

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT

WALLER AND FORT BEND COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Willow Creek Farms Municipal Utility District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and each Special Revenue Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 8, 2019

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Management's discussion and analysis of Willow Creek Farms Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the year ended June 30, 2019. 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 and, if applicable, deferred inflows and outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Special Revenue Funds accounts for financial activities of the joint water facilities and joint wastewater treatment facilities. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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"). Budgetary comparison schedules are included as RSI for the General Fund and each Special Revenue Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$13,314,925 as of June 30, 2019. A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage systems, less any debt used to acquire those assets that is still outstanding). The following is a comparative summary of the Statement of Net Position as of June 30, 2019 and June 30, 2018.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 6,285,372	\$ 7,187,529	\$ (902,157)
Capital Assets (Net of Accumulated Depreciation)	23,916,582	21,517,906	2,398,676
Total Assets	<u>\$ 30,201,954</u>	<u>\$ 28,705,435</u>	<u>\$ 1,496,519</u>
Deferred Outflows of Resources	\$ 396,838	\$ 349,885	\$ 46,953
Due to Developer	\$ 9,533,202	\$ 10,575,941	\$ 1,042,739
Capital Lease Payable	1,156,400		(1,156,400)
Bonds Payable	32,572,589	29,784,503	(2,788,086)
Other Liabilities	651,526	787,899	136,373
Total Liabilities	<u>\$ 43,913,717</u>	<u>\$ 41,148,343</u>	<u>\$ (2,765,374)</u>
Net Position:			
Net Investment in Capital Assets	\$ (18,254,416)	\$ (16,999,227)	\$ (1,255,189)
Restricted	2,982,757	2,649,710	333,047
Unrestricted	1,956,734	2,256,494	(299,760)
Total Net Position	<u>\$ (13,314,925)</u>	<u>\$ (12,093,023)</u>	<u>\$ (1,221,902)</u>

*

The following table provides a summary of the District's operations for the years ended June 30, 2019, and June 30, 2018.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,531,090	\$ 2,246,191	\$ 284,899
Charges for Services	1,284,989	898,914	386,075
Other Revenues	42,164	58,964	(16,800)
Total Revenues	<u>\$ 3,858,243</u>	<u>\$ 3,204,069</u>	<u>\$ 654,174</u>
Expenses for Services	5,080,145	4,036,514	(1,043,631)
Change in Net Position	\$ (1,221,902)	\$ (832,445)	\$ (389,457)
Net Position, Beginning of Year	(12,093,023)	(11,260,578)	(832,445)
Net Position, End of Year	<u>\$ (13,314,925)</u>	<u>\$ (12,093,023)</u>	<u>\$ (1,221,902)</u>

*

* As Adjusted, Note 19

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2019, were \$5,847,787, a decrease of \$138,073 from the prior year. The District's General Fund fund balance increased by \$188,564, primarily due to property tax revenues and charges for services exceeding operating and administrative costs. The Special Revenue Funds are revenue neutral. The participants shared expenditures totaling \$646,352. The Debt Service Fund fund balance increased by \$334,368, primarily due to the structure of the District's outstanding debt service requirements and the impact of the sale of the Series 2019 Refunding Bonds. The Capital Projects Fund fund balance decreased by \$661,005. The District made capital expenditures using surplus bond proceeds as well as proceeds from the sale of the Series 2019 Bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current fiscal year to increase estimated property tax revenues, decrease estimated contracted services, decrease estimated repair and maintenance costs and to increase estimated purchased sewer costs. Actual revenues were \$113,852 more than budgeted revenues primarily due to higher than anticipated service and investment revenues. Actual expenditures were \$26,225 less than budgeted expenditures primarily due to repairs and maintenance costs as well as purchased wastewater service coming in higher than anticipated which was offset by lower than anticipated professional fees, purchased water service and utilities expenditures.

CAPITAL ASSETS

Capital assets as of June 30, 2019, total \$23,916,582 (net of accumulated depreciation) and include land as well as the water, wastewater and drainage systems. Roads are conveyed to Waller County and Fort Bend County. Current year capital asset additions included utilities serving Willow Creek Farms II, Sections 7 and 8, detention basin land costs and a capital lease for the STP Phase 3 expansion.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,737,503	\$ 2,554,491	\$ 183,012
Construction in Progress	156,178	38,050	118,128
Capital Assets, Net of Accumulated Depreciation:			
Water System	4,866,817	4,845,799	21,018
Wastewater System	6,974,268	5,299,044	1,675,224
Drainage System	9,181,816	8,780,522	401,294
Total Net Capital Assets	\$ 23,916,582	\$ 21,517,906	\$ 2,398,676

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

LONG-TERM DEBT ACTIVITY

As of June 30, 2019, the District had total bond debt payable of \$32,295,000. The changes in the debt position of the District during the fiscal year ended June 30, 2019, are summarized as follows:

Bond Debt Payable, July 1, 2018	\$ 29,680,000
Add: Bond Sales	6,240,000
Less: Bond Principal Paid/Refunded	<u>3,625,000</u>
Bond Debt Payable, June 30, 2019	<u>\$ 32,295,000</u>

The Series 2013, Series 2015, Series 2016 Refunding, Series 2016 Road Refunding, Series 2016A, Series 2017, Series 2018 Road and Series 2019A Refunding bonds have been assigned ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2014, Series 2014 Road and Series 2019 bonds have been assigned ratings of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. S&P and Moody's have assigned underlying credit ratings of "BBB-" and "Baa2", respectively. The above ratings are as of year-end and reflect any changes through that date.

As of June 30, 2019, the District recorded a liability to the Developers of \$9,533,202. This amount relates to completed construction projects and advances that the Developers have funded on behalf of the District. The District anticipates reimbursing the Developers for these costs from proceeds of future bond sales.

As of June 30, 2019, the District had total capital lease debt payable of \$1,156,400. The changes in the debt position of the District during the fiscal year-ended June 30, 2019, are summarized as follows:

Capital Lease Payable, July 1, 2018	\$ -0-
Capital Lease Additions	1,416,000
Less: Principal Paid	<u>259,600</u>
Capital Lease Payable, June 30, 2019	<u>\$ 1,156,400</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 Willow Creek Farms Municipal Utility District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Special Revenue Fund - Water Facilities
ASSETS		
Cash	\$ 306,664	\$ 12,136
Investments	1,554,824	
Receivables:		
Property Taxes	5,127	
Penalty and Interest on Delinquent Taxes		
Service Accounts	87,497	
Accrued Interest	10,639	
Other	1,169	
Due from Other Funds	13,942	7,986
Prepaid Costs	68,750	
Due from Other Governmental Units		15,972
Joint Water Facilities Operating Advance	16,470	
Joint Wastewater Treatment Facilities Operating Advance	49,844	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,114,926	\$ 36,094
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,114,926	\$ 36,094

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

<u>Special Revenue Fund - Wastewater Facilites</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 48,889	\$ 3,276,902	\$ 60,591 721,885	\$ 3,705,182 2,276,709	\$	\$ 3,705,182 2,276,709
	16,928		22,055		22,055
				3,429	3,429
			87,497		87,497
			10,639		10,639
			1,169		1,169
4,382	1,816		28,126	(28,126)	
23,600			92,350	55,121	147,471
15,249			31,221		31,221
			16,470	(16,470)	
			49,844	(49,844)	
				2,737,503	2,737,503
				156,178	156,178
				21,022,901	21,022,901
<u>\$ 92,120</u>	<u>\$ 3,295,646</u>	<u>\$ 782,476</u>	<u>\$ 6,321,262</u>	<u>\$ 23,880,692</u>	<u>\$ 30,201,954</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 396,838</u>	<u>\$ 396,838</u>
<u>\$ 92,120</u>	<u>\$ 3,295,646</u>	<u>\$ 782,476</u>	<u>\$ 6,321,262</u>	<u>\$ 24,277,530</u>	<u>\$ 30,598,792</u>

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

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Special Revenue Fund - Water Facilities
LIABILITIES		
Accounts Payable	\$ 116,529	\$ 9,094
Accrued Interest Payable		
Due to Other Funds	14,184	
Due to Developers		
Security Deposits	82,600	
Accrued Interest at Time of Sale		
Joint Wastewater Treatment Facilities Operating Advances		
Joint Water Facilities Operating Advances		27,000
Long-Term Liabilities:		
Capital Lease Payable, Due Within One Year		
Capital Lease Payable, Due After One Year		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 213,313	\$ 36,094
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 5,127	\$ - 0 -
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 68,750	\$
Nonspendable: Operating Advances	66,314	
Restricted for Authorized Construction		
Restricted for Debt Service		
Unassigned	1,761,422	
TOTAL FUND BALANCES	\$ 1,896,486	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,114,926	\$ 36,094
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.

