



Control Number: 47912



Item Number: 30

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SOAH DOCKET NO. 473-18-2475.WS  
DOCKET NO. 47912

2018 JUN 18 PM 2:40

RATEPAYERS' APPEAL OF THE § BEFORE THE STATE OFFICE  
DECISION BY SOUTH CENTRAL §  
CALHOUN COUNTY WATER § OF  
CONTROL AND IMPROVEMENT §  
DISTRICT NO. 1 TO CHANGE RATES § ADMINISTRATIVE HEARINGS

DIRECT TESTIMONY OF SCOTT P. MASON, P.E.

*on behalf of*

SOUTH CENTRAL CALHOUN COUNTY WATER CONTROL AND IMPROVEMENT  
DISTRICT NO. 1

SUBMITTED ON June 18, 2018

**DIRECT TESTIMONY OF SCOTT P. MASON, P.E.**

**LIST OF EXHIBITS**

EXHIBIT	DESCRIPTION
DISTRICT EXHIBIT 11	Direct Testimony of Scott P. Mason, P.E.
DISTRICT EXHIBIT 12	Resume of Scott P. Mason
DISTRICT EXHIBIT 13	District's Wastewater Treatment Plant Plans
DISTRICT EXHIBIT 14	District's 2016 Book Asset Detail
DISTRICT EXHIBIT 15	District's 2016 Audit
DISTRICT EXHIBIT 16	District's October 2017 Profit and Loss Budget Comparison; 2017 Audit; 2017 Repair Transaction Detail

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**RATEPAYERS' APPEAL OF THE § BEFORE THE STATE OFFICE  
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DISTRICT NO. 1 TO CHANGE RATES § ADMINISTRATIVE HEARINGS**

**DIRECT TESTIMONY OF SCOTT P. MASON, P.E.**

1 **Q. Please state your name and business address.**

2 A. My name is Scott P. Mason, P.E. My business address is 205 W. Live Oak, Port Lavaca,  
3 TX 77979.

4 **Q. On whose behalf are you testifying in this proceeding?**

5 A. I am filing testimony on behalf of the South Central Calhoun County Water Control and  
6 Improvement District No. 1 ("District").

7 **Q. Who are you employed by?**

8 A. G&W Engineers, Inc. ("G&W"); TBPE Registered Firm No. F04188.

9 **Q. What is your title at G&W?**

10 A. Lead Project Engineer.

11 **Q. Are you a Professional Engineer?**

12 A. Yes, I am a Registered Professional Engineer in the State of Texas. My license number is  
13 127893.

14 **Q. What are your job responsibilities as Lead Project Engineer?**

15 A. I am an overall manager for projects of staff. I am also the client manager for certain  
16 groups of clients, including working with water and sewer utility clients. I work with the  
17 client to help meet their expectations and complete the project on time. I also currently

1 serve as the district engineer for the Victoria County Water Control and Improvement  
2 District No. 1.

3 **Q. How many water and/or sewer projects have you designed or been involved in?**

4 A. I have been involved in the design and construction of several dozen water or sewer  
5 projects in Texas.

6 **Q. Have you been involved with the District's sewer utility?**

7 A. Yes.

8 **Q. In what capacity have you been involved?**

9 A. My firm has served as the District's engineer on various projects for the District. I was  
10 also involved around the Fall of 2017 to help the District with providing consultation for  
11 new utility service request and providing the district with all plan records of the sewer  
12 system that were available and on file at G&W, as well as provide information regarding  
13 the design of the system to new board members.

14 **Q. What is your education background?**

15 A. I have a Bachelor of Science in Biological and Agricultural Engineering from Texas  
16 A&M University. I also have an Associate's Degree in Science (Mathematics) from  
17 Blinn College.

18 **Q. Do you have a current resume?**

19 A. Yes. DISTRICT EXH. 12, which is attached and is an accurate copy of my current  
20 resume.

21 **[DISTRICT OFFERS DISTRICT EXH. 12]**

22 **Q. Are you familiar with the regulatory programs through which sewer utilities are**  
23 **regulated?**

1 A. Yes. I am familiar with the state and local regulatory programs.

2 **Q. Are you familiar with the design, management, and construction of a sewer utility?**

3 A. Yes.

4 **Q. Please explain how you are familiar with sewer systems.**

5 A. I represent both the private and public sector utilities. I assist clients with wastewater  
6 utility infrastructure planning, maintenance, and site development.

7 **Q. Have you reviewed the District's sewer rates at issue in this proceeding?**

8 A. Yes.

9 **Q. Do you have an opinion on the age of the sewer system?**

10 A. Yes. The sewer system appears to be aging. The plant was put in service in 1992, so it is  
11 26 years old. All mechanical systems, by nature, such as sewer plant components and  
12 systems deteriorate over time. Collection systems age as well.

13 **Q. Are you generally familiar with the components of the sewer system?**

14 A. Yes.

15 **Q. Please describe the various components of the sewer system.**

16 A. The system is a steel reinforced concrete wastewater treatment plant. There is one (1) lift  
17 station, and the sanitary sewer collection system consists of sanitary sewer mains,  
18 manholes and main line cleanouts.

19 **Q. How are you familiar with these various components?**

20 A. I have reviewed the specifications and plans for the plant. I also conducted a site visit. I  
21 included the plant plans with my testimony as DISTRICT EXH. 13.

1 **[DISTRICT OFFERS DISTRICT EXH. 13]**

2 **Q. In your professional opinion, what is the condition of the sewer plant?**

3 A. The sewer plant is aging and based on the current depreciation, some facilities may be in  
4 need of replacement. Many of the facilities have depreciated to zero net book value and  
5 the plant itself is close to being fully depreciated. The necessary repairs or replacement  
6 of these components would be expensive. It is likely that without these replacements the  
7 system would go down. I included the 2016 Book Asset Detail with my testimony as  
8 DISTRICT EXH. 14.

9 **[DISTRICT OFFERS DISTRICT EXH. 14]**

10 **Q. In your professional opinion, why is it important to look at the depreciation of the**  
11 **sewer plant in 2016?**

12 A. Based on my understanding of the applicable rules, 2016 is the test year for the Board's  
13 rate decision made on September 15, 2017.

14 **Q. Do you have an opinion about whether the rates set by the District at issue in this**  
15 **proceeding are reasonable?**

16 A. Yes, the rates are reasonable from my experience with other Water Control and  
17 Improvement Districts in the area.

18 **Q. On what do you base that opinion?**

19 A. Based on the expenses from 2016, the reasonable and necessary sewer expenses exceeded  
20 the revenues by over \$21,000. Based on a review of the District's audited 2016  
21 financials, the District's operations, maintenance and depreciation expenses totaled  
22 \$73,375. Based on my understanding of the rules applicable to sewer utilities, these are

allowable expenses on which to base the sewer rates. I included the 2016 Audit with my testimony as DISTRICT EXH. 15.

**[DISTRICT OFFERS DISTRICT EXH. 15]**

**Q. Do you have an opinion on the necessity of the expenditures made to operate the plant in 2016?**

A. Yes.

**Q. Please state that opinion.**

A. Also looking at the 2016 Audit, the 2016 expenses were related to plant maintenance, plant chemicals, plant supplies, sewer tests, wages, contract labor, plant utilities, and depreciation. All of these expenses are necessary and reasonable to keep the plant operational.

**Q. Do you have an opinion on the necessity and reasonableness of the repairs made to the system in 2017?**

A. Yes.

**Q. Please state that opinion.**

A. The 2017 repair and maintenance expenses were both necessary and reasonable. The District made repairs on the regulator, the chlorinator, two lift station pumps, and removed sludge from the drying field for a total of \$12,723.44. All of these plant and line maintenance activities are necessary to continue to provide service to the customers. A list of the maintenance activity and the total cost for those activities are attached in DISTRICT EXH 16, the October 2017 Profit and Loss Budget Comparison, the 2017 Audit and the Plant Maintenance Account Detail. Based on my experience, the repairs



1 made in 2017 are typical of repairs made to an older system like this one and were both  
2 reasonable and necessary.

3 **[DISTRICT OFFERS DISTRICT EXH. 16]**

4 **Q. Are the increases in repairs and maintenance expenses for 2017 over the expenses for**  
5 **2016 likely to be recurring?**

6 A. Yes. The District's system is aging and additional repairs and maintenance expenses like  
7 those incurred in 2017 will be continuing for many years. Based on my understanding of  
8 the applicable rules, these repairs are known and measurable expenses.

9 **Q. Did the rate increase raise more revenue than the utility needed to operate?**

10 A. No. The revenues from the rates set in 2016 did not account for the maintenance and  
11 operating expenditures incurred in 2017. The rate increase was necessary to cover those  
12 expenses.

13 **Q. What do you foresee for the District's sewer system if the rates under question are**  
14 **cut back to any significant degree?**

15 A. The system would continue to deteriorate to the point where the utility could not afford  
16 routine maintenance. Without the rate increase, the system would likely not be able to  
17 meet the future needs of the customers.

18 **Q. How much have you billed and do you anticipate billing the District for your work**  
19 **on the rate appeal?**

20 A. I have previously billed the District \$750.00 and anticipate that additional cost will be  
21 incurred before this case is final. My hourly rate, as a professional engineer, is \$150.00  
22 per hour.

23 **Q. In your professional opinion, is that amount reasonable?**

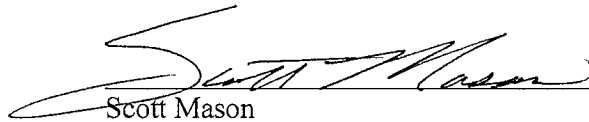
- 1 A. Yes. I have billed fewer hours than my time spent on the rate case.
- 2 **Q. In your professional opinion, was the work you did and the work you expect to do**  
3 **necessary to properly present this case to the SOAH ALJ and to the PUC?**
- 4 A. Yes.
- 5 **Q. Does this testimony represent your professional opinion in this matter?**
- 6 A. Yes.
- 7 **Q. Are DISTRICT EXHS. 11 - 16 an accurate representation of what they purport to**  
8 **be?**
- 9 A. Yes.
- 10 **Q. Does this conclude your pre-filed direct testimony?**
- 11 A. Yes, but I reserve the right to amend this testimony as needed prior to the hearing.

