equipment, furniture and fixtures, vehicles as well as the water, sewer and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 260,900	\$ 260,900	\$
Construction in Progress	3,272,833	2,243,639	1,029,194
Capital Assets, Net of Accumulated Depreciation:			
Water System	4,993,111	4,713,365	279,746
Wastewater System	8,138,602	7,113,063	1,025,539
Buildings, Furniture, Fixtures	439,017	67,911	371,106
Vehicles, Machinery, Equipment	119,070	152,831	(33,761)
Total Net Capital Assets	<u>\$ 17,223,533</u>	<u>\$ 14,551,709</u>	<u>\$ 2,671,824</u>

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 Crosby Municipal Utility District, P.O. Box 249, Crosby, TX 77532

CROSBY MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 602,974	\$ 1,312,103
Investments	2,488,724	665,703
Receivables:		
Property Taxes	7,017	792,858
Penalty and Interest on Delinquent Taxes		
Service Accounts	171,691	
Other	270	
Due from Other Funds	4,326	
Prepaid Costs	23,492	
Net Pension Asset		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 3,298,494</u>	<u>\$ 2,770,664</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	\$	\$
Deferred Charges on Refunding Bonds		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,298,494</u>	<u>\$ 2,770,664</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 2,598,534	\$ 4,513,611	\$	\$ 4,513,611
2,539,077	5,693,504		5,693,504
	799,875		799,875
		87,682	87,682
	171,691		171,691
	270		270
	4,326	(4,326)	
	23,492		23,492
		168,668	168,668
		260,900	260,900
		3,272,833	3,272,833
		13,689,800	13,689,800
<u>\$ 5,137,611</u>	<u>\$ 11,206,769</u>	<u>\$ 17,475,557</u>	<u>\$ 28,682,326</u>
\$	\$	\$ 113,925	\$ 113,925
		70,025	70,025
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 183,950</u>	<u>\$ 183,950</u>
<u>\$ 5,137,611</u>	<u>\$ 11,206,769</u>	<u>\$ 17,659,507</u>	<u>\$ 28,866,276</u>

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

CROSBY MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 126,299	\$ 4,621
Accrued Interest Payable		
Compensated Absences Payable	62,541	
Due to Other Funds		476
Security Deposits	225,495	
Net Other Postemployment Benefits Liability		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 414,335</u>	<u>\$ 5,097</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 7,493	\$ 1,450,126
Deferred Inflows - Pensions		
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 7,493</u>	<u>\$ 1,450,126</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 23,492	\$
Restricted for Authorized Construction		
Restricted for Debt Service		1,315,441
Assigned to 2021 Budget	28,250	
Unassigned	<u>2,824,924</u>	
TOTAL FUND BALANCES	<u>\$ 2,876,666</u>	<u>\$ 1,315,441</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,298,494</u>	<u>\$ 2,770,664</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 748,070	\$ 878,990	\$	\$ 878,990
		109,780	109,780
	62,541		62,541
3,850	4,326	(4,326)	
	225,495		225,495
		340,670	340,670
		1,050,000	1,050,000
		8,579,577	8,579,577
<u>\$ 751,920</u>	<u>\$ 1,171,352</u>	<u>\$ 10,075,701</u>	<u>\$ 11,247,053</u>
\$	\$ 1,457,619	\$ (104,060)	\$ 1,353,559
		59,180	59,180
<u>\$ - 0 -</u>	<u>\$ 1,457,619</u>	<u>\$ (44,880)</u>	<u>\$ 1,412,739</u>
\$	\$ 23,492	\$ (23,492)	\$
4,385,691	4,385,691	(4,385,691)	
	1,315,441	(1,315,441)	
	28,250	(28,250)	
	2,824,924	(2,824,924)	
<u>\$ 4,385,691</u>	<u>\$ 8,577,798</u>	<u>\$ (8,577,798)</u>	<u>\$ - 0 -</u>
<u>\$ 5,137,611</u>	<u>\$ 11,206,769</u>		
		\$ 12,049,672	\$ 12,049,672
		1,397,403	1,397,403
		2,759,409	2,759,409
		<u>\$ 16,206,484</u>	<u>\$ 16,206,484</u>

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

CROSBY MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020

Total Fund Balances - Governmental Funds	\$ 8,577,798
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	17,223,533
Assets, liabilities, deferred inflows of resources and deferred outflows of resources related to pension and other postemployment benefits are recorded in the government-wide financial statements.	(117,257)
The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.	70,025
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.	191,742
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	\$ (109,780)
Bonds Payable	(9,629,577)
	<u>(9,739,357)</u>
Total Net Position - Governmental Activities	<u>\$ 16,206,484</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

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

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 4,081	\$ 1,467,926
Water and Wastewater Service	1,869,850	
Penalty and Interest	29,119	50,294
Tap Connection and Inspection Fees	264,097	
Grant Proceeds		
Investment and Miscellaneous Revenues	<u>60,978</u>	<u>43,337</u>
TOTAL REVENUES	<u>\$ 2,228,125</u>	<u>\$ 1,561,557</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 1,003,901	\$
Professional and Contracted Services	243,873	42,425
Purchased Water Service	175,680	
Utilities	99,830	
Repairs and Maintenance	245,308	
Depreciation		
Other	420,854	9,389
Capital Outlay	16,387	
Loss on Disposal of Assets		
Debt Service:		
Bond Principal		1,095,000
Bond Interest		<u>294,790</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 2,205,833</u>	<u>\$ 1,441,604</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 22,292</u>	<u>\$ 119,953</u>
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	<u>\$ (176,602)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (154,310)</u>	<u>\$ 119,953</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2020, AS ADJUSTED	<u>3,030,976</u>	<u>1,195,488</u>
FUND BALANCES/NET POSITION - DECEMBER 31, 2020	<u><u>\$ 2,876,666</u></u>	<u><u>\$ 1,315,441</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,472,007	\$ 3,033	\$ 1,475,040
	1,869,850		1,869,850
	79,413	8,782	88,195
	264,097		264,097
710,979	710,979		710,979
67,121	171,436		171,436
<u>\$ 778,100</u>	<u>\$ 4,567,782</u>	<u>\$ 11,815</u>	<u>\$ 4,579,597</u>
\$	\$ 1,003,901	\$ 83,027	\$ 1,086,928
	286,298		286,298
	175,680		175,680
	99,830		99,830
132,403	377,711		377,711
		672,641	672,641
4,266	434,509		434,509
3,357,908	3,374,295	(3,374,295)	
		29,830	29,830
	1,095,000	(1,095,000)	
	294,790	(6,516)	288,274
<u>\$ 3,494,577</u>	<u>\$ 7,142,014</u>	<u>\$ (3,690,313)</u>	<u>\$ 3,451,701</u>
<u>\$ (2,716,477)</u>	<u>\$ (2,574,232)</u>	<u>\$ 3,702,128</u>	<u>\$ 1,127,896</u>
<u>\$ 176,602</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ (2,539,875)	\$ (2,574,232)	\$ 2,574,232	\$
		1,127,896	1,127,896
<u>6,925,566</u>	<u>11,152,030</u>	<u>3,926,558</u>	<u>15,078,588</u>
<u>\$ 4,385,691</u>	<u>\$ 8,577,798</u>	<u>\$ 7,628,686</u>	<u>\$ 16,206,484</u>