Special Revenue Fund - Wastewater Facilities	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 11,870	1,182	\$ 88,121	\$ 226,796	\$	\$ 226,796
	13,942		28,126	301,194	301,194
				(28,126)	
				9,533,202	9,533,202
			82,600		82,600
	6,648		6,648	(6,648)	
80,250			80,250	(49,844)	30,406
			27,000	(16,470)	10,530
				283,200	283,200
				873,200	873,200
				1,150,000	1,150,000
				31,422,589	31,422,589
<u>\$ 92,120</u>	<u>\$ 21,772</u>	<u>\$ 88,121</u>	<u>\$ 451,420</u>	<u>\$ 43,462,297</u>	<u>\$ 43,913,717</u>
<u>\$ - 0 -</u>	<u>\$ 16,928</u>	<u>\$ - 0 -</u>	<u>\$ 22,055</u>	<u>\$ (22,055)</u>	<u>\$ - 0 -</u>
\$	\$	\$	\$ 68,750	\$ (68,750)	\$
			66,314	(66,314)	
		694,355	694,355	(694,355)	
	3,256,946		3,256,946	(3,256,946)	
			1,761,422	(1,761,422)	
<u>\$ - 0 -</u>	<u>\$ 3,256,946</u>	<u>\$ 694,355</u>	<u>\$ 5,847,787</u>	<u>\$ (5,847,787)</u>	<u>\$ - 0 -</u>
<u>\$ 92,120</u>	<u>\$ 3,295,646</u>	<u>\$ 782,476</u>	<u>\$ 6,321,262</u>		
				\$ (18,254,416)	\$ (18,254,416)
				2,982,757	2,982,757
				1,956,734	1,956,734
				<u>\$ (13,314,925)</u>	<u>\$ (13,314,925)</u>

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

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Governmental Funds \$ 5,847,787

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

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter. 396,838

Prepaid bond insurance costs are amortized over the term of the bonds. 55,121

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 23,916,582

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District. 25,484

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (9,533,202)	
Accrued Interest Payable	(294,546)	
Capital Lease Payable	(1,156,400)	
Bonds Payable	<u>(32,572,589)</u>	<u>(43,556,737)</u>

Total Net Position - Governmental Activities \$ (13,314,925)

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

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WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund - Water Facilities
REVENUES		
Property Taxes	\$ 583,470	\$
Payment in Lieu of Taxes		
Water Service	355,563	176,570
Wastewater Service	447,459	
Shared Facilities Revenues	92,065	
Penalty and Interest	16,031	
Tap Connection and Inspection Fees	51,980	
Investment and Miscellaneous Revenues	42,284	34
TOTAL REVENUES	\$ 1,588,852	\$ 176,604
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 184,558	\$ 6,653
Contracted Services	482,223	19,851
Purchased Water Service	116,812	
Purchased Wastewater Service	218,383	
Utilities	7,120	44,408
Repairs and Maintenance	277,491	61,373
Depreciation		
Other	126,107	44,319
Conveyance of Assets		
Capital Outlay		
Debt Service:		
Capital Lease Principal	23,600	
Bond Principal		
Interest		
Bond Issuance Costs		
Transfer to Refunded Bond Escrow Agent		
TOTAL EXPENDITURES/EXPENSES	\$ 1,436,294	\$ 176,604
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 152,558	\$ -0-
OTHER FINANCING SOURCES (USES)		
Transfers In/Out	\$ 36,006	\$
Proceeds from Issuance of Long-Term Debt		
Proceeds from Sale of Refunding Bonds		
Transfer to Refunded Bond Escrow Agent		
Bond Discount		
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 36,006	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 188,564	\$
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2018, AS ADJUSTED	1,707,922	
FUND BALANCES/NET POSITION - JUNE 30, 2019	\$ 1,896,486	\$ -0-

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

Special Revenue Fund - Wastewater Facilities	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,944,499	\$	\$ 2,527,969	\$ 3,121	\$ 2,531,090
	500,000		500,000	(500,000)	
469,667			532,133	(116,812)	415,321
			917,126	(218,383)	698,743
	9,832		92,065		92,065
			25,863	1,017	26,880
			51,980		51,980
81	8,924	16,722	68,045	(25,881)	42,164
<u>\$ 469,748</u>	<u>\$ 2,463,255</u>	<u>\$ 16,722</u>	<u>\$ 4,715,181</u>	<u>\$ (856,938)</u>	<u>\$ 3,858,243</u>
\$ 3,364	\$ 3,119	\$ 21,686	\$ 219,380	\$	\$ 219,380
32,071	82,520		616,665		616,665
			116,812	(116,812)	
			218,383	(218,383)	
46,563			98,091		98,091
136,755			475,619		475,619
				726,186	726,186
38,595	16,332	97	225,450		225,450
				1,121,624	1,121,624
		3,782,358	3,782,358	(3,782,358)	
212,400			236,000	(236,000)	
	1,000,000		1,000,000	(1,000,000)	
	906,757	264,424	1,171,181	19,145	1,190,326
	134,226	286,912	421,138	(14,334)	406,804
	123,000		123,000	(123,000)	
<u>\$ 469,748</u>	<u>\$ 2,265,954</u>	<u>\$ 4,355,477</u>	<u>\$ 8,704,077</u>	<u>\$ (3,623,932)</u>	<u>\$ 5,080,145</u>
<u>\$ -0-</u>	<u>\$ 197,301</u>	<u>\$ (4,338,755)</u>	<u>\$ (3,988,896)</u>	<u>\$ 2,766,994</u>	<u>\$ (1,221,902)</u>
\$	\$	\$ (36,006)	\$	\$	\$
		3,735,000	3,735,000	(3,735,000)	
	2,505,000		2,505,000	(2,505,000)	
	(2,546,996)		(2,546,996)	2,546,996	
		(21,244)	(21,244)	21,244	
	179,063		179,063	(179,063)	
<u>\$ -0-</u>	<u>\$ 137,067</u>	<u>\$ 3,677,750</u>	<u>\$ 3,850,823</u>	<u>\$ (3,850,823)</u>	<u>\$ -0-</u>
\$	\$ 334,368	\$ (661,005)	\$ (138,073)	\$ 138,073	\$
				(1,221,902)	(1,221,902)
	2,922,578	1,355,360	5,985,860	(18,078,883)	(12,093,023)
<u>\$ -0-</u>	<u>\$ 3,256,946</u>	<u>\$ 694,355</u>	<u>\$ 5,847,787</u>	<u>\$ (19,162,712)</u>	<u>\$ (13,314,925)</u>

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

**WILLOW CREEK FARMS 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 JUNE 30, 2019**

Net Change in Fund Balances - Governmental Funds	\$ (138,073)
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.	3,121
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	1,017
Payment in lieu of taxes due, but not ultimately to be received until future years, are recorded in the government-wide financial statements.	(525,881)
Governmental funds do not account for depreciation. However, depreciation expense is recorded in the Statement of Activities.	(726,186)
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. Assets conveyed to other entities for ownership and maintenance are recorded as expenses.	2,660,734
In the Statement of Net Position, bond premiums, bond discounts and bond insurance costs are amortized over the term of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(143,485)
Governmental funds report payment on long-term debt as expenditures. However, in the Statement of Net Position, long-term debt principal payments are reported as decreases in long-term liabilities.	1,236,000
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.	(19,145)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(6,240,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	<u>2,669,996</u>
Change in Net Position - Governmental Activities	<u>\$ (1,221,902)</u>

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

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. CREATION OF DISTRICT

Willow Creek Farms Municipal Utility District (the “District”) was created by the Texas Legislature effective June 15, 2007, by Senate Bill 1961 (the “Enabling Legislation”). Pursuant to the Enabling Legislation and the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, roads, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and subject to certain regulatory approvals, to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on June 27, 2007, and sold its first bonds on November 30, 2010.

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 District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has four governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Special Revenue Funds - To account for financial activities of the joint water facilities and joint wastewater treatment facilities.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or 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. The Capital Projects Fund transferred \$36,006 to the General Fund to reimburse

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Basis of Accounting (Continued)

the General Fund for bond issuance costs. At year end, the Debt Service Fund owed the General Fund \$13,942 for maintenance tax collections, the General Fund owed the Debt Service Fund \$1,816 for the over-transfer of arbitrage expense reimbursement, the General Fund owed the Special Revenue Fund - Water Facilities \$7,986 for the District's share water facilities operations, and the General Fund owed the Special Revenue Fund - Wastewater Facilities \$4,382 for the District's share wastewater facilities operations.