**AFFIDAVIT**

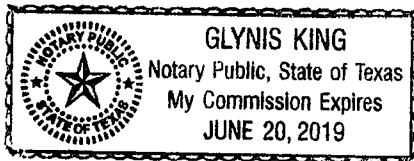
STATE OF TEXAS

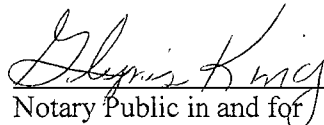
COUNTY OF CALHOUN

I am the witness identified in the preceding testimony. I have read the testimony and the accompanying attachments and am familiar with their contents. Based upon my personal knowledge, the facts stated in the testimony are true and correct. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid and accurate.

  
\_\_\_\_\_  
Scott Mason

SUBSCRIBED TO AND SWORN before me on this 18th day of June 2018.



  
\_\_\_\_\_  
Notary Public in and for  
The State of Texas

## I. CERTIFICATE OF SERVICE

I certify that a copy of this document was served on the following parties of record on June 18, 2018 via Email.

Windell Durant  
555 La Lucia St.  
Port Lavaca, Texas 77979  
(817) 559-4802 Phone  
[wldurant76@gmail.com](mailto:wldurant76@gmail.com)  
*DESIGNATED RATEPAYERS REPRESENTATIVE*

Oshea Spencer  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3336  
(512) 936-7289 Phone  
(512) 936-7268 Fax  
[Oshea.Spencer@puc.texas.gov](mailto:Oshea.Spencer@puc.texas.gov)  
*PUBLIC UTILITY COMMISSION OF TEXAS*  
*LEGAL DIVISION*

*VIA HAND DELIVERY TO*  
Judge Casey Bell  
Judge Steve Arnold, Mediator  
Judge Howard Seitzman, Mediator  
William P. Clements Building  
Room 504, 5th floor  
300 west 15th Str.,  
Austin, Texas

  
Natasha J. Martin

## Scott P. Mason, P.E.

Registered Professional Engineer, Civil  
Texas Serial No. 127893



### Qualifications Summary

Mr. Mason has over five (5) years of experience in the Civil and Environmental fields, with design and project management related to marine projects, municipal water, sanitary sewer and storm sewer projects, residential and commercial land development projects, airport projects, public water systems and storm water drainage projects. Mr. Mason has been responsible for all phases of a project from preliminary conception to execution of record drawings. He has worked closely on projects with the Texas Commission on Environmental Quality to ensure compliance regarding public and private projects, as well as, the Texas Water Development Board for projects funded by the Community Development Block Grant program. He has extensive experience with technical engineering reports representing municipalities and private interest groups for submission to governmental agencies by practicing sound engineering judgement. Mr. Mason is a member of the American Society of Civil Engineers and strives to provide quality engineering solutions for a wide range and size of projects.

### Education

B.S., Biological & Agricultural Engineering, Texas A&M – College Station, TX 2013.

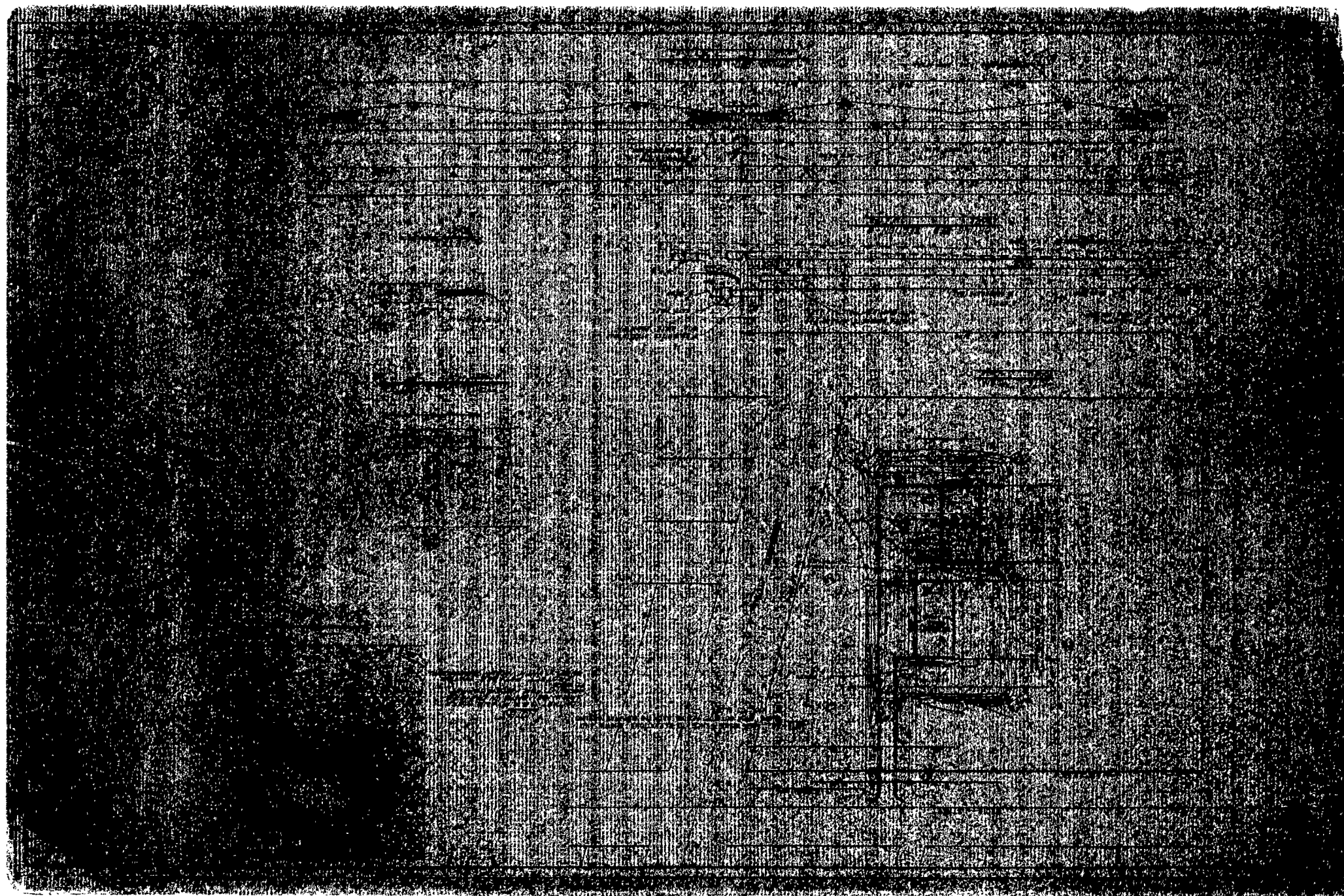
### Experience

2017-Present      Lead Project Engineer, G&W Engineers, Inc., Port Lavaca, Texas.

Responsible for all civil engineering related projects, public representation, drafting staff and environmentally conscious design for public and private projects. Ongoing work includes being the primary contact for the FEMA Public Assistance Program for disaster related damages and for the Texas Water Development Board grant program by representing local Water Control Improvement Districts and Municipalities. Mr. Mason also serves as the District Engineer for the Victoria County W.C.I.D. #1, which includes plan reviews, responsible engineering decisions for the district, which includes maintenance decisions of the water, sewer system, and waste water treatment plant. Other work involving engineering solutions, cost estimates and reports for local navigation districts regarding disaster damages and large port expansion projects.

2013-2017      Civil Engineer, Urban Engineering, Victoria, Texas.

Design of multiple public water systems, including permitting, engineering plans and specification for said systems. Water and sewer utility replacement design for historical regions of cities including large scale projects for the City of Victoria. Commercial and residential development including but not limited to roadway design, drainage design, utility design, pier and bulkhead design, cost estimates and mitigation design.