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

**CROSBY 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, 2020**

Net Change in Fund Balances - Governmental Funds	\$	(2,574,232)
--	----	-------------

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.		3,033
--	--	-------

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.		8,782
---	--	-------

The changes in assets, liabilities, deferred inflows of resources and deferred outflows of resources pertaining to pension and other postemployment benefits are reflected in the Statement of Activities.		(83,027)
--	--	----------

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.		(672,641)
--	--	-----------

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		3,344,465
---	--	-----------

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.		1,095,000
---	--	-----------

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.		6,516
---	--	-------

Change in Net Position - Governmental Activities	\$	<u>1,127,896</u>
--	----	------------------

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

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1. CREATION OF DISTRICT

The District was created by an Act of the 59th Legislature, Regular Session, 1965 (compiled as 8280-315, Vernon's Texas Civil Statutes) and codified as Chapter 9012 of the Texas Special District Local Laws Code, in order to provide water and sanitary sewer service to the unincorporated community of Crosby. The District currently operates under the provisions of Chapters 49 and 54 of the Texas Water Code, and other general statutes of the State of Texas applicable to municipal utility districts. The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; and the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the Commission and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance parks and recreational facilities.

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.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Net Position classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- 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 Statement of Revenues, Expenditures and Changes in Fund Balances.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, tax revenues 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, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include 2019 taxes collected during the period October 1, 2019, to December 31, 2020. In additions, taxes collected from January 1, 2020, to December 31, 2020 for the 2018 and prior tax levies are included in revenue. The 2020 tax levy has been fully deferred.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of December 31, 2020, the Debt Service Fund recorded a payable to the General Fund in the amount of \$476 for maintenance tax collections and the Capital Projects Fund owes the General Fund \$3,850 for bond issuance costs. During the current fiscal year, the General Fund transferred \$176,602 to the Capital Projects Fund for construction costs.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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. Engineering fees and certain other costs are capitalized as part of the asset.

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

	<u>Years</u>
Buildings	20-40
Furniture and Fixtures	5-10
Vehicles	5-10
Machinery and Equipment	7-10
Water Treatment and Distribution System	15-50
Sewer Treatment and Collection System	15-50

Budgeting

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

Pension and Other Postemployment Benefits

The Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only. A pension plan has not been established for the directors. A plan has been established for the District's employees other than directors. See Notes 8 and 9 for more information on the District's pension plan and other postemployment benefits plan.

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.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of December 31, 2020, the District has assigned \$28,250 of the General Fund fund balance for a projected budget deficit for the year ending December 31, 2021.

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.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3. LONG-TERM DEBT

	Series 2011	Refunding Series 2011	Refunding Series 2015
Amount Outstanding – December 31, 2020	\$ 830,000	\$ 295,000	\$ 2,375,000
Interest Rates	3.80% - 4.625%	3.125%	4.00%
Maturity Date	August 15, 2021/2028	August 15, 2021	August 15, 2021/2027
Interest Payment Dates	February 15/ August 15	February 15/ August 15	February 15/ August 15
Callable Dates	August 15, 2019*	August 15, 2019*	August 15, 2024*

	Series 2017	Series 2019
Amount Outstanding – December 31, 2020	\$ 3,080,000	\$ 3,020,000
Interest Rates	2.00% - 3.25%%	2.00% - 2.85%
Maturity Date	August 15, 2021/2037	August 15, 2021/2039
Interest Payment Dates	February 15/ August 15	February 15/ August 15
Callable Dates	August 15, 2026*	August 15, 2027*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2011 term bonds maturing on August 15, 2020, 2022, 2024, and 2027 are subject to mandatory redemption beginning August 15, 2019, 2021, 2023, and 2025, respectively. Series 2017 term bonds maturing on August 15, 2027, 2029, 2031, 2033, 2035 and 2037, are subject to mandatory redemption beginning August 15, 2026, 2028, 2030, 2032, 2034 and 2036, respectively. Series 2019 term bonds maturing on August 15, 2031, 2033, 2035, 2037 and 2039, are subject to mandatory redemption beginning August 15, 2030, 2032, 2034, 2036 and 2038, respectively.

As of December 31, 2020, the District had authorized but unissued tax bonds in the amount of \$3,050,000 for water, sanitary sewer purposes. Also, on November 6, 2018, voters of the District within the Defined Area authorized the issuance of \$15,000,000 of bonds to be used to pay for utility infrastructure paid by developers. None of these bonds have yet been issued.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

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

	January 1, 2020	Additions	Retirements	December 31, 2020
Bonds Payable	\$ 10,780,000	\$	\$ 1,180,000	\$ 9,600,000
Unamortized Discounts	(126,491)		(9,193)	(117,298)
Unamortized Premiums	167,857		20,982	146,875
Bonds Payable, Net	<u>\$ 10,821,366</u>	<u>\$ -0-</u>	<u>\$ 1,191,789</u>	<u>\$ 9,629,577</u>
			Amount Due Within One Year	\$ 1,050,000
			Amount Due After One Year	8,579,577
			Bonds Payable, Net	<u>\$ 9,629,577</u>

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

Fiscal Year	Principal	Interest	Total
2021	\$ 1,050,000	\$ 292,746	\$ 1,342,746
2022	780,000	260,408	1,040,408
2023	795,000	236,297	1,031,297
2024	820,000	211,398	1,031,398
2025	835,000	185,497	1,020,497
2026-2030	2,640,000	573,075	3,213,075
2031-2035	1,700,000	286,925	1,986,925
2036-2039	980,000	61,260	1,041,260
	<u>\$ 9,600,000</u>	<u>\$ 2,107,606</u>	<u>\$ 11,707,606</u>

During the year ended December 31, 2020, the District levied ad valorem debt service tax rate of \$0.46 per \$100 of assessed valuation, which resulted in a levy of \$1,346,066 on the adjusted taxable valuation of \$292,623,080 for the 2020 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the costs of assessing and collecting taxes. See Note 7 for the defined area maintenance tax levy.

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

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

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 each 5th 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 \$4,513,611 and the bank balance was \$4,667,556. 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, 2020, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 602,974
DEBT SERVICE FUND	1,312,103
CAPITAL PROJECTS FUND	<u>2,598,534</u>
TOTAL DEPOSITS	<u>\$ 4,513,611</u>

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 2,488,724	\$ 2,488,724
<u>DEBT SERVICE FUND</u>		
TexPool	665,703	665,703
<u>CAPITAL PROJECTS FUND</u>		
TexPool	2,539,077	2,539,077
TOTAL INVESTMENTS	<u><u>\$ 5,693,504</u></u>	<u><u>\$ 5,693,504</u></u>

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

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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. At December 31, 2020, the District's investments in TexPool were rated AAAM by Standard & Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool to have a maturity of less than one year due to the fact the share positions can usually be redeemed 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 payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for purchases of capital assets.