Capital Assets

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

The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

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

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts unappropriated budgets for the General Fund and Special Revenue Funds. The General Fund budget was amended and the Special Revenue Funds budgets were not amended during the current fiscal year.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds as 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 and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3. LONG-TERM DEBT

Transactions related to bonds payable for the year ended June 30, 2019 is as follows:

	July 1, 2018	Additions	Retirements	June 30, 2019
Bonds Payable	\$ 29,680,000	\$ 6,240,000	\$ 3,625,000	\$ 32,295,000
Unamortized Discounts	(22,371)	(21,244)	(22,601)	(21,014)
Unamortized Premiums	126,874	179,063	7,334	298,603
Bonds Payable, Net	\$ 29,784,503	\$ 6,397,819	\$ 3,609,733	\$ 32,572,589
		Amount Due Within One Year		\$ 1,150,000
		Amount Due After One Year		31,422,589
		Bonds Payable, Net		\$ 32,572,589

The District has (i) \$29,010,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities and related refunding purposes, (ii) \$11,375,000 principal amount of unlimited tax bonds for parks and recreation and related refunding purposes, and (iii) \$16,450,000 principal amount of unlimited tax bonds for roads and related improvements and related refunding purposes authorized but unissued. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. As of June 30, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,150,000	\$ 951,254	\$ 2,101,254
2021	1,410,000	954,986	2,364,986
2022	1,345,000	920,287	2,265,287
2023	1,365,000	884,361	2,249,361
2024	1,245,000	847,807	2,092,807
2025-2029	7,200,000	3,650,328	10,850,328
2030-2034	7,750,000	2,481,988	10,231,988
2035-2039	7,760,000	1,166,634	8,926,634
2040-2043	3,070,000	196,275	3,266,275
	\$ 32,295,000	\$ 12,053,920	\$ 44,348,920

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2013 Utility	Series 2014 Utility	Series 2014 Road	Series 2015 Utility
Amount Outstanding – June 30, 2019	\$ 135,000	\$ 3,595,000	\$ 1,905,000	\$ 3,200,000
Interest Rates	2.50%	2.00% - 3.625%	2.00% - 3.75%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2020	September 1, 2019/2038	September 1, 2019/2038	September 1, 2019/2040
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2019*	September 1, 2022*	September 1, 2022*	September 1, 2023*
	Series 2016 Refunding	Series 2016 Road Refunding	Series 2016A Utility	Series 2017 Utility
Amount Outstanding – June 30, 2019	\$ 2,785,000	\$ 1,515,000	\$ 6,270,000	\$ 3,650,000
Interest Rates	2.00% - 4.00%	2.00% - 4.00%	1.20% - 3.00%	3.00% - 3.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2036	September 1, 2019/2038	September 1, 2019/2042	September 1, 2019/2042
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2023*	September 1, 2023*	September 1, 2022*	September 1, 2024*

* The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Series 2014 term bonds due September 1, 2026, 2028, 2030, 2032, 2034, 2036 and 2038, are subject to mandatory redemption beginning September 1, 2025, 2027, 2029, 2031, 2033, 2035 and 2037. The Series 2014 Road term bonds due September 1, 2029, 2032, 2035 and 2038, are subject to mandatory redemption beginning September 1, 2027, 2030, 2033 and 2036. The Series 2015 term bonds due September 1, 2036 and 2040, are subject to mandatory redemption beginning September 1, 2034 and 2037. The Series 2016 Refunding term bonds due September 1, 2025, 2028, and 2031 are subject to mandatory redemption beginning September 1, 2024, 2026, and 2029. The Series 2016 Refunding Road term bonds due September 1, 2025, 2029, 2032, 2035, and 2037 are subject to mandatory redemption beginning September 1, 2024, 2026, 2030, 2033, and 2036. The Series 2016A term bonds due September 1, 2042 are subject to mandatory redemption beginning September 1, 2039. The Series 2017 term bonds due September 1, 2027, 2029, 2031, 2033, and 2035 are subject to mandatory redemption beginning September 1, 2025, 2028, 2030, 2032 and 2034.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2018 Road	Series 2019 Utility	Series 2019A Refunding
Amount Outstanding – June 30, 2019	\$ 3,000,000	\$ 3,735,000	\$ 2,505,000
Interest Rates	3.00% - 5.00%	2.00% - 3.50%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2042	September 1, 2020/2042	March 1, 2020/2038
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2023*	September 1, 2024*	March 1, 2027*

* The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Series 2018 Road term bonds due September 1, 2033, 2035, 2037, 2039, and 2042 are subject to mandatory redemption beginning 2032, 2034, 2036, 2038, and 2040. The Series 2019 term bonds due September 1, 2032, 2036, 2038, 2040, and 2042 are subject to mandatory redemption beginning September 1, 2031, 2035, 2037, 2039, and 2041. The Series 2019A Refunding term bonds due March 1, 2027, 2029, 2031, 2033, 2035, and 2038 are subject to mandatory redemption March 1, 2026, 2028, 2030, 2032, 2034, and 2036.

During the year ended June 30, 2019, the District levied an ad valorem debt service tax rate of \$0.80 (consisting of \$0.66 to pay the District’s water, wastewater, and drainage debt service and \$0.14 to pay the District’s road debt service) per \$100 of assessed valuation, which resulted in a tax levy of \$1,947,049 on the adjusted taxable valuation of \$243,381,154 for the 2018 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

The District’s tax calendar is as follows:

- Levy Date - October 1, or as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Upon receipt, but no later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

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

The bond resolutions state that the District should take all necessary steps to comply with the requirement that rebatable arbitrage earnings, if any, 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.

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 \$4,908,201 and the bank balance was \$4,908,051. The District was not exposed to custodial 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 June 30, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 306,664	\$ 1,203,019	\$ 1,509,683
SPECIAL REVENUE FUNDS	61,025		61,025
DEBT SERVICE FUND	3,276,902		3,276,902
CAPITAL PROJECTS FUND	60,591		60,591
TOTAL DEPOSITS	\$ 3,705,182	\$ 1,203,019	\$ 4,908,201

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

The District invests in the Texas Short Term Asset Reserve Program (“TexSTAR”), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a Division of Hilltop Securities Inc. provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR. The District records certificates of deposit at acquisition cost. As of June 30, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexSTAR	\$ 351,805	\$ 351,805
Certificates of Deposit	1,203,019	1,203,019
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	<u>721,885</u>	<u>721,885</u>
TOTAL INVESTMENTS	<u>\$ 2,276,709</u>	<u>\$ 2,276,709</u>

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by investing in certificates of deposit with balances below FDIC coverage. The District's investment in TexSTAR was rated AAAM by Standard and Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year. The District considers the investment in TexSTAR to have a maturity of less than one year since the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions - All cash and investments of the Special Revenue Funds are restricted for payment of joint water plant and joint wastewater plant operations. All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	July 1, 2018	Increases	Decreases	June 30, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,554,491	\$ 183,012	\$	\$ 2,737,503
Construction in Progress	38,050	3,124,862	3,006,734	156,178
Total Capital Assets Not Being Depreciated	\$ 2,592,541	\$ 3,307,874	\$ 3,006,734	\$ 2,893,681
Capital Assets Subject to Depreciation				
Water System	\$ 6,626,806	\$ 288,115	\$	\$ 6,914,921
Wastewater System	6,310,394	1,878,050		8,188,444
Drainage System	10,186,387	657,557		10,843,944
Total Capital Assets Subject to Depreciation	\$ 23,123,587	\$ 2,823,722	\$ - 0 -	\$ 25,947,309
Accumulated Depreciation				
Water System	\$ 1,781,007	\$ 267,097	\$	\$ 2,048,104
Wastewater System	1,011,350	202,826		1,214,176
Drainage System	1,405,865	256,263		1,662,128
Total Accumulated Depreciation	\$ 4,198,222	\$ 726,186	\$ - 0 -	\$ 4,924,408
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 18,925,365	\$ 2,097,536	\$ - 0 -	\$ 21,022,901
Total Capital Assets, Net of Accumulated Depreciation	\$ 21,517,906	\$ 5,405,410	\$ 3,006,734	\$ 23,916,582

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7. MAINTENANCE TAX

On November 6, 2007, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. During the year ended June 30, 2019, the District levied an ad valorem maintenance tax rate of \$0.24 per \$100 of assessed valuation, which resulted in a tax levy of \$584,115 on the adjusted taxable valuation of \$243,381,154 for the 2018 tax year.

NOTE 8. ROAD MAINTENANCE TAX

On November 6, 2007, the voters of the District approved the levy and collection of a maintenance tax for road facilities not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. During the year ended June 30, 2019, the District did not levy road maintenance tax.

NOTE 9. UNREIMBURSED COSTS

The District has executed development financing agreements with Developers within the District. The agreements call for the Developers to make operating advances and fund costs associated with water, sewer and drainage facilities as well as roads and other infrastructure until such time as the District can sell bonds. Reimbursement to the Developers is contingent upon approval from the Commission (other than costs associated with road facilities) and the future sale of bonds.

NOTE 10. RISK MANAGEMENT

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

NOTE 11. TRANSPORTATION DEVELOPMENT AGREEMENT

On October 26, 2007, the District entered into the Transportation Development Agreement with Waller County, Texas (the "County") and a District Developer. The agreement was amended on December 18, 2013. The District and the County, through the initial funding by the Developer, agree to share in certain transportation improvements (the "Project") within the District. The Project applicable to this agreement is the roadway improvements to Kingsland Boulevard, including paving one-half of the full concrete boulevard section from Pederson Road west to the eastern boundary of the proposed drainage channel that will serve the District's development, as well as the associated right of way, lighting and drainage facilities, as required by the County.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11. TRANSPORTATION DEVELOPMENT AGREEMENT (Continued)

Upon the completion of the Project and the expiration of the warranty period on the Project, the County accepted ownership and maintenance of the Project in the same manner and to the same extent it owns and maintains County owned roads and related road facilities in other unincorporated areas of the County. The District retains ownership and maintenance of the lighting and drainage facilities associated with the Project, unless otherwise agreed to by the District and the County.