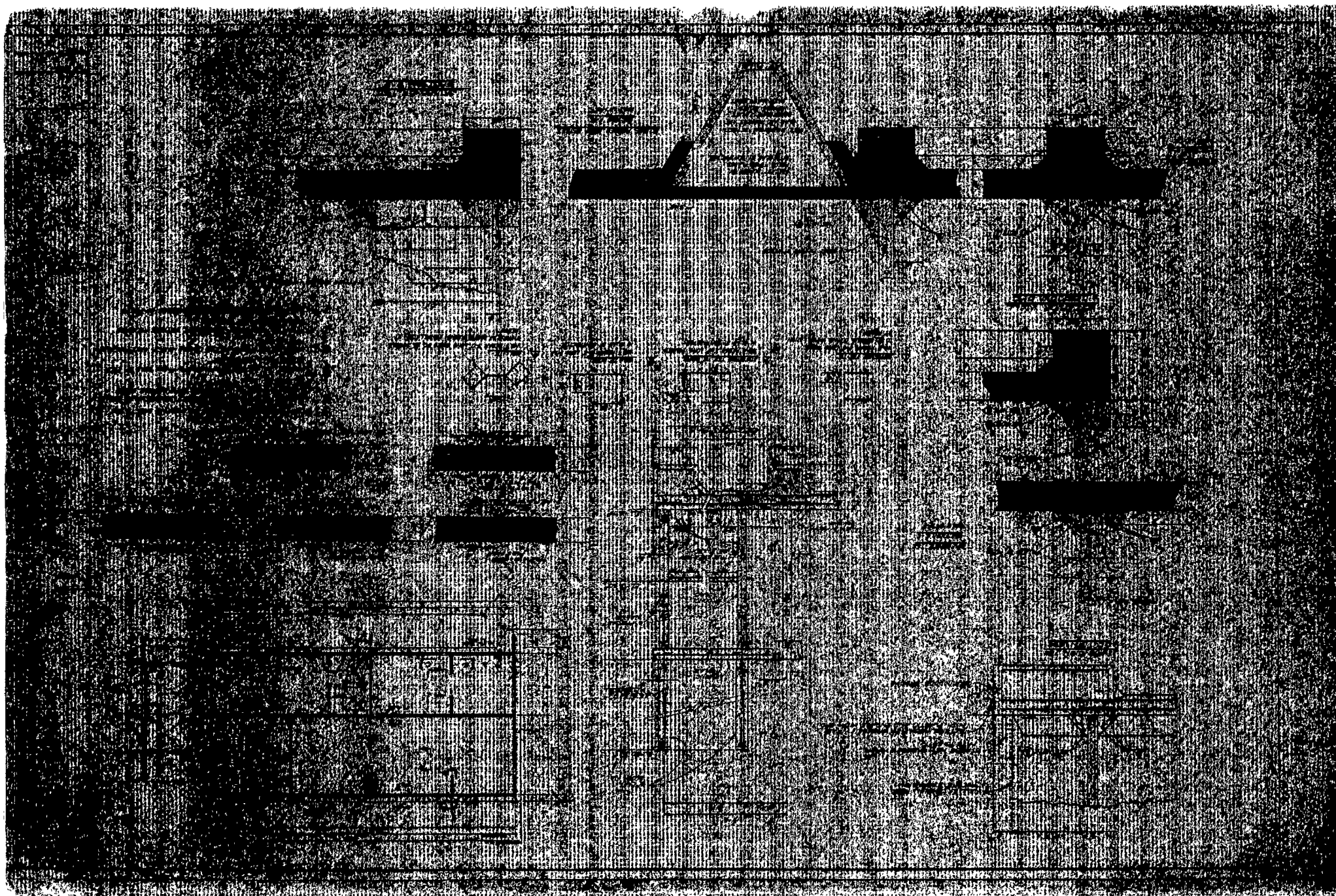




FIG. 1. PLAN

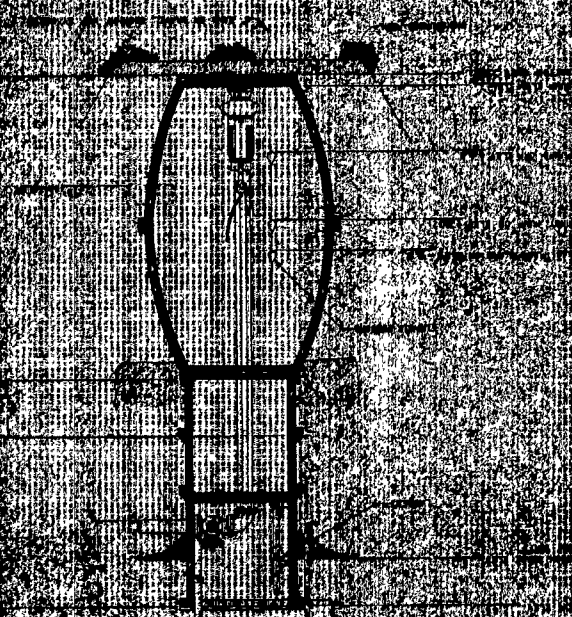
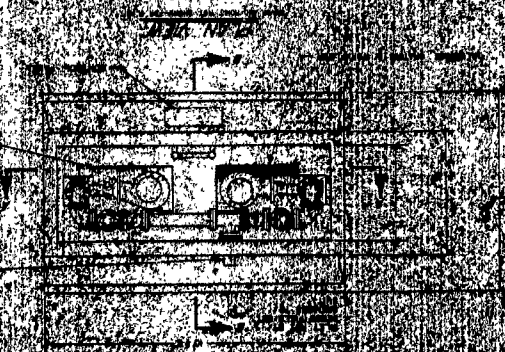
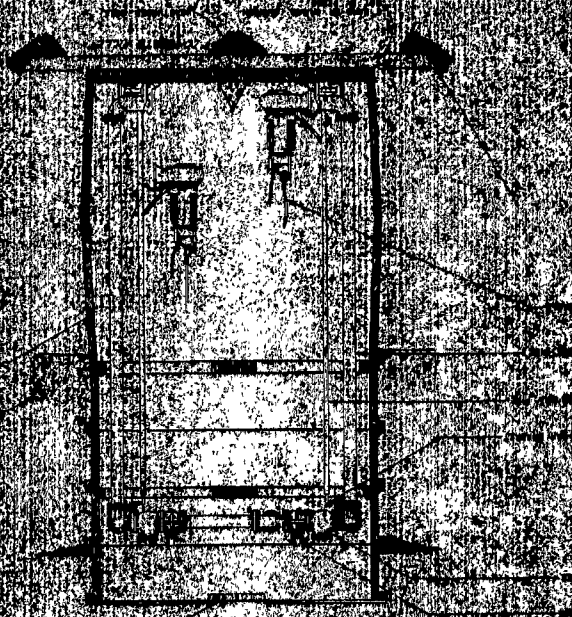
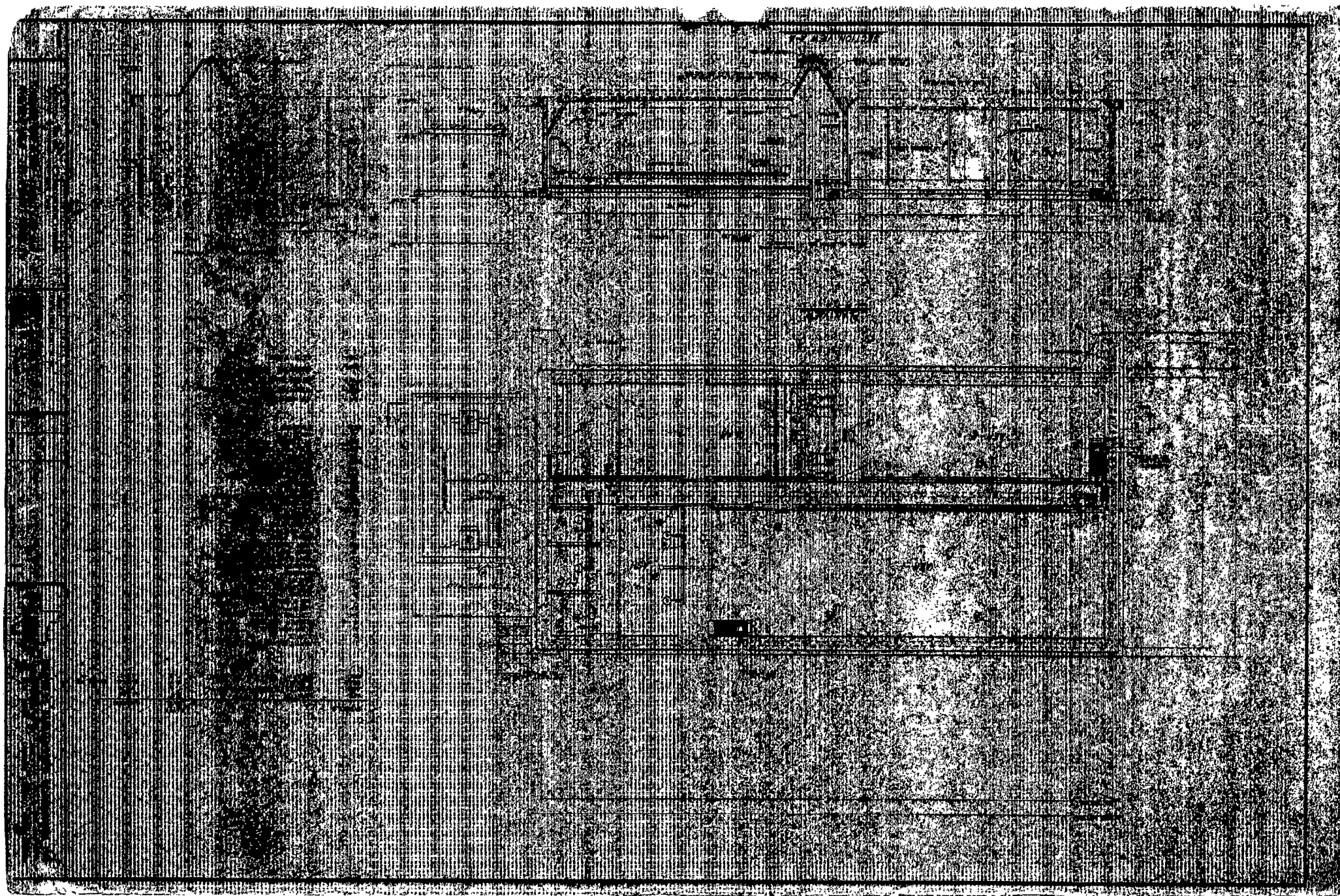