NOTE 6. CAPITAL ASSETS

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

	January 1, 2020	Increases	Decreases	December 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 260,900	\$	\$	\$ 260,900
Construction in Progress	2,243,639	3,374,295	2,345,101	3,272,833
Total Capital Assets Not Being Depreciated	\$ 2,504,539	\$ 3,374,295	\$ 2,345,101	\$ 3,533,733
Capital Assets Subject to Depreciation				
Water System	\$ 7,850,616	\$ 560,388	\$	\$ 8,411,004
Wastewater System	11,573,656	1,367,495		12,941,151
Buildings, Furniture, Fixtures	311,019	417,218	152,325	575,912
Vehicles, Machinery, Equipment	635,306		28,087	607,219
Total Capital Assets Subject to Depreciation	\$ 20,370,597	\$ 2,345,101	\$ 180,412	\$ 22,535,286
Accumulated Depreciation				
Water System	\$ 3,137,251	\$ 280,642	\$	\$ 3,417,893
Wastewater System	4,460,593	341,956		4,802,549
Buildings, Furniture, Fixtures	243,108	16,282	122,495	136,895
Vehicles, Machinery, Equipment	482,475	33,761	28,087	488,149
Total Accumulated Depreciation	\$ 8,323,427	\$ 672,641	\$ 150,582	\$ 8,845,486
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 12,047,170	\$ 1,672,460	\$ 29,830	\$ 13,689,800
Total Capital Assets, Net of Accumulated Depreciation	\$ 14,551,709	\$ 5,046,755	\$ 2,374,931	\$ 17,223,533

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7. MAINTENANCE TAX

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District's improvement, if such maintenance tax is authorized by a vote of the District's electors. Such tax would be in addition to taxes, which the District is authorized to levy for paying principal of and interest on the outstanding bonds, and any tax bonds, which may be issued in the future. To date, voters in the District have not approved the levy of a maintenance tax.

NOTE 8. PENSION PLAN

Plan Description

The District provides retirement 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 780 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 on the TCDRS website (www.tcdrs.org).

Benefits Provided

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing the 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 75 or more. Members are vested after 10 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by the District.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credit. 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 employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8. PENSION PLAN (Continued)

Benefits Provided (Continued)

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	<u>2</u>
Inactive employees entitled but not yet receiving benefits	<u>10</u>
Active employees	<u>11</u>

Contributions

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 7.0% for the months of the 2020 accounting year and the 2019 accounting year. The deposit rate payable by the employee members for calendar years 2019 and 2020 is 7.0% 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. For the District's accounting year ended December 31, 2020, the annual pension cost for the TCDRS plan for its employees was \$47,081 and the actual contributions were \$47,081.

Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	12/31/19
Actuarial cost method	Entry Age Normal
Amortization method	Straight-line amortization over expected working life
Asset Valuation Method	5-years, non-asymptotic
Actuarial Assumptions:	
Investment return	8.00%
Projected salary increases	4.90%
Inflation	2.75%
Cost-of-living adjustments	0.00%

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

All actuarial assumptions that determined the total pension liability as of December 31, 2019 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.

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.

Service retirees, beneficiaries and non-depositing members – 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 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Depletion of Plan Assets/ GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

- 1) The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
- 2) The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8. PENSION PLAN (Continued)

Depletion of Plan Assets/ GASB Discount Rate (Continued)

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) An increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8. PENSION PLAN (Continued)

Depletion of Plan Assets/ GASB Discount Rate (Continued)

Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Long-Term Expected Rate of Return

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 capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that 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. See Milliman's TCDRS Investigation of Experience report for period January 1, 2013 – December 31, 2016 for more details.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities-Development	7.00%	5.20%
International Equities-Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	-0.20%
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships (MLPs)	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8. PENSION PLAN (Continued)

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2018	\$ 2,232,302	\$ 2,261,811	\$ (29,509)
Changes for the year:			
Service Costs	81,206		81,206
Interest on the Total Pension Liability	186,685		186,685
Effect of Economic/Demographic			
Gains or Losses	59,395		59,395
Refund of Contributions	(10,707)	(10,707)	
Benefit Payments	(7,152)	(7,152)	
Administrative Expenses		(2,065)	2,065
Member Contributions		47,081	(47,081)
Net investment income		371,358	(371,358)
Employer Contributions		47,081	(47,081)
Other		2,990	(2,990)
Balances of December 31, 2019	<u>\$ 2,541,729</u>	<u>\$ 2,710,397</u>	<u>\$ (168,668)</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	\$ 2,903,993	\$ 2,541,729	\$ 2,238,379
Fiduciary net position	<u>2,710,403</u>	<u>2,710,397</u>	<u>2,710,403</u>
Net pension liability	<u>\$ 193,590</u>	<u>\$ (168,668)</u>	<u>\$ (\$472,024)</u>

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8. PENSION PLAN (Continued)

As of December 31, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 1,236	\$ 55,828
Changes in assumptions		7,045
Net difference between projected and actual earnings	57,944	
Contributions paid to TCDRS subsequent to the measurement date		51,052
Total	<u>\$ 59,180</u>	<u>\$ 113,925</u>

The District made plan contributions subsequent to the measurement date and prior to the District fiscal year-end of \$51,052, which are recorded as deferred outflows of resources. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ 5,660
2021	(3,237)
2022	18,304
2023	(26,934)
2024	9,900
Thereafter	0

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District provides other postemployment benefits (OPEB) for all of its retirees meeting the following conditions: (1) retire from employment with the District and are 65 years of age or older and receiving Medicare; and (2) at the time of retirement, have been employed by the District on a full-time basis for no less than 20 consecutive years and are currently employed full time with the District. The District will pay or reimburse the retired Qualified Employee for the cost of Medicare Parts B, D (Express Scripts), and F (Supplemental Policy). In addition, the District will pay the cost of basic vision and dental coverage for the retired Qualified Employee.

Funding Policy

Currently, the District's other postemployment benefits are unfunded. That is, the District has not determined if a separate Trust Fund or equivalent arrangement will be established into which the District would make contributions to advance-fund the obligation. As of December 31, 2020, there was one retiree receiving other postemployment benefits.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this AMM calculation, the municipal bond rate is 2.00% (based on the daily rate of Fidelity's "20-Year Municipal GO AA Index" closest to but not later than the measurement date). The discount rate was 2.75% as of the beginning of the measurement year.

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Summary of Membership Information

The following table provides a summary of the number of participants in the plan as of the measurement date:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-0-
Active Plan Members	<u>11</u>
Total Plan Members	<u><u>12</u></u>

Sensitivity of Total OPEB Liability

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 2.00%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

1% Decrease 1.00%	Current Discount Rate Assumption 2.00%	1% Increase 3.00%
<u>\$385,148</u>	<u>\$340,670</u>	<u>\$296,631</u>

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of Total OPEB Liability (Continued)

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1% Increase</u>
\$281,420	\$340,670	\$417,396

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each AMM calculation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As authorized by GASB Statement No. 75, the Alternative Measurement Method allows the employer to use simplifications of certain assumptions in measuring the costs and liabilities. The following simplifying assumptions were made:

Retirement age for active employees – Retirement age for active employees was assumed to be age 65, or after 20 years of service, if later.

Active Member Marital Status – Assumption of marital status for active employees has been incorporated in the acceptance probability for spousal coverage. Using this approach, the percentage of future retired plan members taking spousal coverage was assumed at 0%. For active employees, spouses' genders were assumed to be opposite to the members' genders and females were assumed 3 years younger than their spouses. Covered spouse data were collected for current retired plan members as of the valuation date and were assumed to remain unchanged until the assumed death of the spouses.