In accordance with the Developer reimbursement agreements, the District will reimburse the Developer for the entire Project costs, through the issuance of bonds or otherwise. To reimburse the District for its share of the Project costs, the County agrees to pay the District a portion of the ad valorem taxes levied and collected by the County in future years on the assessed valuation of the real property and improvements within the District. The annual payment will be at a rate of \$0.20 per \$100 of assessed valuation of the tax revenues actually levied and collected by the County on the “captured appraised value”, exclusive of any interest and penalties paid by the taxpayer to the County and exclusive of any collections costs incurred by the County. “Captured appraised value” is defined in the agreement as the total appraised value of the real property and improvements taxable by the County and located in the District for a given year, as certified by Waller County Appraisal District, less the “tax increment base”. The “tax increment base” is the total appraised value of all real property and improvements taxable by the County located in the District as of January 1, 2007, as certified by the Waller County Appraisal District, which was \$4,633,030.

Pursuant to the terms of the agreement, the annual payment will begin on May 1 in the calendar year following the calendar year for which the District issues its initial series of bonds used to pay for the project costs and shall be payable each May 1, with each such payment being applicable to the calendar year preceding the calendar year of each May 1. On September 1 of each calendar year, the County will cause to be paid to the District the portion of the annual payment which reflects collections made by the County subsequent to May 1. The annual payment will continue for such number of years as required to accumulate sufficient funds to amortize the bonds or other debt (including the costs of issuance and interest on such bonds or other debt). The total amount to be paid by the County under the agreement is \$1,400,000. The County reserves the option to prepay its obligations under this agreement at any time without penalty. The District sold its Series 2012 Road Bonds to reimburse developers for Kingsland Boulevard pavement construction and related engineering costs, right-of-way acquisition costs, stormwater pollution prevention plan costs and developer advances.

The total amount necessary to satisfy the County’s obligation to the District under the agreement is \$1,471,734. The District received payments of \$85,559, \$126,726, \$213,395, \$150,000, and \$370,173 for the 2012, 2013, 2014, 2015, and 2016 years, respectively. In conjunction with entering into a Settlement and Release Agreement, dated January 10, 2019, the County paid the District \$500,000 in full satisfaction of the County’s remaining payment obligation under the terms of the Agreement.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12. BLUEBONNET GROUNDWATER CONSERVATION DISTRICT

The District is located within the boundaries of the Bluebonnet Groundwater Conservation District (the “Conservation District”). The Conservation District operates in Austin, Grimes, Walker, and Waller counties. The Conservation District was created to provide a locally controlled groundwater district in order to protect and recharge groundwater, to prevent pollution or waste of groundwater, to control subsidence caused by withdrawal of water from the groundwater reservoirs in the area, and to regulate the transport of water out of the boundaries of the Conservation District. The Conservation District charges minimum fees per well per month along with production fees, transport fees and excess pumpage fees, when necessary.

NOTE 13. BOND SALES

On March 29, 2019, the District issued its \$3,735,000 Series 2019 Unlimited Tax Bonds. Proceeds of the bond sale were used to reimburse developers for: construction and related engineering costs for water, sanitary sewer and drainage facilities serving Willow Creek Farms, Section 1 and 2 and Willow Creek Farms II, Sections 7 and 8; land; SWPP and erosion control; geotechnical costs; and bond issuance costs

On June 11, 2019, the District closed on the sale of its \$2,505,000 Series 2019A Unlimited Tax Refunding Bonds. Proceeds of the bonds, plus \$123,000 in available District funds, were used to refund \$565,000 of the Series 2010 Bonds with interest rates of 4.875% to 5.00%, maturity dates of 2019-2033, and a redemption date of September 1, 2019, as well as \$2,060,000 of the Series 2013 Bonds with interest rates of 2.50% - 5.00%, maturity dates of 2021 – 2038, and redemption date of September 1, 2019. The refunding resulted in gross debt service savings of \$278,686 and net present value savings of \$169,150.

NOTE 14. CAPITAL LEASE

The District executed a Lease Agreement with Option to Purchase with AUC Group, L.P. for an additional 265,000 gallons per day sewage treatment plant. The term of the lease will be 60 months from the first day of the month following delivery and installation of the equipment. Total payments over the term of the lease will be \$1,416,000 with monthly installments of \$23,600 (\$283,200 per year). The initial term of the lease commenced on August 1, 2018. Lease payments totaling \$236,000 were made by the District with another \$23,600 paid by a developer at the time the first and last months’ lease payments of \$47,200 were made. At year end, prepaid lease payments total \$47,200 which consist of the July 2019 lease payment and the last month’s lease payment. Fulshear 3B pays for 73.50% of the monthly lease payments as part of the wastewater treatment facilities costs shared with the District (see Note 18).

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14. CAPITAL LEASE (Continued)

Capital Lease Payable:	
Due Within One Year	\$ 283,200
Due After One Year	<u>873,200</u>
Capital Lease Payable, June 30, 2019	<u>\$ 1,156,400</u>

NOTE 15. STRATEGIC PARTNERSHIP AGREEMENT

Effective November 15, 2016, the District entered into a Strategic Partnership Agreement (the “Agreement”) with the City of Katy, Texas (the “City”). The Agreement, subject to the Development Agreement (see Note 16), provides for the annexation of the entirety of the property located in the District (the “Tract”) by the City for certain limited purposes including the provision of fire, police protection, and emergency response services. The Agreement further provides for the annexation of particular commercial and residential property located in the District (the “Development Tract”) for the limited purpose of imposing a Sales and Use Tax, providing City water and wastewater utility services, providing City garbage and recycling collection, imposing City drainage standards, and accepting the roads constructed on the Development Tract for ownership.

The City will impose a Sales and Use Tax within the District upon the limited-purpose annexation of the Development Tract. The Sales and Use Tax will be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under future amendments to Chapter 321 of the Tax Code. The City will pay the District 50% of all Sales and Use Tax revenues that are reported on the monthly sales tax report provided by the Comptroller and received by the City from the Comptroller (net of any Comptroller collection costs) within 30 days of the City receiving the funds from the State Comptroller’s office.

In consideration of the District’s receipt of the Sales and Use Tax revenue, the District agrees to use available funds, including but not limited to the Sales and Use Tax revenue the District receives, to acquire the necessary right of way and construct the road improvements (the “Road Improvements”) set forth in the Agreement. Upon completion of each Road Improvements, the City will accept the Road Improvements in accordance with the terms of the Development Agreement and assume all responsibility to continue maintenance related thereto. So long as the District completes the Road Improvements, the District may use the Sales and Use Tax revenues for any lawful purpose for the entirety of the term of the Agreement.

The Agreement continues until the earlier of: (i) dissolution of the District; (ii) 45 years from the effective date of the Agreement; or (iii) termination on an earlier date pursuant to express written agreement executed by the City and the District. The Agreement may be extended beyond 45 years from the effective date for successive one-year or longer periods by mutual agreement of the City and the District.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 16. DEVELOPMENT AGREEMENT

Effective November 15, 2016, the District entered into a Development Agreement (the “Agreement”) with the City of Katy, Texas. Pursuant to this Agreement, the City agrees to provide certain services to approximately 162.2 acres of land within the District (the “Development Tract”) which will be developed for commercial and single-family residential purposes.

The City will provide the necessary water supply and wastewater treatment plant capacity to serve the Development Tract. As the Development Tract facilities are acquired and constructed, the District will convey the same to the City for ownership and maintenance. The City will also accept for ownership and maintenance road projects constructed within the Development Tract. The District will continue to own and maintain storm water detention facilities, park and recreational facilities, and all other facilities owned by the District located outside the boundaries of the Development Tract. The City will provide services to users within the Development Tract at rates that are equal to those charged to other similar users served by the City. The City will bill and collect from the Development Tract customers, with all revenues belonging exclusively to the City. The City will provide garbage and recycling services to the customers located in the Development Tract at the same rates as those charged to other customers located within the City.

The City will provide police protection and related emergency response services (collectively, the “Emergency Services”) for the entirety of the District for an annual payment of \$275,000 which is due each year by October 1st. Provision of Emergency Services commenced on December 1, 2016. At such time as the City begins collecting its share of the Sales and Use Tax revenue from the Development Tract, pursuant to the Strategic Partnership Agreement described in Note 15, the City will credit such amount to the annual Emergency Services payment due for the following year. The District will be responsible for paying the balance of the Emergency Services payment due, if any. Until all legal requirements are met, including but not limited to TCEQ approval of the District’s Fire Plan and successful fire election, the City will not be contractually obligated to provide fire and emergency medical services. The District submitted its Fire Plan to the TCEQ for review and approval. Subsequent to year end, the TCEQ approved the District’s Fire Plan and the District has called a Fire Fighting Plan, Contract, and Tax Election to be held November 5, 2019, to submit the plan, contract with the City, and associated tax to the District’s voters. If the election is successful, the City will provide fire and emergency medical services within the boundaries of the District in exchange for the District levying and remitting a \$0.0995 per \$100 fire services tax.