FIG. 2. PLAN







## Book Asset Detail 1/01/16 - 12/31/16

SCWCID  
Depreciation Report  
12/31/16/2017 2:54 PM  
Page 1

FYE: 12/31/2016

Asset	d t	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
<b>Group: L</b>												
15		Land	12/31/92	25,000.00	0.00	0.00	0.00	0.00	0.00	25,000.00	Memo	0.00
			<b>L</b>	25,000.00	0.00c	0.00	0.00	0.00	0.00	25,000.00		
<b>Group: ME</b>												
2		PORTABLE BUILDING	6/05/93	860.00	0.00	0.00	860.00	0.00	860.00	0.00	S/L	10.00
3		EFFLUENT (PRESSURE) WATEF	12/06/93	1,300.00	0.00	0.00	1,300.00	0.00	1,300.00	0.00	S/L	7.00
4		STORAGE BUILDING & SHED	7/17/97	300.00	0.00	0.00	300.00	0.00	300.00	0.00	S/L	10.00
5		YSI MODEL 95 D.O. METER	12/31/98	836.75	0.00	0.00	836.75	0.00	836.75	0.00	S/L	7.00
6		NEW ROOF	12/31/97	896.33	0.00	0.00	896.33	0.00	896.33	0.00	S/L	10.00
7		CLARIFIER SCRAPER MECHAN	4/30/02	13,749.00	0.00	0.00	13,749.00	0.00	13,749.00	0.00	S/L	7.00
8		EBARA 5HP, 230V, 1 PH PUMP	11/27/02	8,724.13	0.00	0.00	8,724.13	0.00	8,724.13	0.00	S/L	7.00
9		3 HP 230V, 3PH PUMP 3085.182	11/13/02	3,190.30	0.00	0.00	3,190.30	0.00	3,190.30	0.00	S/L	7.00
12		EJECTOR SERIES NXT 3000	11/24/04	590.00	0.00	0.00	590.00	0.00	590.00	0.00	S/L	7.00
13		TEEL PRESSURE BOOSTER PUN	5/05/04	378.35	0.00	0.00	378.35	0.00	378.35	0.00	S/L	7.00
14		YSI Model 55 Dissolved Oxygen D	8/31/05	833.57	0.00	0.00	833.57	0.00	833.57	0.00	S/L	7.00
16		SCALE	11/10/06	1,459.42	0.00	0.00	1,459.42	0.00	1,459.42	0.00	S/L	7.00
19		GENERATOR	4/22/09	41,405.50	0.00	0.00	39,433.80	1,971.70	41,405.50	0.00	S/L	7.00
20		EBARRA GRINDER PUMP 5HP	4/22/13	6,433.25	0.00	0.00	2,144.42	919.04	3,063.46	3,369.79	S/L	7.00
23		#80 Drive Chain	10/09/14	1,106.10	0.00	0.00	197.51	158.01	355.52	750.58	S/L	7.00
			<b>ME</b>	82,062.70	0.00c	0.00	74,893.58	3,048.75	77,942.33	4,120.37		
<b>Group: SP</b>												
1		SEWER PLANT	12/31/92	761,929.11	0.00	0.00	700,974.90	30,477.16	731,452.06	30,477.05	S/L	25.00
10		SEWER MAINS	4/30/03	8,599.07	0.00	0.00	4,356.83	343.96	4,700.79	3,898.28	S/L	25.00
11		SEWER LINE	4/23/04	954.00	0.00	0.00	445.20	38.16	483.36	470.64	S/L	25.00
17		Waterproofing	10/19/07	6,400.00	0.00	0.00	2,090.67	256.00	2,346.67	4,053.33	S/L	25.00
21		4 inch SDR 26 Sewer Line	4/09/14	2,925.00	0.00	0.00	204.75	117.00	321.75	2,603.25	S/L	25.00
22		4 inch SDR 26 Sewer Line	5/19/14	2,510.00	0.00	0.00	158.97	100.40	259.37	2,250.63	S/L	25.00
24		4 inch SDR Sewer Line accross fror	2/03/16	1,110.00	0.00c	0.00	0.00	40.70	40.70	1,069.30	S/L	25.00
			<b>SP</b>	784,427.18	0.00c	0.00	708,231.32	31,373.38	739,604.70	44,822.48		
		<b>Grand Total</b>		891,489.88	0.00c	0.00	783,124.90	34,422.13	817,547.03	73,942.85		

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Statement of Net Position and Governmental Fund Balance Sheet  
December 31, 2016**

	<b>General Fund</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 136,873	\$ 136,873	\$ -	\$ 136,873
Taxes receivable	5	5	-	5
Sewer service receivables	6,107	6,107	-	6,107
Other receivables	1,931	1,931	-	1,931
Capital assets (net of accumulated depreciation)				
Land	-	-	25,000	25,000
Infrastructure	-	-	44,823	44,823
Other capital assets	-	-	4,120	4,120
Total Assets	<u>\$ 144,916</u>	<u>\$ 144,916</u>	<u>\$ 73,943</u>	<u>\$ 218,859</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 2,179	\$ 2,179	\$ -	\$ 2,179
Payroll liabilities	1,974	1,974	-	1,974
Deferred taxes	5	5	-	5
Deferred sewer service revenues	20,960	20,960	-	20,960
Other deferred revenues	-	-	-	-
Total Liabilities	<u>25,118</u>	<u>25,118</u>	<u>-</u>	<u>25,118</u>
<b><u>Fund Balances / Net Position</u></b>				
Fund balances:				
Unassigned	119,798	119,798	(119,798)	-
Total Fund Balances	<u>119,798</u>	<u>119,798</u>	<u>(119,798)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 144,916</u>	<u>\$ 144,916</u>		
Net position:				
Net investment in capital assets			73,943	73,943
Unrestricted			119,798	119,798
Total Net Position			<u>\$ 193,741</u>	<u>\$ 193,741</u>

The accompanying notes are an integral part of these financial statements.

Audited

SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS

Reconciliation of Governmental Fund Balance to Statement of Net Position  
December 31, 2016

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Total Governmental Fund Balances	\$ 119,798
Amounts reported in governmental activities in the statement of net position are different because:	
Capital assets of \$891,490 net of depreciation of \$817,547, are not financial resources and therefore not reported in the fund	<u>73,943</u>
Net Position of Governmental Activities	<u>\$ 193,741</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Statement of Activities and Governmental Fund Revenues,  
Expenditures, and Changes in Fund Balance  
Year Ended December 31, 2016**

	General Fund	Total	Adjustments	Statement of Activities
<b>Expenditures / Expenses</b>				
<b>Service Operations:</b>				
Plant maintenance	\$ 4,171	\$ 4,171	\$ (1,110)	\$ 3,061
Plant chemicals	1,177	1,177	-	1,177
Plant supplies	548	548	-	548
Sewer tests	4,580	4,580	-	4,580
Wages and outside services	21,984	21,984	-	21,984
Contract labor	813	813	-	813
Utilities	6,790	6,790	-	6,790
Depreciation	-	-	34,422	34,422
<b>Administration:</b>				
Directors' fees	6,930	6,930	-	6,930
Dues and subscriptions	106	106	-	106
Bonds and permits	1,450	1,450	-	1,450
Legal and professional fees	7,506	7,506	-	7,506
Regulatory assessment fee	119	119	-	119
Insurance	1,768	1,768	-	1,768
Office supplies	816	816	-	816
Advertising	260	260	-	260
Telephone	84	84	-	84
Postage	314	314	-	314
Payroll tax	2,882	2,882	-	2,882
Wages	11,395	11,395	-	11,395
Bonuses	1,000	1,000	-	1,000
Bank Charges	11	11	-	11
Office rent	2,704	2,704	-	2,704
Uniforms	76	76	-	76
Miscellaneous	306	306	-	306
Total expenditures / expenses	77,790	77,790	33,312	111,102
<b>Revenues</b>				
<b>Program Revenues:</b>				
Charges for sewer service	82,525	82,525	-	82,525
Tap connection and other fees	7,250	7,250	-	7,250
Fee income	100	100	-	100
Total program revenues	89,875	89,875	-	89,875
Net Program Revenue / Expense				(21,227)
<b>General Revenues:</b>				
Interest income	118	118	-	118
Total general revenues	118	118	-	118
Excess of revenues over expenditures	12,203	12,203		
Change in net position			(33,312)	(21,109)
<b>Fund Balance / Net Position</b>				
Beginning of the year	107,595	107,595	107,255	214,850
End of the year	\$ 119,798	\$ 119,798	\$ 73,943	\$ 193,741

The accompanying notes are an integral part of these financial statements.

SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS

Reconciliation of Governmental Fund Revenues, Expenditures, and  
Changes in Fund Balance to the Statement of Activities  
Year Ended December 31, 2016

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Net Change in Governmental Fund Balances \$ 12,203

Amounts reported in governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeds capital outlays in the period:

	Depreciation expense	(34,422)
	Capital outlays	<u>1,110</u>
Change in Net Position		<u>\$ (21,109)</u>

The accompanying notes are an integral part of these financial statements.

SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS

Notes to the Basic Financial Statements  
December 31, 2016

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**Note 1      Financial Reporting Entity**

South Central Calhoun County Water Control and Improvement District No. 1 was created by an election held on May 7, 1988, under the authority of the Calhoun County Commissioners Court, within the provisions of Article XVI, Section 59, of the Constitution of Texas, and Chapter 51 of the Texas Water Code. The Board of Directors is the level of government which has oversight responsibility and control over all activities in the District. The District was created to provide residential wastewater and sewer services to households in the south central area of the County of Calhoun.

Board members are elected by the members of the district and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters including taxing authority. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

**Note 2      Summary of Significant Accounting Policies**

The accounting and reporting policies of South Central Calhoun County Water Control and Improvement District No. 1 conform to accounting principles generally accepted in the United States of America, as applicable to governmental units.

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus*, which means that all assets and liabilities (whether current or non-current) are included on the statement of net position, and the operating statements present increases (revenues) and decreases (expenses) in total assets. The government-wide financial statements are also reported using the *accrual basis of accounting*, which means that revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