Mortality – Life expectancies were based on the RP-2000 Generational Combined Healthy Participant mortality tables, projected from the year 2000 using Projection Scale AA.

Turnover – Non-group-specific age-based turnover rates derived from the withdrawal assumptions used in the December 31, 2018 actuarial valuation of the Texas County & District Retirement System were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Methods and Assumptions (Continued)

Health insurance premiums – Health insurance premiums for retirees in effect at January 1, 2021 were used as the basis for calculation of the present value of total benefits to be paid.

Roll Forward Disclosure – Since the measurement date and the valuation date are the same, no update procedures were used to roll forward the total OPEB liability from the December 31, 2020 valuation date to the December 31, 2020 measurement date.

Assumption change – The discount rate was changed from 2.75% as of the beginning of the measurement period to 2.00% as of December 31, 2020 (based on the long-term municipal bond rate). This change increased the total OPEB liability.

GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The District did not have any deferred inflows and outflows of resources as of the measurement date and report date. The net OPEB liability is the difference between the total OPEB liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets. Since the plan is currently unfunded, the net OPEB liability is equal to the total OPEB liability.

The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, not including the impact of employer contributions, adjusted for deferred recognition of the liability.

GASB Statement No. 75 states the employer contributions made to the OPEB plan subsequent to the measurement date and before the end of the employer's reporting period should be reported as a deferred outflow of resources.

A valuation or a calculation using the Alternative Measurement Method (AMM) to determine the total OPEB liability is required to be performed at least every two years. For the employer's financial reporting purposes, the total OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year end-date. If the valuation or AMM calculation used to determine the total pension liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the valuation date to the measurement date.

The total OPEB liability shown in this report is based on an AMM calculation performed as of a valuation date of December 31, 2020 and a measurement date of December 31, 2020.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability:

Balances of December 31, 2019	\$ 285,103
Changes for the year:	
Service cost	18,505
Interest on total OPEB liability	8,271
Effect of assumption changes or inputs	34,486
Benefit payments	<u>(5,695)</u>
Balances of December 31, 2020	<u>\$ 340,670</u>

NOTE 10. COMPENSATED ABSENCES

Compensated absences payable recorded in the accompanying financial statements relates to accumulated earned and vested sick time. Accumulated compensated absences related to sick time amounting to approximately \$62,541 as of December 31, 2020, are recorded in the financial statement, since such compensation is fully vested. This is an increase of \$3,327 over the prior year balance of \$59,214.

NOTE 11. WATER SUPPLY CONTRACT

Effective August 1, 2020, the District entered into a Water Supply Contract ("Contract") with the San Jacinto River Authority (the "Authority"). This replaced an agreement in effect since 1990. The Contract states the Authority will provide up to 1,000,000 gallons of untreated surface water per day ("demand quantity") to the District. The District may request quantities up to, but not in excess of 110% of the demand quantity. The rate as of December 31, 2020 was \$0.48 per 1,000 gallons. During the current fiscal year, the district paid \$175,680 for water purchased in accordance with the Contract. The Contract is in effect for a term of 30 years from the effective date.

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide various types of property and liability insurance coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13. GRANTS

From time to time the District applies for and receives grants to assist with funding the cost of certain construction projects within the District. The District received grant proceeds of \$710,979 during the current year for surface water treatment plant improvements.

NOTE 14. DEFINED AREA

The District annexed an approximately 193-acre tract (the "Murff Tract"), which has been designated by the District as a defined area known as Defined Area No. 1. The designation was approved in an election held in November 6, 2018 by the voters in the Murff Tract. The District has adopted a tax plan which allows it to assess higher taxes in the defined area than the rest of the District to pay the debt service on bonds issued to provide water and sewer improvements to the defined area. Voters in the Murff Tract authorized the issuance of bonds up to \$15,000,000, the levy of a tax on the Murff tract to pay such bonds and the levy of a maintenance tax on the Murff tract.

The District is authorized to levy a maintenance tax in an unlimited amount per \$100 of assessed valuation for property within the Defined Area, in addition to the District's debt service tax rate applicable to the remainder of the District. During the fiscal year ended December 31, 2020, the District levied an ad valorem maintenance tax rate on the defined area of \$0.86 per \$100 of assessed valuation, which resulted in a levy of \$7,493 on the adjusted taxable valuation of \$871,257 for the Defined Area for the 2020 tax year.

NOTE 15. PRIOR PERIOD ADJUSTMENTS

The District made adjustments to its prior year balances to more accurately reflect deferred tax revenues, other postemployment benefits liabilities and accounts payable. The effect of these changes are as follows:

Debt Service Fund Fund Balance - January 1, 2020	\$ 1,893,421
Effect of Adjustment	<u>(697,933)</u>
Debt Service Fund Fund Balance - January 1, 2020, As Adjusted	<u>\$ 1,195,488</u>
Capital Projects Fund Fund Balance - January 1, 2020	\$ 6,741,968
Effect of Adjustment	<u>183,598</u>
Capital Projects Fund Fund Balance - January 1, 2020, As Adjusted	<u>\$ 6,925,566</u>
Net Position - January 1, 2020	\$ 16,582,875
Effect of Adjustment	<u>(1,504,287)</u>
Net Position - January 1, 2020, As Adjusted	<u>\$ 15,078,588</u>

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 16. ECONOMIC UNCERTAINTIES

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

THIS PAGE INTENTIONALLY LEFT BLANK

CROSBY MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

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

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$	\$ 4,081	\$ 4,081
Water and Wastewater Service	1,989,000	1,869,850	(119,150)
Penalty and Interest	45,000	29,119	(15,881)
Tap Connection and Inspection Fees	285,000	264,097	(20,903)
Investment and Miscellaneous Revenues	101,950	60,978	(40,972)
TOTAL REVENUES	<u>\$ 2,420,950</u>	<u>\$ 2,228,125</u>	<u>\$ (192,825)</u>
EXPENDITURES			
Service Operations:			
Personnel	\$ 1,052,860	\$ 1,003,901	\$ 48,959
Professional Fees	284,000	243,873	40,127
Purchased Water Service	175,000	175,680	(680)
Utilities	138,000	99,830	38,170
Repairs and Maintenance	166,500	245,308	(78,808)
Other	457,500	420,854	36,646
Capital Outlay	25,000	16,387	8,613
TOTAL EXPENDITURES	<u>\$ 2,298,860</u>	<u>\$ 2,205,833</u>	<u>\$ 93,027</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 122,090</u>	<u>\$ 22,292</u>	<u>\$ (99,798)</u>
OTHER FINANCING SOURCES(USES)			
Transfers In (Out)	<u>\$ -0-</u>	<u>\$ (176,602)</u>	<u>\$ (176,602)</u>
NET CHANGE IN FUND BALANCE	\$ 122,090	\$ (154,310)	\$ (276,400)
FUND BALANCE - JANUARY 1, 2020	<u>3,030,976</u>	<u>3,030,976</u>	
FUND BALANCE - DECEMBER 31, 2020	<u>\$ 3,153,066</u>	<u>\$ 2,876,666</u>	<u>\$ (276,400)</u>