The Agreement will remain in effect until the earlier of (i) annexation by and the dissolution of the District by the City; or (ii) the expiration of 45 years from the date hereof.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17. NORTH FORT BEND WATER AUTHORITY

A small portion of the District is located within the boundaries of the North Fort Bend Water Authority (the "Authority"). The Authority was created by an Act of the Texas Legislature. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements. The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. The current rates charged by the Authority are \$3.65 per 1,000 gallons of water pumped from each well and \$4.00 per 1,000 gallons of surface water purchased.

NOTE 18. AGREEMENTS WITH FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 3B

On June 11, 2015, the District entered into an agreement with Fulshear Municipal Utility District No. 3B ("Fulshear 3B") for joint water plant operations. Fulshear 3B participated with the District in the expansion of the water plant to 2,175 equivalent single-family connections ("esfcs") with 1,325 esfcs allocated to the District and 850 esfcs allocated to Fulshear 3B. Ownership capacity is allocated to the District and Fulshear 3B at 61% and 39%, respectively. Each district pays its proportionate share of the operation and maintenance costs based on the ratio of water used by the districts from the water plant to all water produced by the water plant. The term of the agreement is 40 years from the effective date.

On June 11, 2015, the District entered into an agreement with Fulshear 3B for joint wastewater treatment plant operations. Fulshear 3B participated with the District in the expansion of the interim wastewater treatment plant which serves 1,960 esfcs with 1,235 esfcs allocated to the District and 725 esfcs allocated to Fulshear 3B. Ownership capacity for the District and Fulshear 3B is 63% and 37%, respectively. Fulshear 3B pays its proportionate share of the operation and maintenance costs based on its ownership capacity. The term of the agreement is 5 years from the effective date with the option to renew for successive one-year terms.

NOTE 19. PRIOR PERIOD ADJUSTMENT

The District decreased its July 1, 2018 General Fund fund balance and Net Position by \$206,250 to account for amounts owed to the City of Katy for the agreed upon annual payment related to emergency services for the fiscal year ending June 30, 2018, as detailed in Note 16.

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WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 510,000	\$ 575,000	\$ 583,470	\$ 8,470
Water Service	375,000	375,000	355,563	(19,437)
Wastewater Service	420,000	420,000	447,459	27,459
Penalty and Interest	11,000	11,000	16,031	5,031
Tap Connection and Inspection Fees	65,000	65,000	51,980	(13,020)
Investment and Miscellaneous Revenues	29,000	29,000	134,349	105,349
TOTAL REVENUES	<u>\$ 1,410,000</u>	<u>\$ 1,475,000</u>	<u>\$ 1,588,852</u>	<u>\$ 113,852</u>
EXPENDITURES				
Services Operations:				
Professional Fees	\$ 223,500	\$ 223,500	\$ 184,558	\$ 38,942
Contracted Services	498,000	477,000	482,223	(5,223)
Purchased Water Service	160,019	160,019	116,812	43,207
Purchased Wastewater Service		200,000	218,383	(18,383)
Utilities	40,000	40,000	7,120	32,880
Repairs and Maintenance/Capital Outlay	285,000	218,000	277,491	(59,491)
Other	175,000	144,000	149,707	(5,707)
TOTAL EXPENDITURES	<u>\$ 1,381,519</u>	<u>\$ 1,462,519</u>	<u>\$ 1,436,294</u>	<u>\$ 26,225</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	<u>\$ 28,481</u>	<u>\$ 12,481</u>	<u>\$ 152,558</u>	<u>\$ 140,077</u>
OTHER FINANCING SOURCES(USES)				
Transfers In	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 36,006</u>	<u>\$ 36,006</u>
NET CHANGE IN FUND BALANCE	\$ 28,481	\$ 12,481	\$ 188,564	\$ 176,083
FUND BALANCE - JULY 1, 2018	<u>1,707,922</u>	<u>1,707,922</u>	<u>1,707,922</u>	
FUND BALANCE - JUNE 30, 2019	<u>\$ 1,736,403</u>	<u>\$ 1,720,403</u>	<u>\$ 1,896,486</u>	<u>\$ 176,083</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL –
SPECIAL REVENUE FUND – WATER FACILITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Water Service	\$ 228,500	\$ 176,570	\$ (51,930)
Investment and Miscellaneous Revenues		34	34
TOTAL REVENUES	<u>\$ 228,500</u>	<u>\$ 176,604</u>	<u>\$ (51,896)</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 16,000	\$ 6,653	\$ 9,347
Contracted Services	7,000	19,851	(12,851)
Utilities	40,000	44,408	(4,408)
Repairs and Maintenance	130,000	61,373	68,627
Other	35,500	44,319	(8,819)
TOTAL EXPENDITURES	<u>\$ 228,500</u>	<u>\$ 176,604</u>	<u>\$ 51,896</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE - JULY 1, 2018	_____	_____	_____
FUND BALANCE - JUNE 30, 2019	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL –
SPECIAL REVENUE FUND – WASTEWATER FACILITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Wastewater Service	\$ 481,500	\$ 469,667	\$ (11,833)
Investment and Miscellaneous Revenues		81	81
TOTAL REVENUES	<u>\$ 481,500</u>	<u>\$ 469,748</u>	<u>\$ (11,752)</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 15,000	\$ 3,364	\$ 11,636
Contracted Services	6,300	32,071	(25,771)
Purchased Wastewater Service/Lease Payments	283,200	212,400	70,800
Utilities	30,000	46,563	(16,563)
Repairs and Maintenance	50,000	136,755	(86,755)
Other	97,000	38,595	58,405
TOTAL EXPENDITURES	<u>\$ 481,500</u>	<u>\$ 469,748</u>	<u>\$ 11,752</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE - JULY 1, 2018	_____	_____	_____
FUND BALANCE - JUNE 30, 2019	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

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WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

JUNE 30, 2019

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order adopted on November 9, 2017.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 23.00	8,000	N	\$ 1.00 \$ 1.50 \$ 2.00	8,001 – 15,000 15,001 – 30,000 30,001 and up
WASTEWATER:	\$ 38.00*		Y		
SURCHARGE:					
Groundwater Reduction Fees	110% of the per 1,000 gallon water pumpage fee charged by the Bluebonnet Groundwater Conservation District.				

Total monthly charges per 10,000 gallons usage: Water: \$ 25.00 Wastewater: \$ 38.00 Surcharge: \$ 0.50

* Includes garbage service for residential connections only.

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019**

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	<u> </u>	<u> </u>	x 1.0	<u> </u>
≤ ³ / ₄ "	<u> 1,056</u>	<u> 1,055</u>	x 1.0	<u> 1,055</u>
1"	<u> 1</u>	<u> 1</u>	x 2.5	<u> 3</u>
1½"	<u> </u>	<u> </u>	x 5.0	<u> </u>
2"	<u> 5</u>	<u> 1</u>	x 8.0	<u> 8</u>
3"	<u> </u>	<u> </u>	x 15.0	<u> </u>
4"	<u> </u>	<u> </u>	x 25.0	<u> </u>
6"	<u> </u>	<u> </u>	x 50.0	<u> </u>
8"	<u> </u>	<u> </u>	x 80.0	<u> </u>
10"	<u> </u>	<u> </u>	x 115.0	<u> </u>
Total Water Connections	<u> 1,062</u>	<u> 1,057</u>		<u> 1,065</u>
Total Wastewater Connections	<u> 1,022</u>	<u> 1,056</u>	x 1.0	<u> 1,056</u>

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

Gallons pumped into system:	215,683,000	Water Accountability Ratio: 95% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	136,406,000	
Total Gallons sold:	67,848,000	To: <u>Fulshear MUD 3B</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019**

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

Counties in which District is located:

Waller and Fort Bend Counties, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Katy, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019**