	ACTUAL Jan - dec 17	2018 Budget	Comments
Ordinary Income/Expense			
Income			
Additional Connections	7,466.00	\$ 8,000.00	
Commercial Taps	1,730.00	\$ 1,500.00	M Baker
Fee Income	3,755.00		
Residential Taps		\$ 3,000.00	N Sharp & neighbor
Prepayment Discount	-4,740.00	\$ (5,000.00)	
Residential Taps	106,894.00	\$ 120,000.00	
Residential Taps - Other	0.00		
Total Residential Taps	102,154.00	\$ 118,000.00	
Total Income	115,105.00	\$ 127,500.00	
Cost of Goods Sold			
Subcontractor Expense	2,100.00	\$ -	We no longer subcontract to put in lines from meter to house
Total COGS	2,100.00	\$ -	
Gross Profit	113,005.00	\$ 127,500.00	
Expense			
Automobile Expense			
Fuel	10.00		
Total Automobile Expense	10.00	\$ -	
Bad Debt	517.48	\$ 3,000.00	We are going to terminate service to several so bad debt will most likely increase
Bank Service Charges	63.00	\$ 100.00	
Bonds	200.00	\$ 300.00	This is policy for 10K bonding per Director
Charitable Contributions	100.00	\$ 100.00	
Computer and Internet Expe	79.25	\$ 50.00	
Contract Labor	825.00	\$ 30,000.00	Bucklin 2000 *12 plus 6000 estimated for emergency contract labor
Insurance Expense			
Liability	4,719.60	\$ 4,500.00	Liability and workers comp? Less because we will not cover Bucklin?
Insurance Expense - Other	0.00	\$ 300.00	
Total Insurance Expense	4,719.60	\$ 4,800.00	
Mileage	3,060.00	\$ 200.00	Conference travel
Office Supplies	403.75	\$ 1,800.00	Includes new printer and external Hard Drive
Payroll Expenses			
Bonuses	0.00	\$ 750.00	Bickley didn't get paid until 2018
Payroll Taxes	2,487.61	\$ 2,500.00	Taxes on wages
Salary and Wages	34,623.15	\$ 20,300.00	12000 directors +4 Special, 400 *12 Ester, Bickley employed in January 1500
Payroll Expenses - Other	20.14	\$ 5.20	Dept of Education
Total Payroll Expenses	37,130.90	\$ 23,555.20	
Permits	1,250.00	\$ 200.00	
Plant Maintenance			
Engineering/Consulting F	0.00	\$ 1,000.00	
Lawn Service	30.25	\$ 1,740.00	120/mon x 12mon = \$1,440.00 plus weed killer and clean-up 300
Location Services (811)	74.10	\$ 100.00	
Repairs and Maintenance	12,723.44	\$ 35,000.00	Regulator, drying field removal of sludge, chlorinator, 2 lift pumps, etc
Sewer Line Maintenance	63.47	\$ 15,000.00	Jetting of Phase I of the sewer system
Total Plant Maintenance	12,921.26	\$ 52,840.00	
Plant Supplies			
Chemicals	904.57	\$ 1,500.00	
Safety	5.41	\$ 100.00	
Supplies & Materials	391.15	\$ 1,000.00	nuts, bolts, fittings, ect for plant
Generator Fuel		\$ 500.00	Propane
Total Plant Supplies	1,301.13	\$ 3,100.00	
Postage and Delivery	882.95	\$ 1,800.00	
Professional Fees	14,133.87	\$ 25,000.00	Audit 7000, Bookkeeping 9000 legal 9000
Rent Expense	2,002.00	\$ -	
TCEQ Fee	0.00	\$ 2,000.00	
Telephone Expense	599.19	\$ 1,000.00	\$65/mon x 12mon = \$780.00 plus phone upgrade 220
Training/Continuing Educati	2.60	\$ 1,500.00	To attend waste water training/conferences
Utilities	7,340.88	\$ 9,918.64	GBRA, 43 22*12, VEC 500*12 and CPL 200*12 Where is CPL METER
Water Testing	4,238.00	\$ 5,000.00	
Total Expense	91,780.06	\$ 165,263.84	
Net Ordinary Income	21,224.34	\$ (37,763.84)	
Other Income/Expense			
Other Income			
Insurance Reimbursements	1,955.72	\$ -	
Interest Income	129.58	\$ 125.00	
Total Other Income	2,085.30	\$ 125.00	
Other Expense			
Total Other Expense	0.00	\$ -	
Net Other Income	2,085.30	\$ 125.00	
Net Income	23,309.64	\$ (37,638.84)	



Not Audited

3:00 PM

04/29/18

Accrual Basis

South Central Calhoun County W.C.I.D #1  
Transaction Detail By Account  
January through December 2017

Type	Date	Num	Adj	Name	Memo	Clr	Split	Debit	Credit	Balance
Plant Maintenance										
Repairs and Maintenance										
Check	01/19/2017	5081		USA Bluebook			IBC - Checking .	95.27		95.27
Check	05/15/2017			Power Hardware			IBC - Biz Rite .	6.38		101.65
Check	05/26/2017			Power Hardware			IBC - Biz Rite .	9.83		111.48
Check	06/16/2017	6027		PEECO			IBC - Checking...	8,256.00		8,367.48
Check	06/26/2017			Ace Hardware			IBC - Biz Rite ...	30.29		8,397.77
Check	08/14/2017			Power Hardware			IBC - Biz Rite ..	16.22		8,413.99
Check	08/16/2017			Ace Hardware			IBC - Biz Rite ...	12.93		8,426.92
Check	08/22/2017			Auto Parts & Machin...			IBC - Biz Rite	20.02		8,446.94
Check	08/22/2017	6067		PEECO			IBC - Checking. .	3,924.00		12,370.94
Check	11/20/2017	6134		Hayes Electric			IBC - Checking.	352.50		12,723.44
Total Repairs and Maintenance								12,723.44	0.00	12,723.44
Total Plant Maintenance								12,723.44	0.00	12,723.44
TOTAL								<u>12,723.44</u>	<u>0.00</u>	<u>12,723.44</u>

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Annual Audit Report**

**December 31, 2017**

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Annual Audit Report  
December 31, 2017**

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SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF CALHOUN }

I, ALAN GINO AGUIRRE  
(Name of Duly Authorized District Representative)

of the South Central Calhoun County Water Control and Improvement District No. 1  
(Name of District)

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 15<sup>TH</sup> day of MAY, 20 18 its annual audit report for the fiscal year or period ended December 31, 2017, and those copies of the annual audit report have been filed in the district office, located at #1 Wedig Street, P.O. Box 833, Port Lavaca, Texas 77979.

(Address of District)

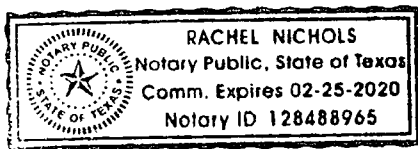
The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date 05/15, 20 18

By: Alan Gino Aguirre  
(Signature of District Representative)

ALAN GINO AGUIRRE, PRESIDENT  
(Typed Name and Title of above District Representative)

Sworn to and Subscribed to before me this 15<sup>th</sup> day of May, 20 18  
(SEAL)



Rachel Nichols  
(Signature of Notary)

My commission expires on 2/25/20, 20  
Notary Public in the State of Texas.

(Annual Filing Affidavit Revised 07/12)



CPAs • Tax • Audit & Accounting

### **Independent Auditors' Report**

To the Board of Directors of  
South Central Calhoun County  
Water Control and Improvement District No. 1

We have audited the accompanying financial statements of the governmental activities and each major fund of South Central Calhoun County Water Control and Improvement District No. 1, as of and for the year ended December 31, 2017, 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 and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of South Central Calhoun County Water Control and Improvement District No. 1, as of December 31, 2017, 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.

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Bumgardner, Morrison & Company, LLP  
Certified Public Accountants

Members American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants  
AICPA Private Companies Practice Section  
AICPA Employee Benefit Plan Audit Quality Center  
AICPA Government Audit Quality Center

1501 E Mockingbird Lane, Suite 300  
PO Box 3750  
Victoria, Texas 77903-3750  
Phone: 361.575.0271  
Fax: 361.578.0880  
Website: BMCcpa.com

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 and budgetary comparison information on page 20 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 South Central Calhoun County Water Control and Improvement District No. 1's basic financial statements. The schedules comprising the Texas Supplementary Information on pages 21-30 are required by the Texas Commission on Environmental Quality as published in the Water District Financial Management Guide. The Texas Supplementary Information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules comprising the Texas Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, excluding the portion marked unaudited for which we express no opinion, 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 schedules comprising the Texas Supplementary Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Bumgardner, Morrison + Company, LLP*

Bumgardner, Morrison and Company, LLP  
Victoria, Texas  
May 14, 2018

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Management's Discussion and Analysis  
December 31, 2017**

---

As management of South Central Calhoun County Water Control and Improvement District No. 1 (the District), we offer users of the District's financial statements this narrative overview and analysis of the District's financial activities for the year ended December 31, 2017.

**Financial Highlights:**

- As of December 31, 2017, the assets of the District exceeded its liabilities by \$183,242 (net position).
- The District's net position decreased by \$10,499. This decrease is attributable to the GASB Statement No. 34 requirement that was implemented during 2004, which requires capitalizing and depreciating capital assets during the current year. The current year depreciation expense is \$32,508.
- Liabilities of the District include accounts payable, payroll liabilities, and unearned sewer service charges. Total liabilities increased \$6,798, or 27.06%, from the prior year.
- The District's governmental fund, the General Fund, ended the year with a combined fund balance in the amount of \$140,452. This is a \$20,654, or 17.24%, increase and is directly attributable to the District's excess of current year revenues over expenditures. The entire \$140,452 fund balance is available for spending at the District's discretion.
- Overall program revenues increased \$29,129, or 32.41%. The increase is due to an increase in sewer service revenues collected from customers.
- The District's investments are governed by the Public Funds Investment Act. Investment earnings during the year included interest income earned on demand deposits and certificates of deposit at International Bank of Commerce in Port Lavaca, Texas, and First National Bank in Port Lavaca, in Port Lavaca, Texas. Total interest income increased \$57, or 48.31%, from prior year's interest income. Interest income equaled \$175 and \$118 for the years ended December 31, 2017 and 2016, respectively.
- Expenditures during the current year increased \$20,531, or 18.48%. This increase is due to an increase in repairs and maintenance and professional fees in 2017.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Management's Discussion and Analysis  
December 31, 2017**

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**Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, the report also contains other supplementary information required by accounting principles generally accepted in the United States of America and *Texas Commission on Environmental Quality*.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide users of the audit report with a broad overview of the District's finances using accounting methods similar to private-sector businesses. These statements include *all* assets and liabilities of the District using the accrual basis of accounting. *All* current year revenues and expenses are taken into account regardless of when the cash is received or paid.

The *statement of net position* presents information on all of the District's assets and liabilities. The difference between the assets and liabilities is reported as net position. Net position is one way to measure the District's financial position. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items, such as accounts receivables, that will only result in cash flows in future years.

The *government-wide financial statements* distinguish functions of the District that are principally supported by the District's intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). All of the District's activities are governmental. The District is the *primary government* and has no component units.

**Fund Financial Statements.** Traditional users of government financial statements will find the fund financial statement presentation more familiar than the government-wide financial statement presentation. *Fund financial statements* report only *current* assets and liabilities using the modified accrual basis of accounting. The *fund financial statements* provide more information about the governmental entity's most significant funds rather than the entity as a whole.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's only fund is the General Fund; therefore, it is also the District's only major fund.