CROSBY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2020

	Year Ended December 31, 12/31/2019	Year Ended December 31, 12/31/2018
Total Pension Liability		
Service Cost	\$ 81,206	\$ 72,958
Interest on total pension liability	186,685	169,104
Effect of plan changes		
Effect of economic/demographic gains or losses	59,395	1,098
Effect of changes of assumptions		
Benefit payments, including refunds of employee contributions	<u>(17,859)</u>	<u>(50,231)</u>
Net change in total pension liability	\$ 309,427	\$ 192,929
Total pension liability, beginning	<u>2,232,302</u>	<u>2,039,373</u>
Total pension liability, ending (a)	<u>\$ 2,541,729</u>	<u>\$ 2,232,302</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 47,081	\$ 48,326
Contributions - employee	47,081	48,326
Net investment income	371,358	(41,531)
Benefit payments, including refunds of employee contributions	(17,859)	(50,231)
Administrative Expense	(2,065)	(1,817)
Other	<u>2,990</u>	<u>1,610</u>
Net Change in plan fiduciary net position	\$ 448,586	\$ 4,683
Plan Fiduciary net position, beginning	<u>2,261,811</u>	<u>2,257,128</u>
Plan Fiduciary net position, ending (b)	<u>\$ 2,710,397</u>	<u>\$ 2,261,811</u>
Net Pension Liability/(Asset), Ending = (a) - (b)	<u>\$ (168,668)</u>	<u>\$ (29,509)</u>
Plan fiduciary net position as a percentage of the total pension liability	106.64%	101.32%
Covered-employee payroll	\$ 672,588	\$ 690,375
Net pension liability as a percentage of covered employee payroll	-25.08%	-4.27%

Note: Data for years 2010 though 2013 not available at time of audit.

Year Ended December 31, 12/31/2017	Year Ended December 31, 12/31/2016	Year Ended December 31, 12/31/2015	Year Ended December 31, 12/31/2014
\$ 72,658 151,827	\$ 79,491 132,860	\$ 72,313 116,470 (20,684)	\$ 74,586 101,939 17,329
5,005 11,784	(3,711)	21,587 13,987	9,321
<u>(7,152)</u>	<u>(9,141)</u>	<u>(7,152)</u>	<u>(14,496)</u>
\$ 234,122	\$ 199,499	\$ 196,521	\$ 188,679
<u>1,805,251</u>	<u>1,605,752</u>	<u>1,409,231</u>	<u>1,220,552</u>
<u>\$ 2,039,373</u>	<u>\$ 1,805,251</u>	<u>\$ 1,605,752</u>	<u>\$ 1,409,231</u>
\$ 44,142 44,142 278,357	\$ 44,492 44,492 125,283	\$ 42,289 42,289 (41,526)	\$ 43,811 43,811 98,584
(7,152) (1,501) 1,073	(9,141) (1,362) 5,601	(7,152) (1,206) 358	(14,496) (1,211) 242
\$ 359,061	\$ 209,365	\$ 35,052	\$ 170,741
<u>1,898,067</u>	<u>1,688,702</u>	<u>1,653,650</u>	<u>1,482,909</u>
<u>\$ 2,257,128</u>	<u>\$ 1,898,067</u>	<u>\$ 1,688,702</u>	<u>\$ 1,653,650</u>
<u>\$ (217,755)</u>	<u>\$ (92,816)</u>	<u>\$ (82,950)</u>	<u>\$ (244,419)</u>
110.68%	105.14%	105.17%	117.34%
\$ 630,607	\$ 635,605	\$ 604,133	\$ 625,878
-34.53%	-14.60%	-13.73%	-39.05%

**CROSBY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PENSION
DECEMBER 31, 2020**

Fiscal Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2010	\$ 11,944	\$ 29,753	\$ (17,809)	\$ 425,042	7.00%
2011	\$ 8,647	\$ 29,242	\$ (20,595)	\$ 417,742	7.00%
2012	\$ 7,625	\$ 35,823	\$ (28,198)	\$ 511,759	7.00%
2013	\$ 14,860	\$ 41,775	\$ (26,915)	\$ 596,789	7.00%
2014	\$ 19,965	\$ 43,811	\$ (23,846)	\$ 625,878	7.00%
2015	\$ 24,528	\$ 42,289	\$ (17,761)	\$ 604,103	7.00%
2016	\$ 20,022	\$ 44,492	\$ (24,470)	\$ 635,605	7.00%
2017	\$ 23,017	\$ 44,142	\$ (21,125)	\$ 630,607	7.00%
2018	\$ 26,579	\$ 48,326	\$ (21,747)	\$ 690,375	7.00%
2019	\$ 25,222	\$ 47,081	\$ (21,859)	\$ 672,588	7.00%

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
----------------	---

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	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 of 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: Employer contributions reflect the current service matching rate was increased to 175% for future benefits. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2016, 2018 and 2019: No changes in plan provisions were reflected in the schedule.

**Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.*

CROSBY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Year Ended December 31 2020
Total OPEB Liability	
Service cost	\$ 18,505
Interest on total OPEB liability	8,271
Changes in assumptions and other inputs	34,486
Benefit payments	<u>(5,695)</u>
Net change in total OPEB liability	\$ 55,567
Total OPEB liability, beginning	<u>285,103</u>
Total OPEB liability, ending	<u>\$ 340,670</u>
Covered employee payroll	\$ 644,807
Total OPEB liability as a % of covered-employee payroll	52.83%

Methods and Assumptions Used to Determine Total OPEB Liability:

Actuarial Cost Method	Entry Age Normal
Discount Rate	2.00%
Salary Increases	4.00%
Retirement Age	Employees were assumed to retire at age 65, or after 20 years of service, if later.
Mortality	RP-2000 Generational Combined Healthy Participant mortality tables, projected from the year 2000 using Projection Scale AA.
Healthcare Cost Trend Rates	4.00% for each year.
Notes	Changes in assumptions and other inputs include the change in the discount rate from 2.75% as of the beginning of the measurement period to 2.00% as of December 31, 2020. This change is reflected in the Schedule of Changes in Total OPEB Liability. There were no benefit changes during the year.

THIS PAGE INTENTIONALLY LEFT BLANK

CROSBY MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2020

**CROSBY MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective September 3, 2019.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 17.45	2,000	N	\$ 4.49	2,001 and over
WASTEWATER:	\$ 24.02	2,000	N	\$ 5.23	2,001 and over

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$53.37 Wastewater: \$65.86 Surcharge: \$0.60*

* Includes TCEQ regulatory fee of 0.5% of water and wastewater charges

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,144</u>	<u>1,112</u>	x 1.0	<u>1,112</u>
1"	<u>24</u>	<u>24</u>	x 2.5	<u>60</u>
1½"	<u>13</u>	<u>13</u>	x 5.0	<u>65</u>
2"	<u>78</u>	<u>78</u>	x 8.0	<u>624</u>
3"	<u>7</u>	<u>7</u>	x 15.0	<u>105</u>
4"	<u>10</u>	<u>10</u>	x 25.0	<u>250</u>
6"	<u>14</u>	<u>14</u>	x 50.0	<u>700</u>
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>1,290</u>	<u>1,258</u>		<u>2,916</u>
Total Wastewater Connections	<u>1,244</u>	<u>1,244</u>	x 1.0	<u>1,244</u>

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

Gallons billed to customers: 128,842,000

Water Accountability Ratio: 67%
(Gallons billed/Gallons purchased)