PROFESSIONAL FEES:	
Auditing	\$ 15,750
Engineering	47,769
Legal	<u>121,039</u>
TOTAL PROFESSIONAL FEES	<u>\$ 184,558</u>
 PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 116,812
Purchased Wastewater Service	<u>218,383</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 335,195</u>
 CONTRACTED SERVICES:	
Bookkeeping	\$ 17,325
Operations and Billing	<u>20,971</u>
TOTAL CONTRACTED SERVICES	<u>\$ 38,296</u>
 UTILITIES	<u>\$ 7,120</u>
 REPAIRS AND MAINTENANCE	<u>\$ 277,491</u>
 ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 17,250
Insurance	4,094
Office Supplies and Postage	21,104
Payroll Taxes	1,503
Travel and Meetings	6,945
Other	<u>14,893</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 65,789</u>
 TAP CONNECTIONS	<u>\$ 35,400</u>
 SOLID WASTE DISPOSAL	<u>\$ 168,927</u>
 MUNICIPAL SERVICES	<u>\$ 275,000</u>
 OTHER EXPENDITURES:	
Chemicals	\$ 607
Laboratory Fees	1,333
Lease Payments	23,600
Permit Fees	2,046
Reconnection Fees	10,180
Inspection Fees	7,030
Regulatory Assessment	<u>3,722</u>
TOTAL OTHER EXPENDITURES	<u>\$ 48,518</u>
 TOTAL EXPENDITURES	<u><u>\$ 1,436,294</u></u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2019**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexSTAR	XXXX2220	Varies	Daily	\$ 351,805	\$
Certificate of Deposit	XXXX0231	2.40%	09/14/19	243,019	4,618
Certificate of Deposit	XXXX1980	2.75%	02/14/20	240,000	2,459
Certificate of Deposit	XXXX5103	2.75%	05/23/20	240,000	687
Certificate of Deposit	XXXX0445	2.75%	02/20/20	240,000	2,351
Certificate of Deposit	XXXX2847	2.75%	06/01/20	240,000	524
TOTAL GENERAL FUND				<u>\$ 1,554,824</u>	<u>\$ 10,639</u>
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	XXXX4440	Varies	Daily	\$ 721,885	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 2,276,709</u>	<u>\$ 10,639</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JULY 1, 2018	\$ 4,499		\$ 14,435	
Adjustments to Beginning				
Balance	<u>(17)</u>	\$ 4,482	<u>(57)</u>	\$ 14,378
Original 2018 Tax Levy	\$ 584,732		\$ 1,949,107	
Adjustment to 2018 Tax Levy	<u>(617)</u>	<u>584,115</u>	<u>(2,058)</u>	<u>1,947,049</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 588,597		\$ 1,961,427
 TAX COLLECTIONS:				
Prior Years	\$ 3,208		\$ 10,292	
Current Year	<u>580,262</u>	<u>583,470</u>	<u>1,934,207</u>	<u>1,944,499</u>
 TAXES RECEIVABLE -				
JUNE 30, 2019		<u>\$ 5,127</u>		<u>\$ 16,928</u>
 TAXES RECEIVABLE BY				
YEAR:				
2018		\$ 3,853		\$ 12,842
2017		<u>1,274</u>		<u>4,086</u>
TOTAL		<u>\$ 5,127</u>		<u>\$ 16,928</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 51,299,416	\$ 46,036,733	\$ 43,703,300	\$ 31,140,540
Improvements	195,120,336	178,764,943	148,989,283	129,728,011
Personal Property	3,147,787	3,160,604	2,336,699	1,746,193
Exemptions	<u>(6,186,385)</u>	<u>(5,516,388)</u>	<u>(4,261,203)</u>	<u>(3,016,465)</u>
TOTAL PROPERTY VALUATIONS	<u><u>\$ 243,381,154</u></u>	<u><u>\$ 222,445,892</u></u>	<u><u>\$ 190,768,079</u></u>	<u><u>\$ 159,598,279</u></u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.80	\$ 0.77	\$ 0.820	\$ 0.90
Maintenance	<u>0.24</u>	<u>0.24</u>	<u>0.275</u>	<u>0.25</u>
TOTAL TAX RATES PER \$100 VALUATION	<u><u>\$ 1.04</u></u>	<u><u>\$ 1.01</u></u>	<u><u>\$ 1.095</u></u>	<u><u>\$ 1.15</u></u>
ADJUSTED TAX LEVY*	<u><u>\$ 2,531,164</u></u>	<u><u>\$ 2,246,703</u></u>	<u><u>\$ 2,088,910</u></u>	<u><u>\$ 1,835,380</u></u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u><u>99.34 %</u></u>	<u><u>99.76 %</u></u>	<u><u>100.00 %</u></u>	<u><u>100.00 %</u></u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation was approved by voters on November 6, 2007.

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

S E R I E S - 2 0 1 3 U T I L I T Y			
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 65,000	\$ 2,563	\$ 67,563
2021	70,000	875	70,875
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	\$ 135,000	\$ 3,438	\$ 138,438

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

SERIES - 2014 UTILITY

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 110,000	\$ 114,500	\$ 224,500
2021	115,000	111,963	226,963
2022	120,000	108,725	228,725
2023	125,000	105,050	230,050
2024	130,000	101,225	231,225
2025	140,000	97,175	237,175
2026	145,000	92,900	237,900
2027	155,000	88,400	243,400
2028	160,000	83,675	243,675
2029	170,000	78,725	248,725
2030	180,000	73,363	253,363
2031	185,000	67,659	252,659
2032	195,000	61,601	256,601
2033	205,000	55,100	260,100
2034	215,000	48,007	263,007
2035	225,000	40,306	265,306
2036	235,000	32,257	267,257
2037	250,000	23,768	273,768
2038	260,000	14,680	274,680
2039	275,000	4,984	279,984
2040			
2041			
2042			
2043			
	<u>\$ 3,595,000</u>	<u>\$ 1,404,063</u>	<u>\$ 4,999,063</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

S E R I E S - 2 0 1 4 R O A D

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 100,000	\$ 60,256	\$ 160,256
2021	95,000	58,306	153,306
2022	95,000	55,931	150,931
2023	95,000	53,081	148,081
2024	95,000	50,231	145,231
2025	95,000	47,381	142,381
2026	95,000	44,531	139,531
2027	95,000	41,681	136,681
2028	95,000	38,713	133,713
2029	95,000	35,625	130,625
2030	95,000	32,537	127,537
2031	95,000	29,331	124,331
2032	95,000	26,006	121,006
2033	95,000	22,681	117,681
2034	95,000	19,297	114,297
2035	95,000	15,854	110,854
2036	95,000	12,411	107,411
2037	95,000	8,907	103,907
2038	95,000	5,345	100,345
2039	95,000	1,781	96,781
2040			
2041			
2042			
2043			
	<u>\$ 1,905,000</u>	<u>\$ 659,886</u>	<u>\$ 2,564,886</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

SERIES - 2015 UTILITY

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 150,000	\$ 98,605	\$ 248,605
2021	150,000	95,605	245,605
2022	145,000	92,655	237,655
2023	145,000	89,574	234,574
2024	145,000	86,203	231,203
2025	145,000	82,578	227,578
2026	145,000	78,735	223,735
2027	145,000	74,748	219,748
2028	145,000	70,543	215,543
2029	145,000	66,048	211,048
2030	145,000	61,371	206,371
2031	145,000	56,549	201,549
2032	145,000	51,547	196,547
2033	145,000	46,472	191,472
2034	145,000	41,397	186,397
2035	145,000	36,250	181,250
2036	145,000	31,030	176,030
2037	145,000	25,810	170,810
2038	145,000	20,300	165,300
2039	145,000	14,500	159,500
2040	145,000	8,700	153,700
2041	145,000	2,900	147,900
2042			
2043			
	<u>\$ 3,200,000</u>	<u>\$ 1,232,120</u>	<u>\$ 4,432,120</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

SERIES - 2016 REFUNDING

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 20,000	\$ 100,250	\$ 120,250
2021	25,000	99,800	124,800
2022	25,000	99,300	124,300
2023	25,000	98,800	123,800
2024	25,000	98,285	123,285
2025	160,000	94,819	254,819
2026	165,000	88,319	253,319
2027	170,000	81,619	251,619
2028	180,000	74,619	254,619
2029	190,000	67,219	257,219
2030	195,000	59,519	254,519
2031	205,000	51,518	256,518
2032	210,000	43,218	253,218
2033	225,000	35,503	260,503
2034	230,000	28,250	258,250
2035	235,000	20,694	255,694
2036	245,000	12,740	257,740
2037	255,000	4,303	259,303
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 2,785,000</u>	<u>\$ 1,158,775</u>	<u>\$ 3,943,775</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

SERIES - 2016 ROAD REFUNDING

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 50,000	\$ 49,169	\$ 99,169
2021	50,000	48,169	98,169
2022	50,000	47,169	97,169
2023	55,000	46,119	101,119
2024	55,000	44,985	99,985
2025	60,000	43,725	103,725
2026	65,000	42,319	107,319
2027	65,000	40,287	105,287
2028	70,000	37,587	107,587
2029	75,000	34,687	109,687
2030	75,000	31,687	106,687
2031	80,000	28,587	108,587
2032	80,000	25,387	105,387
2033	85,000	22,087	107,087
2034	90,000	18,869	108,869
2035	95,000	15,748	110,748
2036	100,000	12,457	112,457
2037	100,000	9,081	109,081
2038	105,000	5,622	110,622
2039	110,000	1,925	111,925
2040			
2041			
2042			
2043			
	<u>\$ 1,515,000</u>	<u>\$ 605,666</u>	<u>\$ 2,120,666</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