The first column on the *statement of net position and governmental fund balance sheet* and the *statement of activities and governmental fund revenues, expenditures, and changes in fund balance* are the District's *fund financial statements*.



**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Management's Discussion and Analysis  
December 31, 2017**

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**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By comparing the information, users may better understand the long-term impact of the District's near-term financing decisions. Reconciliations of the *governmental fund balance sheet* and the *governmental fund revenues, expenditures, and changes in fund balance* are provided to facilitate this comparison between the *governmental fund* and *governmental activities*.

The District maintains one governmental fund, which is the General Fund. The General Fund is presented in the *governmental fund balance sheet* and in the *governmental fund revenues, expenditures, and changes in fund balance*.

The District adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

**Notes to the Financial Statements.** The notes to the financial statements provide additional information that is essential for a user to fully understand the data provided in the government-wide and fund financial statements.

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2017, the District's total assets in the amount of \$215,158 exceeded its total liabilities in the amount of \$31,916 by \$183,242 (net position).

The District's net capital assets equal \$42,790, or 19.89%, of the District's total assets. These capital assets represent the District's investments in land, the sewer plant, and other capital assets, such as machinery and equipment. The District uses these capital assets to provide services to the citizens and property owners of the District. Consequently, these assets are not available, nor can be liquidated, for future spending. Thus, resources for future spending must be provided by the District's current assets.

The District's liabilities include accounts payable, payroll liabilities and unearned revenues, which includes unearned taxes, monthly customer sewer service charges, and regulatory assessment fees. The District's total liabilities in the amount of \$31,916 equal only 17.42% of the District's net position.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Management's Discussion and Analysis  
December 31, 2017**

Below is a summary of the District's net position:

	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 162,494	\$ 138,731
Other current assets	9,874	6,185
Property and equipment, net	42,790	73,943
<b>Total Assets</b>	<b>\$ 215,158</b>	<b>\$ 218,859</b>
<b>Liabilities</b>		
Accounts payable	\$ 4,893	\$ 2,184
Payroll liabilities	945	1,974
Unearned revenues	26,078	20,960
<b>Total Liabilities</b>	<b>31,916</b>	<b>25,118</b>
<b>Net Position</b>		
Net investment in capital assets	42,790	73,943
Unrestricted	140,452	119,798
<b>Total Net Position</b>	<b>183,242</b>	<b>193,741</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 215,158</b>	<b>\$ 218,859</b>

**Governmental Activities.** As the District has no business-type activities, governmental activities are responsible for increasing the District's net position. The District's \$119,004 in program revenues equals 98.24% of total revenues. Program revenues include charges for sewer services and tap connection fees. The remaining 1.76% of total revenues equals the District's general revenues, which includes interest and other income.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Management's Discussion and Analysis  
December 31, 2017**

Below is a summary of the District's current changes in its net position:

	<b>Governmental Activities 2017</b>	<b>Governmental Activities 2016</b>
Revenues		
Program Revenues	\$ 119,004	\$ 89,875
General revenues	2,130	118
Total Revenues	<u>121,134</u>	<u>89,993</u>
Expenses		
Service operations	85,180	73,375
Administration	46,453	37,727
Total Expenses	<u>131,633</u>	<u>111,102</u>
Decrease in Net Position	(10,499)	(21,109)
Beginning Net Position	193,741	214,850
Ending Net Position	<u><u>\$ 183,242</u></u>	<u><u>\$ 193,741</u></u>

**Capital Assets.** As noted earlier, the District's investment in capital assets for its governmental activities is \$42,790 (net of accumulated depreciation). This investment in capital assets includes land, the sewer plant, and other capital assets, such as machinery and equipment.

Below is a summary of the District's capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Sewer Plant	784,427	-	-	784,427
Other Capital Assets	82,063	2,013	1,106	82,970
Total Capital Assets	891,490	2,013	1,106	892,397
Accumulated Depreciation	(817,547)	(32,508)	(448)	(849,607)
Net Capital Assets	<u><u>\$ 73,943</u></u>	<u><u>\$ (30,495)</u></u>	<u><u>\$ 658</u></u>	<u><u>\$ 42,790</u></u>

**Financial Analysis of the District's Funds.** As previously noted, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unrestricted fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Management's Discussion and Analysis  
December 31, 2017**

**General Fund Budgetary Highlights.** An annual budget for the District's current year expenditures is legally adopted for the General Fund and is amended as needed. As noted below, expenditures were over budget by \$36, which is due to an increase in professional fees incurred in the current year.

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
Revenues			
Program revenues	\$ 119,004	\$ 77,784	\$ 41,220
General revenues	2,130	-	2,130
Total Revenues	<u>121,134</u>	<u>77,784</u>	<u>43,350</u>
Expenditures			
Service operations	54,027	59,835	5,808
Administration	46,453	40,609	(5,844)
Total Expenditures	<u>100,480</u>	<u>100,444</u>	<u>(36)</u>
Net Increase (Decrease) in Unrestricted Fund Balance	20,654	(22,660)	43,314
Net Beginning Fund Balance	119,798	119,798	-
Net Ending Fund Balance	<u>\$ 140,452</u>	<u>\$ 97,138</u>	<u>\$ 43,314</u>

**Long-Term Debt.** The District did not issue any long-term debt during 2017 and did not have any long-term debt outstanding as of December 31, 2017.

**Economic Factors.** The District's 2018 annual operating budget for expenditures equals \$165,264 which is \$64,820, or 64.53%, more than the 2017 budgeted expenditures. The increase is mainly due to budgeting for an increase in expected repairs and maintenance.

**Contacting the District's Financial Management:**

This financial report is designed to provide a general overview of the District's financial position for anyone with an interest in the District's finances. Questions concerning this report or requests for additional financial information should be directed to Alan Gino Aguirre, President, P.O. Box 833, Port Lavaca, Texas 77979.

## **BASIC FINANCIAL STATEMENTS**

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Statement of Net Position and Governmental Fund Balance Sheet  
December 31, 2017**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 162,494	\$ -	\$ 162,494
Sewer service receivables	7,506	-	7,506
Other receivables	25	-	25
Prepaid expenditures	2,343	-	2,343
Capital assets (net of accumulated depreciation)			
Land	-	25,000	25,000
Infrastructure	-	13,446	13,446
Other capital assets	-	4,344	4,344
Total Assets	<u>\$ 172,368</u>	<u>\$ 42,790</u>	<u>\$ 215,158</u>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 4,893	\$ -	\$ 4,893
Payroll liabilities	945	-	945
Unearned sewer service revenues	26,078	-	26,078
Total Liabilities	<u>31,916</u>	<u>-</u>	<u>31,916</u>
<b><u>Fund Balances / Net Position</u></b>			
Fund balances:			
Unassigned	140,452	(140,452)	-
Total Fund Balances	<u>140,452</u>	<u>(140,452)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 172,368</u>		
Net position:			
Net investment in capital assets		42,790	42,790
Unrestricted		140,452	140,452
Total Net Position		<u>\$ 183,242</u>	<u>\$ 183,242</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Reconciliation of the Governmental Fund Balance Sheet to Statement of Net Position  
December 31, 2017**

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Total Governmental Fund Balances	\$ 140,452
Amounts reported in governmental activities in the statement of net position are different because:	
Capital assets of \$892,397 net of depreciation of \$849,607, are not financial resources and therefore not reported in the fund	<u>42,790</u>
Net Position of Governmental Activities	<u><u>\$ 183,242</u></u>

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Statement of Activities and Governmental Fund Revenues,  
Expenditures, and Changes in Fund Balance  
Year Ended December 31, 2017**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b><u>Expenditures / Expenses</u></b>			
<b>Service Operations:</b>			
Plant maintenance	\$ 13,890	\$ (1,355)	\$ 12,535
Plant chemicals	845	-	845
Plant supplies	397	-	397
Sewer tests	3,896	-	3,896
Wages and outside services	24,238	-	24,238
Contract labor	2,925	-	2,925
Utilities	7,836	-	7,836
Depreciation	-	32,508	32,508
<b>Administration:</b>			
Directors' fees	7,621	-	7,621
Bonds and permits	1,450	-	1,450
Legal and professional fees	14,923	-	14,923
Regulatory assessment fee	538	-	538
Insurance	2,153	-	2,153
Office supplies	404	-	404
Telephone	599	-	599
Postage	883	-	883
Payroll tax	2,580	-	2,580
Wages	8,313	-	8,313
Bank charges	63	-	63
Office rent	1,820	-	1,820
Bad debt	517	-	517
Computer and internet	79	-	79
Charitable contributions	100	-	100
Miscellaneous	4,410	-	4,410
Total expenditures / expenses	<u>100,480</u>	<u>31,153</u>	<u>131,633</u>
<b><u>Revenues</u></b>			
<b>Program Revenues:</b>			
Charges for sewer service	106,792	-	106,792
Tap connection and other fees	9,176	-	9,176
Fee income	3,036	-	3,036
Total program revenues	<u>119,004</u>	<u>-</u>	<u>119,004</u>
Net Program Revenue / Expense			<u>(12,629)</u>
<b>General Revenues:</b>			
Interest income	175	-	175
Other income	1,955	-	1,955
Total general revenues	<u>2,130</u>	<u>-</u>	<u>2,130</u>
Excess of revenues over expenditures	20,654		
Change in net position		(31,153)	(10,499)
<b><u>Fund Balance / Net Position</u></b>			
Beginning of the year	119,798	73,943	193,741
End of the year	<u>\$ 140,452</u>	<u>\$ 42,790</u>	<u>\$ 183,242</u>

The accompanying notes are an integral part of these financial statements.