Gallons purchased: 191,961,000

From: San Jacinto River Authority

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which District is located:

Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2020**

PERSONNEL EXPENDITURES (Including Benefits)	\$ 1,003,901
PROFESSIONAL FEES:	
Auditing	\$ 40,510
Engineering	61,056
Legal	142,307
TOTAL PROFESSIONAL FEES	\$ 243,873
PURCHASED WATER SERVICE	\$ 175,680
UTILITIES	\$ 99,830
REPAIRS AND MAINTENANCE	\$ 245,308
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 24,900
Insurance	49,395
Rents and Lease Payments	7,995
Office Supplies and Postage	13,097
Travel and Meetings	5,682
Other	19,828
TOTAL ADMINISTRATIVE EXPENDITURES	\$ 120,897
CAPITAL OUTLAY	\$ 16,387
OTHER EXPENDITURES:	
Chemicals	\$ 110,027
Fuel, Materials and Supplies	135,808
Permit Fees	11,456
Regulatory Assessment	9,149
Sludge Hauling	33,517
TOTAL OTHER EXPENDITURES	\$ 299,957
TOTAL EXPENDITURES	\$ 2,205,833

Number of persons employed by the District 11 Full-Time -0- Part-Time

See accompanying independent auditor's report.

CROSBY MUNICIPAL UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2020

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 2,430,339	\$
TexPool	XXXX0008	Varies	Daily	58,385	
TOTAL GENERAL FUND				<u>\$ 2,488,724</u>	<u>\$ -0-</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0007	Varies	Daily	<u>\$ 665,703</u>	<u>\$ -0-</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 8,433	\$
TexPool	XXXX0016	Varies	Daily	1,029,064	
TexPool	XXXX0017	Varies	Daily	1,501,580	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 2,539,077</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 5,693,504</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

CROSBY MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

	Defined Area Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2020	\$ 4,081		\$ 895,418	
Adjustments to Beginning Balance		\$ 4,081	7,799	\$ 903,217
Original 2020 Tax Levy	\$ 7,313		\$ 1,109,670	
Adjustment to 2020 Tax Levy	180	7,493	236,396	1,346,066
TOTAL TO BE ACCOUNTED FOR		\$ 11,574		\$ 2,249,283
TAX COLLECTIONS:				
Prior Years	\$ 4,081		\$ 799,157	
Current Year	476	4,557	657,268	1,456,425
TAXES RECEIVABLE - DECEMBER 31, 2020		\$ 7,017		\$ 792,858
TAXES RECEIVABLE BY				
YEAR:				
2020		\$ 7,017		\$ 688,798
2019				21,108
2018				8,955
2017				9,552
2016				7,391
2015				6,734
2001 - 2014				50,320
TOTAL		\$ 7,017		\$ 792,858

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PROPERTY VALUATIONS - DISTRICT:				
Land	\$ 99,791,412	\$ 89,770,327	\$ 74,987,906	\$ 73,493,334
Improvements	203,592,758	206,593,840	195,287,564	179,078,540
Personal Property	43,505,497	78,840,358	73,673,163	67,362,021
Exemptions	<u>(54,266,587)</u>	<u>(70,648,645)</u>	<u>(63,078,148)</u>	<u>(58,736,830)</u>
TOTAL DISTRICT	<u>\$ 292,623,080</u>	<u>\$ 304,555,880</u>	<u>\$ 280,870,485</u>	<u>\$ 261,197,065</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	<u>\$ 0.46</u>	<u>\$ 0.49</u>	<u>\$ 0.51</u>	<u>\$ 0.50</u>
ADJUSTED TAX LEVY*	<u>\$ 1,346,066</u>	<u>\$ 1,492,324</u>	<u>\$ 1,432,439</u>	<u>\$ 1,305,985</u>
PROPERTY VALUATIONS - DEFINED AREA:				
	<u>\$ 871,257</u>	<u>\$ 474,553</u>	<u>N/A</u>	<u>N/A</u>
TAX RATES PER \$100 VALUATION:				
Maintenance	<u>\$ 0.86</u>	<u>\$ 0.86</u>	<u>N/A</u>	<u>N/A</u>
ADJUSTED TAX LEVY*	<u>\$ 7,493</u>	<u>\$ 4,081</u>	<u>N/A</u>	<u>N/A</u>
PERCENTAGE OF TOTAL TAXES COLLECTED TO TAXES LEVIED	<u>48.31 %</u>	<u>98.59 %</u>	<u>99.37 %</u>	<u>99.27 %</u>

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

See accompanying independent auditor's report.

CROSBY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

S E R I E S - 2 0 1 1			
Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2021	\$ 90,000	\$ 34,817	\$ 124,817
2022	95,000	31,398	126,398
2023	95,000	27,787	122,787
2024	100,000	23,988	123,988
2025	105,000	19,987	124,987
2026	110,000	15,394	125,394
2027	115,000	10,581	125,581
2028	120,000	5,550	125,550
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
	<u>\$ 830,000</u>	<u>\$ 169,502</u>	<u>\$ 999,502</u>

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020**

Due During Fiscal Years Ending December 31	REFUNDING SERIES - 2011		
	Principal Due August 15	Interest Due February 15/ August 15	Total
2021	\$ 295,000	\$ 9,219	\$ 304,219
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
	<u>\$ 295,000</u>	<u>\$ 9,219</u>	<u>\$ 304,219</u>

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020**

REFUNDING SERIES - 2015			
Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2021	\$ 320,000	\$ 95,000	\$ 415,000
2022	340,000	82,200	422,200
2023	355,000	68,600	423,600
2024	375,000	54,400	429,400
2025	390,000	39,400	429,400
2026	410,000	23,800	433,800
2027	185,000	7,400	192,400
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
	<u>\$ 2,375,000</u>	<u>\$ 370,800</u>	<u>\$ 2,745,800</u>

See accompanying independent auditor's report.

CROSBY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2021	\$ 185,000	\$ 84,550	\$ 269,550
2022	185,000	80,850	265,850
2023	185,000	77,150	262,150
2024	185,000	73,450	258,450
2025	180,000	69,750	249,750
2026	180,000	66,150	246,150
2027	180,000	60,750	240,750
2028	180,000	55,350	235,350
2029	180,000	49,950	229,950
2030	180,000	44,550	224,550
2031	180,000	39,150	219,150
2032	180,000	33,750	213,750
2033	180,000	28,350	208,350
2034	180,000	22,950	202,950
2035	180,000	17,325	197,325
2036	180,000	11,700	191,700
2037	180,000	5,850	185,850
2038			
2039			
	<u>\$ 3,080,000</u>	<u>\$ 821,575</u>	<u>\$ 3,901,575</u>

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020**

S E R I E S - 2 0 1 9			
Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2021	\$ 160,000	\$ 69,160	\$ 229,160
2022	160,000	65,960	225,960
2023	160,000	62,760	222,760
2024	160,000	59,560	219,560
2025	160,000	56,360	216,360
2026	160,000	53,160	213,160
2027	160,000	49,960	209,960
2028	160,000	46,760	206,760
2029	160,000	43,560	203,560
2030	160,000	40,160	200,160
2031	160,000	36,560	196,560
2032	160,000	32,960	192,960
2033	160,000	29,160	189,160
2034	160,000	25,360	185,360
2035	160,000	21,360	181,360
2036	155,000	17,360	172,360
2037	155,000	13,098	168,098
2038	155,000	8,835	163,835
2039	155,000	4,417	159,417
	<u>\$ 3,020,000</u>	<u>\$ 736,510</u>	<u>\$ 3,756,510</u>

See accompanying independent auditor's report.