SERIES - 2016 A UTILITY

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 265,000	\$ 146,785	\$ 411,785
2021	265,000	143,406	408,406
2022	265,000	139,696	404,696
2023	265,000	135,125	400,125
2024	265,000	129,826	394,826
2025	265,000	124,525	389,525
2026	260,000	119,275	379,275
2027	260,000	114,075	374,075
2028	260,000	108,875	368,875
2029	260,000	103,512	363,512
2030	260,000	97,825	357,825
2031	260,000	91,812	351,812
2032	260,000	85,475	345,475
2033	260,000	78,975	338,975
2034	260,000	72,475	332,475
2035	260,000	65,813	325,813
2036	260,000	58,500	318,500
2037	260,000	50,700	310,700
2038	260,000	42,900	302,900
2039	260,000	35,100	295,100
2040	260,000	27,300	287,300
2041	260,000	19,500	279,500
2042	260,000	11,700	271,700
2043	260,000	3,900	263,900
	<u>\$ 6,270,000</u>	<u>\$ 2,007,075</u>	<u>\$ 8,277,075</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

SERIES - 2017 UTILITY

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 155,000	\$ 111,299	\$ 266,299
2021	155,000	106,650	261,650
2022	155,000	101,999	256,999
2023	155,000	97,349	252,349
2024	155,000	92,701	247,701
2025	155,000	88,051	243,051
2026	155,000	83,400	238,400
2027	155,000	78,750	233,750
2028	155,000	74,100	229,100
2029	155,000	69,450	224,450
2030	150,000	64,875	214,875
2031	150,000	60,375	210,375
2032	150,000	55,875	205,875
2033	150,000	51,281	201,281
2034	150,000	46,594	196,594
2035	150,000	41,907	191,907
2036	150,000	37,219	187,219
2037	150,000	32,532	182,532
2038	150,000	27,844	177,844
2039	150,000	23,063	173,063
2040	150,000	18,093	168,093
2041	150,000	13,031	163,031
2042	150,000	7,875	157,875
2043	150,000	2,625	152,625
	<u>\$ 3,650,000</u>	<u>\$ 1,386,938</u>	<u>\$ 5,036,938</u>

See accompanying independent auditor's report.

WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 8 R O A D

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 125,000	\$ 104,375	\$ 229,375
2021	125,000	98,125	223,125
2022	125,000	91,875	216,875
2023	125,000	85,625	210,625
2024	125,000	80,313	205,313
2025	125,000	76,250	201,250
2026	125,000	72,499	197,499
2027	125,000	68,751	193,751
2028	125,000	64,999	189,999
2029	125,000	61,251	186,251
2030	125,000	57,499	182,499
2031	125,000	53,750	178,750
2032	125,000	49,922	174,922
2033	125,000	45,937	170,937
2034	125,000	41,875	166,875
2035	125,000	37,734	162,734
2036	125,000	33,516	158,516
2037	125,000	29,219	154,219
2038	125,000	24,844	149,844
2039	125,000	20,390	145,390
2040	125,000	15,860	140,860
2041	125,000	11,328	136,328
2042	125,000	6,797	131,797
2043	125,000	2,266	127,266
	<u>\$ 3,000,000</u>	<u>\$ 1,235,000</u>	<u>\$ 4,235,000</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

S E R I E S - 2 0 1 9 U T I L I T Y			
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$	\$ 97,513	\$ 97,513
2021	165,000	104,087	269,087
2022	165,000	100,787	265,787
2023	165,000	97,488	262,488
2024	165,000	94,188	259,188
2025	165,000	90,682	255,682
2026	165,000	86,969	251,969
2027	165,000	83,256	248,256
2028	165,000	78,925	243,925
2029	165,000	73,975	238,975
2030	165,000	69,025	234,025
2031	165,000	64,075	229,075
2032	160,000	59,200	219,200
2033	160,000	54,400	214,400
2034	160,000	49,600	209,600
2035	160,000	44,800	204,800
2036	160,000	39,900	199,900
2037	160,000	34,900	194,900
2038	160,000	29,800	189,800
2039	160,000	24,600	184,600
2040	160,000	19,300	179,300
2041	160,000	13,900	173,900
2042	160,000	8,400	168,400
2043	160,000	2,800	162,800
	\$ 3,735,000	\$ 1,422,570	\$ 5,157,570

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

S E R I E S - 2 0 1 9 A R E F U N D I N G

Due During Fiscal Years Ending June 30	Principal Due March 1	Interest Due September 1/ March 1	Total
2020	\$ 110,000	\$ 65,939	\$ 175,939
2021	195,000	88,000	283,000
2022	200,000	82,150	282,150
2023	210,000	76,150	286,150
2024	85,000	69,850	154,850
2025	90,000	67,300	157,300
2026	95,000	64,600	159,600
2027	100,000	60,800	160,800
2028	105,000	56,800	161,800
2029	110,000	52,600	162,600
2030	115,000	48,200	163,200
2031	120,000	43,600	163,600
2032	120,000	38,800	158,800
2033	125,000	34,000	159,000
2034	130,000	29,000	159,000
2035	140,000	23,800	163,800
2036	145,000	18,200	163,200
2037	155,000	12,400	167,400
2038	155,000	6,200	161,200
2039			
2040			
2041			
2042			
2043			
	<u>\$ 2,505,000</u>	<u>\$ 938,389</u>	<u>\$ 3,443,389</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 1,150,000	\$ 951,254	\$ 2,101,254
2021	1,410,000	954,986	2,364,986
2022	1,345,000	920,287	2,265,287
2023	1,365,000	884,361	2,249,361
2024	1,245,000	847,807	2,092,807
2025	1,400,000	812,486	2,212,486
2026	1,415,000	773,547	2,188,547
2027	1,435,000	732,367	2,167,367
2028	1,460,000	688,836	2,148,836
2029	1,490,000	643,092	2,133,092
2030	1,505,000	595,901	2,100,901
2031	1,530,000	547,256	2,077,256
2032	1,540,000	497,031	2,037,031
2033	1,575,000	446,436	2,021,436
2034	1,600,000	395,364	1,995,364
2035	1,630,000	342,906	1,972,906
2036	1,660,000	288,230	1,948,230
2037	1,695,000	231,620	1,926,620
2038	1,455,000	177,535	1,632,535
2039	1,320,000	126,343	1,446,343
2040	840,000	89,253	929,253
2041	840,000	60,659	900,659
2042	695,000	34,772	729,772
2043	695,000	11,591	706,591
	<u>\$ 32,295,000</u>	<u>\$ 12,053,920</u>	<u>\$ 44,348,920</u>

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2019**

Description	Original Bonds Issued	Bonds Outstanding July 1, 2018
Willow Creek Farms Municipal Utility District Unlimited Tax Bonds - Series 2010	\$ 3,590,000	\$ 660,000
Willow Creek Farms Municipal Utility District Unlimited Tax Road Bonds - Series 2012	1,680,000	40,000
Willow Creek Farms Municipal Utility District Unlimited Tax Bonds - Series 2013	2,500,000	2,260,000
Willow Creek Farms Municipal Utility District Unlimited Tax Bonds - Series 2014	4,000,000	3,700,000
Willow Creek Farms Municipal Utility District Unlimited Tax Road Bonds - Series 2014	2,300,000	2,005,000
Willow Creek Farms Municipal Utility District Unlimited Tax Bonds - Series 2015	3,500,000	3,350,000
Willow Creek Farms Municipal Utility District Unlimited Tax Refunding Bonds - Series 2016	2,825,000	2,805,000
Willow Creek Farms Municipal Utility District Unlimited Tax Road Refunding Bonds - Series 2016	1,535,000	1,525,000
Willow Creek Farms Municipal Utility District Unlimited Tax Bonds - Series 2016A	6,800,000	6,535,000

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding June 30, 2019	Paying Agent
	Principal	Interest		
\$	\$ 660,000	\$ 30,250	\$ -0-	Wells Fargo Bank N.A. Houston, TX
	40,000	640	-0-	Wells Fargo Bank N.A. Dallas, TX
	2,125,000	92,344	135,000	Wells Fargo Bank N.A. Minneapolis, MN
	105,000	116,650	3,595,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
	100,000	62,256	1,905,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
	150,000	101,605	3,200,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
	20,000	100,650	2,785,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
	10,000	49,769	1,515,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
	265,000	149,833	6,270,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2019**

Description	Original Bonds Issued	Bonds Outstanding July 1, 2018
Willow Creek Farms Municipal Utility District Unlimited Tax Bonds - Series 2017	\$ 3,800,000	\$ 3,800,000
Willow Creek Farms Municipal Utility District Unlimited Tax Road Bonds - Series 2018	3,000,000	3,000,000
Willow Creek Farms Municipal Utility District Unlimited Tax Bonds - Series 2019	3,735,000	
Willow Creek Farms Municipal Utility District Unlimited Tax Refunding Bonds - Series 2019A	<u>2,505,000</u>	
TOTAL	<u>\$ 41,770,000</u>	<u>\$ 29,680,000</u>

Bond Authority:	Tax Bonds (Utilities)*	Road Bonds*	Parks and Recreational Bonds*
Amount Authorized by Voters	\$ 57,230,000	\$ 23,500,000	\$ 11,375,000
Amount Issued	<u>28,220,000</u>	<u>7,050,000</u>	
Remaining to be Issued	<u>\$ 29,010,000</u>	<u>\$ 16,450,000</u>	<u>\$ 11,375,000</u>

* Includes bonds authorized to be issued for refunding purposes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding June 30, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 150,000	\$ 115,875	\$ 3,650,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
		86,885	3,000,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
3,735,000			3,735,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
<u>2,505,000</u>			<u>2,505,000</u>	The Bank of New York Mellon Trust Company N.A. Dallas, TX
<u>\$ 6,240,000</u>	<u>\$ 3,625,000</u>	<u>\$ 906,757</u>	<u>\$ 32,295,000</u>	

Debt Service Fund cash and investment balances as of June 30, 2019: \$ 3,276,902

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 1,847,872

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

See accompanying independent auditor's report.