**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Reconciliation of the Governmental Fund Revenues, Expenditures, and  
Changes in Fund Balance to the Statement of Activities  
Year Ended December 31, 2017**

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Net Change in Governmental Fund Balances	\$ 20,654
Amounts reported in governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of \$32,508 exceeds capital outlays of \$2,013 in the current period, net of disposition of assets of \$658:	
	<u>(31,153)</u>
Change in Net Position	<u>\$ (10,499)</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Notes to the Basic Financial Statements  
December 31, 2017**

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**Note 1      Financial Reporting Entity**

South Central Calhoun County Water Control and Improvement District No. 1 was created by an election held on May 7, 1988, under the authority of the Calhoun County Commissioners Court, within the provisions of Article XVI, Section 59, of the Constitution of Texas, and Chapter 51 of the Texas Water Code. The Board of Directors is the level of government which has oversight responsibility and control over all activities in the District. The District was created to provide residential wastewater and sewer services to households in the south central area of the County of Calhoun.

Board members are elected by the members of the district and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters including taxing authority. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

**Note 2      Summary of Significant Accounting Policies**

The accounting and reporting policies of South Central Calhoun County Water Control and Improvement District No. 1 conform to accounting principles generally accepted in the United States of America, as applicable to governmental units.

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus*, which means that all assets and liabilities (whether current or non-current) are included on the statement of net position, and the operating statements present increases (revenues) and decreases (expenses) in total assets. The government-wide financial statements are also reported using the *accrual basis of accounting*, which means that revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Notes to the Basic Financial Statements, Continued  
December 31, 2017**

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**Note 2      Summary of Significant Accounting Policies, Continued**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Thus, all fixed assets and generally all long-term liabilities within the governmental fund are not reported in the fund financial statements but rather in the reporting entity's General Fixed Asset Account Group and General Long-term Debt Account Group, respectively. The two account groups are not "funds." They are concerned only with the measurement of financial position and are not involved with the measurement of results of operations.

Under the *modified accrual basis of accounting*, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all other Governmental Fund revenues.

Interest associated with the current fiscal period is considered as being susceptible to accrual and has been recognized as revenue in the current fiscal period. The District also accrues and records its sewer service fees on a monthly basis. All other revenue items are considered measurable and available only when the District receives cash.

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

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

The District reports the following major governmental fund:

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

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Notes to the Basic Financial Statements, Continued  
December 31, 2017**

---

**Note 2      Summary of Significant Accounting Policies, Continued**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

Revenues – Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the year end. Under the modified accrual basis, only property taxes and interest is considered to be both measurable and available at fiscal year-end.

Non-exchange transactions are those in which the District receives value without directly giving value in return. The District has no non-exchange transactions either on the accrual basis or the modified accrual basis.

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

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. Formal budgetary integration is employed as a management control device during the year for the General Fund.
2. The budget adopted for the general fund is adopted on a basis consistent with generally accepted accounting principles ("GAAP").
3. The Board of Directors approves total budget appropriations.
4. Any revisions that alter the total appropriations of any fund are subject to approval by the Board of Directors.
5. Unused appropriations for all annually budgeted funds lapse at the end of the year.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Notes to the Basic Financial Statements, Continued  
December 31, 2017**

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**Note 2      Summary of Significant Accounting Policies, Continued**

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances, because they do not constitute expenditures or liabilities. At year end, the District had no outstanding encumbrances.

Accounting Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from the estimates.

Unearned Revenues

The District reports unearned revenue in the governmental fund balance sheet. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. The District classifies prepaid sewer service charges and prepaid regulatory assessment fees as unearned revenue.

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; injuries to contractors; and natural disasters. The District has purchased commercial insurance to cover these general liabilities. There were no significant reductions in coverage in the past year.

Cash and Cash Equivalents

Cash and cash equivalents on the statement of net position and the governmental fund balance sheet consist of cash on hand and demand deposits with maturities not in excess of one year.

Statutes authorize the District to invest in obligations of the U. S. Treasury or the State of Texas, certain U. S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds, and other investments specifically allowed by the Public Funds Investment Act of 1987. The District invests in interest bearing checking accounts and money market accounts.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Notes to the Basic Financial Statements, Continued  
December 31, 2017**

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**Note 2      Summary of Significant Accounting Policies, Continued**

**Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements, since the fund financial statements only include current assets.

Capital assets are capitalized at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The District maintains a capitalization threshold of \$500. All capital assets are updated for additions and retirements during the year. Although improvements are capitalized, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Capital assets are depreciated over the estimated useful lives of the assets using the straight-line method of accounting. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The estimated useful lives of the District's capital assets are as follows:

Sewer Plant	25 years
Other Capital Assets	7-10 years

**Subsequent Events**

Management has evaluated subsequent events through May 14, 2018, which was the date the financial statements were available to be issued.

During 2018, the District retained legal counsel in the matter of a rate case hearing with the Public Utilities Commission in regards to 2017 rate changes applied within the District for wastewater services. As of May 14, 2018, any potential liability to the District cannot be reasonably estimated and therefore no loss contingency has been recorded as of December 31, 2017.

**Note 3      Deposits**

Custodial risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities 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 aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At year end, the carrying amount of the District's deposits was \$162,494, and the bank balance was \$161,499. The entire bank balance was covered by federal depository insurance.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Notes to the Basic Financial Statements, Continued  
December 31, 2017**

**Note 4     Capital Assets**

An analysis of the changes in capital assets is as follows:

	Balance 01/01/2017	Additions	Deletions	Balance 12/31/2017
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Sewer Plant	784,427	-	-	784,427
Other Capital Assets	82,063	2,013	1,106	82,970
Total Capital Assets	891,490	2,013	1,106	892,397
Accumulated Depreciation	(817,547)	(32,508)	(448)	(849,607)
Net Capital Assets	<u>\$ 73,943</u>	<u>\$ (30,495)</u>	<u>\$ 658</u>	<u>\$ 42,790</u>

Depreciation expense for the year ended December 31, 2017, equaled \$32,508.

In 1997, Calhoun County constructed a lift station and sewer lines at Alamo Beach. The County will transfer title to the District for the facilities at a later date. The District has been operating the station since it began operations in 1997. Because ownership of the station and lines still reside with Calhoun County as of December 31, 2017, no recording of the capital assets has been made or will be made until title to the facilities is transferred to the District.

**Note 5     Pledge of Revenue and Matters Relating to Bond Issues**

The District did not issue any bonds in 2017, nor does it have any outstanding debt as of December 31, 2017.

**Note 6     Pension Coverage for District Employees**

The District had employees during the year; however, no amounts were paid for any pension benefit.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Budgetary Comparison Schedule  
December 31, 2017**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Positive (Negative)</u>
<b><u>Revenues</u></b>				
Sewer service	\$ 106,792	\$ 77,784	\$ 77,784	\$ 29,008
Tap connection and other fees	9,176	-	-	9,176
Fee income	3,036	-	-	3,036
Interest income	175	-	-	175
Other income	1,955	-	-	1,955
Total revenues	<u>121,134</u>	<u>77,784</u>	<u>77,784</u>	<u>43,350</u>
<b><u>Expenditures / Expenses</u></b>				
<b><u>Service operations:</u></b>				
Plant maintenance	13,890	21,080	21,080	7,190
Plant chemicals	845	1,500	1,500	655
Plant supplies	397	800	800	403
Sewer tests	3,896	4,100	4,100	204
Wages and outside services	24,238	24,855	24,855	617
Contract labor	2,925	-	-	(2,925)
Utilities	7,836	7,500	7,500	(336)
<b><u>Administration:</u></b>				
Directors' fees	7,621	7,000	7,000	(621)
Bonds and permits	1,450	1,650	1,650	200
Legal and professional fees	14,923	7,000	7,000	(7,923)
Regulatory assessment fee	538	500	500	(38)
Insurance	2,153	2,600	2,600	447
Office supplies	404	600	600	196
Telephone	599	500	500	(99)
Postage	883	400	400	(483)
Payroll tax	2,580	6,000	6,000	3,420
Wages	8,313	8,525	8,525	212
Bank charges	63	-	-	(63)
Office rent	1,820	2,184	2,184	364
Bad debt	517	-	-	(517)
Computer and internet	79	-	-	(79)
Charitable contributions	100	-	-	(100)
Miscellaneous	4,410	150	150	(4,260)
Continuing education	-	300	300	300
Safety	-	100	100	100
Election fees	-	100	100	100
Bonuses	-	2,000	2,000	2,000
Engineering/consulting fees	-	1,000	1,000	1,000
Total expenditures / expenses	<u>100,480</u>	<u>100,444</u>	<u>100,444</u>	<u>(36)</u>
Excess (deficiency) of revenues over expenditures	<u>20,654</u>	<u>(22,660)</u>	<u>(22,660)</u>	<u>43,314</u>
<b><u>Fund Balance</u></b>				
Beginning of the year	<u>119,798</u>	<u>119,798</u>	<u>119,798</u>	<u>-</u>
End of the year	<u>\$ 140,452</u>	<u>\$ 97,138</u>	<u>\$ 97,138</u>	<u>\$ 43,314</u>

## TEXAS SUPPLEMENTARY INFORMATION

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Schedule of Services and Rates  
December 31, 2017**

**1. Services Provided by the District during the fiscal year:**

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

**2. Retail Service Providers**

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum Use	Usage Levels
WATER:	\$ _____	_____	_____	\$ _____	_____ to _____
				\$ _____	_____ to _____
WASTEWATER:	\$ <u>40.00</u> monthly	<u>N/A</u>	<u>Y</u>	\$ <u>N/A</u>	_____ to _____
				_____	_____ to _____
SURCHARGE:	\$ _____	_____	_____	\$ _____	_____ to _____

District employs winter averaging for wastewater usage? Yes ☐ No ☒

Total charges per 10,000 gallons usage: Water: \$ N/A Wastewater: \$ N/A

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

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	271	271	x1.0	_____
≤3/4"	_____	_____	x1.0	_____
1"	_____	_____	x2.5	_____
1 1/2"	_____	_____	x5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x15.0	_____
4"	_____	_____	x25.0	_____
6"	_____	_____	x50.0	_____
8"	_____	_____	x80.0	_____
10"	_____	_____	x115.0	_____
Total Water	_____	_____	_____	_____
Total Waste Water	271	271	x 1.0	_____

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Schedule of Services and Rates, Continued  
December 31, 2017**