CROSBY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 1,050,000	\$ 292,746	\$ 1,342,746
2022	780,000	260,408	1,040,408
2023	795,000	236,297	1,031,297
2024	820,000	211,398	1,031,398
2025	835,000	185,497	1,020,497
2026	860,000	158,504	1,018,504
2027	640,000	128,691	768,691
2028	460,000	107,660	567,660
2029	340,000	93,510	433,510
2030	340,000	84,710	424,710
2031	340,000	75,710	415,710
2032	340,000	66,710	406,710
2033	340,000	57,510	397,510
2034	340,000	48,310	388,310
2035	340,000	38,685	378,685
2036	335,000	29,060	364,060
2037	335,000	18,948	353,948
2038	155,000	8,835	163,835
2039	155,000	4,417	159,417
	<u>\$ 9,600,000</u>	<u>\$ 2,107,606</u>	<u>\$ 11,707,606</u>

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2020**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2020
Crosby Municipal Utility District Unlimited Tax Bonds - Series 2011	\$ 1,920,000	\$ 915,000
Crosby Municipal Utility District Unlimited Tax Refunding Bonds - Series 2011	2,250,000	585,000
Crosby Municipal Utility District Unlimited Tax Refunding Bonds - Series 2015	3,315,000	2,680,000
Crosby Municipal Utility District Unlimited Tax Bonds - Series 2017	3,700,000	3,265,000
Crosby Municipal Utility District Unlimited Tax Bonds - Series 2019	<u>3,250,000</u>	<u>3,250,000</u>
TOTAL	<u>\$ 14,435,000</u>	<u>\$ 10,695,000</u>

Bond Authority:	Tax Bonds	Defined Area Tax Bonds	Revenue Bonds
Amount Authorized by Voters	\$ 10,000,000	\$ 15,000,000	\$ 2,885,000
Amount Issued	<u>6,950,000</u>	<u> </u>	<u>2,885,000</u>
Remaining to be Issued	<u>\$ 3,050,000</u>	<u>\$ 15,000,000</u>	<u>\$ - 0 -</u>

Debt Service Fund cash and investment balances as of
December 31, 2020: \$ 1,977,806

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 616,190

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

See accompanying independent auditor's report.

Current Year Transactions					
Bonds Sold	Retirements		Bonds Outstanding December 31, 2020	Paying Agent	
	Principal	Interest			
\$	\$ 85,000	\$ 37,708	\$ 830,000	Wells Fargo Bank Austin, TX	
	290,000	17,919	295,000	Wells Fargo Bank Austin, TX	
	305,000	104,150	2,375,000	US Bank Minneapolis, MN	
	185,000	86,250	3,080,000	Wells Fargo Bank Austin, TX	
	230,000	48,763	3,020,000	Wells Fargo Bank Austin, TX	
<u>\$ - 0 -</u>	<u>\$ 1,095,000</u>	<u>\$ 294,790</u>	<u>\$ 9,600,000</u>		

See accompanying independent auditor's report.

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

	Amounts		
	2020	2019	2018
REVENUES			
Water and Wastewater Service	\$ 1,869,850	\$ 1,971,383	\$ 2,193,047
Penalty and Interest	29,119	80,682	70,797
Tap Connection and Inspection Fees	264,097	148,825	48,959
Property Taxes - Defined Area	4,081		
Investment and Miscellaneous Revenues	60,978	106,564	338,577
TOTAL REVENUES	<u>\$ 2,228,125</u>	<u>\$ 2,307,454</u>	<u>\$ 2,651,380</u>
EXPENDITURES			
Personnel	\$ 1,003,901	\$ 1,012,937	\$ 891,880
Professional Fees	243,873	266,449	288,615
Purchased Water Service	175,680	161,975	159,490
Utilities	99,830	131,585	135,513
Repairs and Maintenance	245,308	261,085	203,433
Other	420,854	284,108	276,218
Capital Outlay	16,387	153,497	247,109
TOTAL EXPENDITURES	<u>\$ 2,205,833</u>	<u>\$ 2,271,636</u>	<u>\$ 2,202,258</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 22,292</u>	<u>\$ 35,818</u>	<u>\$ 449,122</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ (176,602)	\$ (107)	\$ - 0 -
NET CHANGE IN FUND BALANCE	<u>\$ (154,310)</u>	<u>\$ 35,711</u>	<u>\$ 449,122</u>
BEGINNING FUND BALANCE	<u>3,030,976</u>	<u>2,995,265</u>	<u>2,546,143</u>
ENDING FUND BALANCE	<u>\$ 2,876,666</u>	<u>\$ 3,030,976</u>	<u>\$ 2,995,265</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 1,989,959	\$ 1,873,359	84.0 %	85.4 %	82.7 %	88.3 %	90.1 %
46,613	40,169	1.3	3.5	2.7	2.1	1.9
106,666	118,356	11.9	6.4	1.8	4.7	5.7
		0.2				
106,604	49,017	2.7	4.6	12.8	4.7	2.4
<u>\$ 2,249,842</u>	<u>\$ 2,080,901</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 875,444	\$ 862,794	45.1 %	43.9 %	33.6 %	38.9 %	41.5 %
195,797	123,644	10.9	11.5	10.9	8.7	5.9
160,810	131,040	7.9	7.0	6.0	7.1	6.3
112,696	125,511	4.5	5.7	5.1	5.0	6.0
214,592	194,249	11.0	11.3	7.7	9.5	9.3
309,197	260,626	18.9	12.3	10.4	13.7	12.5
42,500	44,228	0.7	6.7	9.3	1.9	2.1
<u>\$ 1,911,036</u>	<u>\$ 1,742,092</u>	<u>99.0 %</u>	<u>98.4 %</u>	<u>83.0 %</u>	<u>84.8 %</u>	<u>83.6 %</u>
<u>\$ 338,806</u>	<u>\$ 338,809</u>	<u>1.0 %</u>	<u>1.6 %</u>	<u>17.0 %</u>	<u>15.2 %</u>	<u>16.4 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 338,806	\$ 338,809					
2,207,337	1,868,528					
<u>\$ 2,546,143</u>	<u>\$ 2,207,337</u>					

See accompanying independent auditor's report.