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

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 583,470	\$ 532,594	\$ 523,305
Water Service	355,563	334,736	313,683
Wastewater Service	447,459	431,604	376,107
Penalty and Interest	16,031	12,186	15,839
Tap Connection and Inspection Fees	51,980	64,970	102,925
Investment and Miscellaneous Revenues	134,349	41,901	29,377
TOTAL REVENUES	\$ 1,588,852	\$ 1,417,991	\$ 1,361,236
EXPENDITURES			
Professional Fees	\$ 184,558	\$ 221,000	\$ 214,162
Contracted Services	482,223	428,229	418,863
Purchased Water Service	116,812	155,692	
Purchased Wastewater Service	218,383		
Utilities	7,120	43,339	64,141
Repairs and Maintenance	277,491	340,028	250,453
Other	149,707	303,308	294,066
TOTAL EXPENDITURES	\$ 1,436,294	\$ 1,491,596	\$ 1,241,685
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 152,558	\$ (73,605)	\$ 119,551
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 36,006	\$ 13,300	\$ 44,062
NET CHANGE IN FUND BALANCE	\$ 188,564	\$ (60,305)	\$ 163,613
BEGINNING FUND BALANCE	1,707,922	1,768,227	1,604,614
ENDING FUND BALANCE	\$ 1,896,486	\$ 1,707,922	\$ 1,768,227

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 403,016	\$ 501,504	36.6 %	37.5 %	38.4 %	34.3 %	41.9 %
286,242	245,354	22.4	23.6	23.0	24.4	20.5
353,830	291,173	28.2	30.4	27.6	30.1	24.3
12,769	10,156	1.0	0.9	1.2	1.1	0.8
91,294	124,375	3.3	4.6	7.6	7.8	10.4
27,583	24,885	8.5	3.0	2.2	2.3	2.1
<u>\$ 1,174,734</u>	<u>\$ 1,197,447</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 236,853	\$ 208,539	11.6 %	15.6 %	15.7 %	20.2 %	17.4 %
179,972	151,313	30.4	15.7	30.8	15.3	12.6
		7.4	11.0			
		13.7				
68,237	65,044	0.4	3.1	4.7	5.8	5.4
232,276	161,534	17.5	30.0	18.4	19.8	13.5
289,216	170,673	9.4	21.4	21.6	24.6	14.3
<u>\$ 1,006,554</u>	<u>\$ 757,103</u>	<u>90.4 %</u>	<u>96.8 %</u>	<u>91.2 %</u>	<u>85.7 %</u>	<u>63.2 %</u>
\$ 168,180	\$ 440,344	<u>9.6 %</u>	<u>3.2 %</u>	<u>8.8 %</u>	<u>14.3 %</u>	<u>36.8 %</u>
<u>\$ 31,236</u>	<u>\$ 40,393</u>					
\$ 199,416	\$ 480,737					
1,405,198	924,461					
<u>\$ 1,604,614</u>	<u>\$ 1,405,198</u>					

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS**

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,944,499	\$ 1,707,731	\$ 1,562,272
Payment in Lieu of Taxes	500,000		370,173
Penalty and Interest	9,832	9,800	8,192
Investment and Miscellaneous Revenues	8,924	7,845	3,535
TOTAL REVENUES	\$ 2,463,255	\$ 1,725,376	\$ 1,944,172
EXPENDITURES			
Tax Collection Expenditures	\$ 77,364	\$ 73,282	\$ 62,386
Debt Service Principal	1,000,000	835,000	370,000
Debt Service Interest and Fees	931,364	761,895	662,327
Bond Issuance Costs	134,226		
Payment to Refunded Bond Escrow Agent	123,000		
TOTAL EXPENDITURES	\$ 2,265,954	\$ 1,670,177	\$ 1,094,713
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 197,301	\$ 55,199	\$ 849,459
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	\$	\$	\$
Proceeds from Sale of Refunding Bonds	2,505,000		
Transfer to Refunded Bond Escrow Agent	(2,546,996)		
Bond Premium	179,063		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 137,067	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 334,368	\$ 55,199	\$ 849,459
BEGINNING FUND BALANCE	2,922,578	2,867,379	2,017,920
ENDING FUND BALANCE	\$ 3,256,946	\$ 2,922,578	\$ 2,867,379
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,057	996	949
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,056	992	947

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 1,439,661	\$ 890,680	78.9 %	98.9 %	80.4 %	89.8 %	67.3 %
150,000	425,680	20.3		19.0	9.4	32.2
9,817	5,501	0.4	0.6	0.4	0.6	0.4
2,670	1,888	0.4	0.5	0.2	0.2	0.1
<u>\$ 1,602,148</u>	<u>\$ 1,323,749</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 52,920	\$ 36,652	3.1 %	4.2 %	3.2 %	3.3 %	2.8 %
370,000	180,000	40.6	48.4	19.0	23.1	13.6
634,338	417,985	37.8	44.2	34.1	39.6	31.6
221,731		5.4			13.8	
17,500		5.0			1.1	
<u>\$ 1,296,489</u>	<u>\$ 634,637</u>	<u>91.9 %</u>	<u>96.8 %</u>	<u>56.3 %</u>	<u>80.9 %</u>	<u>48.0 %</u>
\$ 305,659	\$ 689,112	8.1 %	3.2 %	43.7 %	19.1 %	52.0 %
\$ 4,360,000	\$ 124,750					
(4,279,976)						
142,158						
<u>\$ 222,182</u>	<u>\$ 124,750</u>					
\$ 527,841	\$ 813,862					
1,490,079	676,217					
<u>\$ 2,017,920</u>	<u>\$ 1,490,079</u>					
<u>859</u>	<u>768</u>					
<u>834</u>	<u>746</u>					

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019**

District Mailing Address - Willow Creek Farms Municipal Utility District
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>June 30, 2019</u>	Expense Reimbursements for the year ended <u>June 30, 2019</u>	<u>Title</u>
Lauren Kinsler	05/18 05/22 (Elected)	\$ 2,550	\$ 402	President (Resigned after fye)
J. Sawyer	05/18 05/22 (Elected)	\$ 4,200	\$ 446	Vice President
Jay Shepard	05/18 05/20 (Appointed)	\$ 3,750	\$ 2,314	Secretary
David Chastain	03/19 05/20 (Appointed)	\$ 1,200	\$ 153	Assistant Secretary
Artemio Hernandez	05/18 05/22 (Elected)	\$ 5,550	\$ 2,430	Assistant Vice President
Seth Bounds	05/18 05/20 (Appointed)	\$ 1,200	\$ 44	Resigned

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 (TWC Sections 36.054 and 49.054):
August 7, 2019.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on June 27, 2007. Fees of Office are the amounts actually paid to a Director during the District current fiscal year.

See accompanying independent auditor's report.

**WILLOW CREEK FARMS MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019**

Consultants:	<u>Date Hired</u>	<u>Fees/ Compensation for the year ended June 30, 2019 District</u>	<u>Fees/ Compensation for year ended June 30, 2019 Water Facilities</u>	<u>Fees/ Compensation for year ended June 30, 2019 Wastewater Facilities</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	06/27/07	\$ 129,725 \$ 152,355	\$ -0- \$ -0-	\$ -0- \$ -0-	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	06/25/08	\$ 15,750 \$ 16,000	\$ 2,000 \$ -0-	\$ -0- \$ -0-	Auditor Bond Related
Myrtle Cruz, Inc.	06/27/07	\$ 26,752	\$ 6,878	\$ 11,999	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	08/27/08	\$ 3,119	\$ -0-	\$ -0-	Delinquent Tax Attorney
IDS Engineering Group	06/27/07	\$ 118,577	\$ 4,653	\$ 3,364	Engineer
Masterson Advisors LLC	06/04/18	\$ 108,412	\$ -0-	\$ -0-	Financial Advisor
Mary Jarmon	11/27/13	\$ -0-	\$ -0-	\$ -0-	Investment Officer
TNG Utility Corp.	07/01/07	\$ 174,487	\$ 99,084	\$ 167,166	Operator
Utility Tax Service, LLC	06/27/07	\$ 47,488	\$ -0-	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.