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- 3. Total Water Consumption during the Fiscal Year: NOT APPLICABLE**
  
- 4. Standby Fees (authorized only under TWC Section 49.231): NOT APPLICABLE**

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Schedule of General Fund Expenditures  
December 31, 2017**

<b>Personnel Expenditures</b> (including benefits)*	\$ -
<b>Professional Fees:</b>	
Auditing	6,480
Accounting	7,589
Legal	854
<b>Purchased Services For Resale:</b>	
Bulk Water & Wastewater Service Purchases	-
<b>Contracted Services:</b>	
Bookkeeping	-
Other Contracted Services	27,163
<b>Utilities</b>	7,836
<b>Repairs and Maintenance</b>	12,535
<b>Administrative Expenditures:</b>	
Directors Fees	7,621
Office Supplies	404
Insurance	2,153
Other Administrative Expenses	21,352
<b>Capital Outlay:</b>	
Capitalized Assets	1,355
Expenditures not Capitalized	-
<b>Tap Connection Expenditures</b>	-
<b>Solid Waste Disposal</b>	-
<b>Fire Fighting</b>	-
<b>Parks and Recreation</b>	-
<b>Other Expenditures</b>	5,138
<b>Total Expenditures</b>	<b>\$ 100,480</b>

\*Number of persons employed by the District:    - Full-Time   8   Part-Time

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Schedule of Temporary Investments  
December 31, 2017**

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None; Not applicable

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Analysis of Taxes Levied and Receivable  
December 31, 2017**

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Not applicable: The District had no levied or outstanding taxes for the year ended December 31, 2017.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Schedule of Long-Term Debt Service Requirements by Years  
December 31, 2017**

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Not applicable: The District had no long-term debt service for the year ended December 31, 2017.



**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Schedule of Change in Long-Term Bonded Debt  
December 31, 2017**

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Not applicable: The District had no long-term bonded debt for the year ended December 31, 2017.

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Comparative Schedule of Revenues and Expenditures – General Fund – Five Years Ended (UNAUDITED)  
December 31, 2017**

GENERAL FUND	AMOUNTS				
	2017	2016	2015	2014	2013
<b>REVENUES:</b>					
Sewer service	\$ 106,792	\$ 82,525	\$ 65,886	\$ 67,412	\$ 68,576
Tap connection and other fees	9,176	7,250	1,500	2,700	9,000
Fee income	3,036	100	-	-	-
Interest income	175	118	120	146	511
Other income	1,955	-	-	-	-
<b>TOTAL REVENUES</b>	<b>121,134</b>	<b>89,993</b>	<b>67,506</b>	<b>70,258</b>	<b>78,087</b>
<b>EXPENDITURES:</b>					
<b>Service Operations:</b>					
Plant maintenance	12,535	3,061	6,951	7,143	12,216
Plant chemicals	845	1,177	863	922	27
Plant supplies	397	548	-	-	277
Sewer tests	3,896	4,580	6,019	6,509	4,147
Wages and outside services	24,238	21,984	19,807	17,207	14,518
Contract labor	2,925	813	-	-	-
Utilities	7,836	6,790	5,897	7,004	6,114
Sewer plant acquisition and equipment	1,355	1,110	-	6,541	6,433
<b>Administration:</b>					
Directors' fees	7,621	6,930	8,005	6,335	7,300
Dues and subscriptions	-	106	-	-	-
Bonds and permits	1,450	1,450	2,523	7,081	1,427
Legal and professional fees	14,923	7,506	6,425	6,400	6,185
Regulatory assessment fee	538	119	357	374	333
Insurance	2,153	1,768	2,445	2,398	1,160
Office supplies	404	816	444	1,159	1,019
Advertising	-	260	137	261	260
Telephone	599	84	242	364	382
Postage	883	314	495	383	446
Payroll expense	2,580	2,882	2,413	2,081	3,857
Wages	8,313	11,395	8,096	7,796	7,200
Bonuses	-	1,000	1,450	1,800	1,900
Bank charges	63	11	249	32	278
Bad debts	517	-	-	-	-
Computer and internet	79	-	-	-	-
Charitable contributions	100	-	-	-	-
Office rent	1,820	2,704	1,170	1,170	-
Uniforms	-	76	-	-	-
Miscellaneous	4,410	306	178	1,158	1,500
<b>TOTAL EXPENDITURES</b>	<b>100,480</b>	<b>77,790</b>	<b>74,166</b>	<b>84,118</b>	<b>76,979</b>
<b>EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 20,654</b>	<b>\$ 12,203</b>	<b>\$ (6,660)</b>	<b>\$ (13,860)</b>	<b>\$ 1,108</b>

PERCENT OF TOTAL FUND REVENUES				
2017	2016	2015	2014	2013
88.2 %	91.7 %	97.6 %	96.0 %	87.8 %
7.6	8.1	2.2	3.8	11.5
2.5	0.1	-	-	-
0.1	0.1	0.2	0.2	0.7
1.6	-	-	-	-
100.0	100.0	100.0	100.0	100.0
10.3	3.4	10.3	10.2	15.7
0.7	1.3	1.3	1.3	-
0.3	0.6	-	-	0.4
3.2	5.1	8.9	9.3	5.3
20.0	24.4	29.3	24.5	18.6
2.4	0.9	-	-	-
6.5	7.6	8.7	10.0	7.8
1.1	1.2	-	9.3	8.2
6.3	7.7	11.9	9.0	9.4
-	0.1	-	-	-
1.2	1.6	3.7	10.1	1.8
12.3	8.3	9.5	9.1	7.9
0.5	0.1	0.5	0.5	0.4
1.8	2.0	3.6	3.4	1.5
0.3	0.9	0.7	1.6	1.3
-	0.3	0.2	0.4	0.3
0.5	0.1	0.4	0.5	0.5
0.7	0.4	0.7	0.5	0.6
2.1	3.2	3.6	3.0	5.0
6.9	12.7	12.0	11.1	9.2
-	1.1	2.2	2.6	2.4
0.1	-	0.4	-	0.4
0.4	-	-	-	-
0.1	-	-	-	-
0.1	-	-	-	-
1.5	3.0	1.7	1.7	-
-	0.1	-	-	-
3.6	0.3	0.3	1.6	1.9
82.9	86.4	109.9	119.7	98.6
17.1 %	13.6 %	(9.9) %	(19.7) %	1.4 %

**SOUTH CENTRAL CALHOUN COUNTY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
PORT LAVACA, TEXAS**

**Board Members, Key Personnel, and Consultants  
December 31, 2017**

Complete District Mailing Address: #1 Wedig Street, P.O. Box 833, Port Lavaca, Texas 77979

District Business Telephone Number: (361) 552-1255

Names and Addresses	Term of Office Elected & Expires or Date Hired	Directors' Fees December 31, 2017	Expense Reimbursement December 31, 2017	Title at Year End	Resident of District
<b>Board Members:</b>					
Alan Gino Aguirre 92 N Ocean Drive Port Lavaca, Texas 77979	05/17 - 05/21	\$ 1,299	\$ -	President	Yes
Deborah Riley 18 LaLucia St Port Lavaca, Texas 77979	05/14 - 05/18	\$ 1,199	\$ -	Secretary	Yes
Franklin Andrews 109 Susy St Port Lavaca, Texas 77979	05/16 - 05/20	\$ 1,849	\$ -	Member	Yes
Robert Williams PO Box 89 Port Lavaca, Texas 77979	05/16 - 05/20	\$ 1,524	\$ -	Vice-President	Yes
Ester Mayne 36 Bay Front Lane Port Lavaca, Texas 77979	05/16 - 05/20	\$ 975	\$ -	Member	Yes

Note: No member is disqualified from serving on this board under the Texas Water Code.

**Consultants:**

Bumgardner, Morrison & Company, L.L.P.  
Certified Public Accountants  
P.O. Box 3750  
Victoria, Texas 77903-3750

Auditor

**Investment Officer:**

Alan Gino Aguirre  
92 N Ocean Drive  
Port Lavaca, Texas 77979

Investment  
Officer



CPAs • Tax • Audit & Accounting

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors

South Central Calhoun County Water Control and Improvement District No. 1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of South Central Calhoun County Water Control and Improvement District No. 1 (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 14, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify the following deficiency in internal control that we consider to be a significant deficiency.

**Fund Accounting**

**Conditions:** We noted that the District does not record either accounts payable or unearned revenue for its General Fund.

**Effects:** Not recording accounts payable or unearned revenue in the General Ledger may cause accounts receivable, revenue, accounts payable, and expenses to be improperly recorded, which could cause the financial statements to be materially misstated.

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Bumgardner, Morrison & Company, LLP  
Certified Public Accountants

**Members:** American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants  
AICPA Private Companies Practice Section  
AICPA Employee Benefit Plan Audit Quality Center  
AICPA Government Audit Quality Center

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Victoria, Texas 77903-3750  
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Fax: 361.578.0880  
Website: BMCcpa.com

*Auditors' Recommendation:* Accounts receivable should be adjusted monthly as the revenue is earned and reduced as payments are received, reclassifying unearned revenue as applicable. Accounts payable should be recorded monthly as the expense has been incurred and reduced as the disbursement is made. In addition, a subsidiary ledger for all outstanding payable accounts should be recorded in the General Ledger.

*District's Response:* The District will review its process for recording accruals for payables and adjusting its receivable accounts and implement a monthly review of accounts to ensure proper balances.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* as follows:

#### **Investment Policy**

*Conditions:* We noted that the District does not have a formal investment policy as required by Texas Government Code Title 10, Subtitle F, Chapter 2256 "Public Funds Investment."

*District's Response:* The District will draft, approve, and implement an Investment Policy as required by the Public Funds Investment Act.

### **South Central Calhoun County Water Control and Improvement District No. 1's Response to Findings**

South Central Calhoun County Water Control and Improvement District No. 1's response to the findings identified in our audit is described above. South Central Calhoun County Water Control and Improvement District No. 1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bumgardner, Morrison and Company, LLP  
Victoria, Texas  
May 14, 2018