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

	<u>Amounts</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
REVENUES			
Property Taxes	\$ 1,467,926	\$ 1,492,333	\$ 1,372,445
Penalty and Interest	50,294	57,773	71,917
Investment and Miscellaneous Revenues	<u>43,337</u>	<u>12,947</u>	<u>908</u>
TOTAL REVENUES	<u>\$ 1,561,557</u>	<u>\$ 1,563,053</u>	<u>\$ 1,445,270</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 48,314	\$ 44,335	\$ 60,966
Debt Service Principal	1,095,000	955,000	990,000
Debt Service Interest and Fees	<u>298,290</u>	<u>281,431</u>	<u>277,528</u>
TOTAL EXPENDITURES	<u>\$ 1,441,604</u>	<u>\$ 1,280,766</u>	<u>\$ 1,328,494</u>
NET CHANGE IN FUND BALANCE	\$ 119,953	\$ 282,287	\$ 116,776
BEGINNING FUND BALANCE	<u>1,195,488</u>	<u>913,201</u>	<u>796,425</u>
ENDING FUND BALANCE	<u>\$ 1,315,441</u>	<u>\$ 1,195,488</u>	<u>\$ 913,201</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,258</u>	<u>1,170</u>	<u>1,153</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,244</u>	<u>1,130</u>	<u>1,113</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 1,558,105	\$ 1,324,666	94.0 %	95.5 %	94.9 %	97.2 %	97.9 %
38,095	27,766	3.2	3.7	5.0	2.4	2.1
6,454		2.8	0.8	0.1	0.4	
<u>\$ 1,602,654</u>	<u>\$ 1,352,432</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 49,236	\$ 27,745	3.1 %	2.8 %	4.2 %	3.1 %	2.1 %
2,625,000	720,000	70.1	61.1	68.5	163.8	53.2
494,063	323,846	19.1	18.0	19.2	30.8	23.9
<u>\$ 3,168,299</u>	<u>\$ 1,071,591</u>	<u>92.3 %</u>	<u>81.9 %</u>	<u>91.9 %</u>	<u>197.7 %</u>	<u>79.2 %</u>
\$ (1,565,645)	\$ 280,841	7.7 %	18.1 %	8.1 %	(97.7) %	20.8 %
<u>2,362,070</u>	<u>2,081,229</u>					
<u>\$ 796,425</u>	<u>\$ 2,362,070</u>					
<u>1,130</u>	<u>1,080</u>					
<u>1,090</u>	<u>1,080</u>					

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2020**

District Mailing Address - Crosby Municipal Utility District
 P.O. Box 249
 Crosby, Texas 77532

District Telephone Number - (281) 328-4242

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended December 31, 2020	Expense reimbursements for the year ended December 31, 2020	Title
Steve Schreiber	05/2017 05/2021 (Elected)	\$ 7,200	\$ 292	President
Donna Davenport	01/2020 05/2023 (Appointed)	\$ 4,650	\$ -0-	Treasurer/ Investment Officer
Eddie Foster	05/2019 05/2023 (Elected)	\$ 6,300	\$ 296	Secretary
Wesley Zarsky	05/2017 05/2021 (Elected)	\$ 3,450	\$ -0-	Director
Diane Feland	11/2020 05/2023 (Appointed)	\$ 600	\$ -0-	Director

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: November 22, 2020

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

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2020**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2020</u>	<u>Title</u>
Baker, Williams, Mattieson LLP	2017	\$ 107,565	General Counsel
McCall Gibson Swedlund Barfoot PLLC	12/15/20	\$ -0-	Auditor
Ratliff & Jentho, CPAs	07/13/90- 12/15/20	\$ 40,510	Former Auditor
San Jacinto Tax Service	04/17/01	\$ 10,311	Tax Assessor
IDS Engineering Group	05/04/04	\$ 286,831	Engineer
Perdue Brandon Fielder Collins & Mott LLP	2018	\$ 14,906	Delinquent Tax Attorney
Hilltop Securities, Inc.		\$ -0-	Financial Advisor

See accompanying independent auditor's report.

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

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

June 1, 2021

Board of Directors
Crosby Municipal Utility District
Harris County, Texas

In planning and performing our audit of the financial statements of Crosby Municipal Utility District (the "District") as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the District's financial statements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Material Weaknesses

We observed the following deficiencies in the District's internal control which we consider to be material weaknesses:

The District's management consists of an elected Board of Directors (the "Directors"). The District has employees that perform many aspects of the day-to-day operations while professional services are provided to the District by private companies ("Consultants") under contract with the District. The Directors, and from time to time employees, of the District supervise the performance of the Consultants; however, although the Consultants can be part of the District's system of internal control, the Consultants are not members of management. Ultimately, the Directors, and from time to time employees, of the District are responsible for the design and implementation of the system of internal control.

As is common within the system of internal control of most small organizations, the accounting function of the District does not prepare the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. Accordingly, the District has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness of the District's system of internal control over financial reporting.

Material Weaknesses (Continued)

During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements on the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to be a material weakness in internal control. In addition, the District's Management relies on the District's auditor to prepare the capital asset and depreciation schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function is considered to be a material weakness in the system of internal control. Auditing standards do not make exceptions for reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

We agree with the objective of auditing standards to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the control deficiencies above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor. Stated another way, if an organization is unable to issue, without the auditors' involvement, complete financial statements with footnotes in accordance with generally accepted accounting principles and free of material misstatement, that inability is a symptom of a significant deficiency in the system of internal control.

Management's Response

The Board engages consultants who possess industry knowledge and expertise to provide financial services, as well as legal and professional engineering services. Based on the auditor's unmodified opinion and after reading the financial statements, the Board believes the financial statements to be materially correct. The Board does not think that the addition of an employee or consultant to oversee the annual financial reporting process is necessary nor would it be cost effective.

Conclusion

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

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

June 1, 2021

Board of Directors
Crosby Municipal Utility District

We have audited the financial statements of the governmental activities and each major fund of Crosby Municipal Utility District (the "District") for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our audit engagement letter to you dated December 15, 2020. Professional standards also require that we communicate to you the following information related to our audit. For the purposes of this letter, the term "management" refers to the Board of Directors and/or District consultants.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. Significant accounting policies used by the District, including new accounting policies, if any, that have been adopted and implemented during the current fiscal year, are discussed in Note 2. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. The financial statement disclosures are neutral, consistent, and clear.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were management's estimate of depreciable lives of capital assets. Depreciation of infrastructure assets is based on industry wide accepted estimated useful lives taken on a straight-line basis. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The District's bookkeeper will be provided with all such adjustments.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 1, 2021.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to perform the following non-attest services for the District: (1) preparation of financial statements and related notes and schedules in conformity with accounting principles generally accepted in the United States of America and (2) preparation of capital assets schedules. These services were performed based on information provided by you. We performed these services in accordance with applicable professional standards. The non-attest services we performed are limited to those specifically defined and did not result in assuming management responsibilities.

We applied certain limited procedures to the Management's Discussion and Analysis and the budgetary comparison schedule for the General Fund, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information required by the Texas Commission on Environmental Quality, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Directors of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF HARRIS }

I, Noel W. Barfoot of the
(Name of Duly Authorized District Representative)
Crosby Municipal Utility District
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 1st day of June, 2021, its annual audit report for the fiscal year or period ended December 31, 2020 and that copies of the annual audit report have been filed in the district office, located at

P.O. Box 249 – Crosby, TX 77532
(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: June 23, 2021.

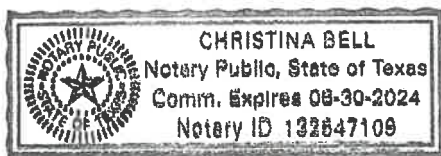
By: 
(Signature of District Representative)

Noel W. Barfoot, Auditor

(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this the 23rd day of June, 2021.

(Seal)




(Signature of Notary)

My Commission Expires On: June 30, 2024.
Notary Public in the State of Texas.