



Control Number: 47912



Item Number: 62

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DOCKET NO. 47912

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

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BEFORE THE  
PUBLIC UTILITY COMMISSION  
OF TEXAS

**DIRECT TESTIMONY OF TAMERA ATKINS**

*on behalf of*

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

**SUBMITTED ON October 11, 2019**

62

## **DIRECT TESTIMONY OF TAMERA ATKINS**

### **LIST OF EXHIBITS**

<b>EXHIBIT</b>	<b>DESCRIPTION</b>
<b>DISTRICT EXHIBIT 42</b>	<b>Direct Testimony of Tamera Atkins</b>
<b>DISTRICT EXHIBIT 43</b>	<b>Biography of Tamera Atkins</b>
<b>DISTRICT EXHIBIT 44</b>	<b>2018 District Audit</b>
<b>DISTRICT EXHIBIT 45</b>	<b>District's Repair or Replacement Status Chart</b>

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DECISION BY SOUTH CENTRAL §  
CALHOUN COUNTY WATER § PUBLIC UTILITY COMMISSION  
CONTROL AND IMPROVEMENT §  
DISTRICT NO. 1 TO CHANGE RATES § OF TEXAS

DIRECT TESTIMONY OF A TAMERA ATKINS

WITNESS IDENTIFICATION AND QUALIFICATIONS

1 Q. Please state your name and business address.

2 A. My name is Tamera Atkins. My business address is P.O. Box 833, 1 Wedig St., Port  
3 Lavaca, 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. What is your official position with the District?

8 A. I am President of the Board of Directors.

9 Q. How long have you been an official with the District?

10 A. I have been a Board Director since January 13, 2018 and Board President since  
11 December 29, 2018.

12 Q. Please describe your role as President of the District.

13 A. I oversee daily operations of the District. I monitor the operating budget, review and  
14 approve invoices, generate financial reports for the Board with assistance from the  
15 District's bookkeeper, call and preside over the meetings of the Board and monitor all  
16 bank accounts. I also am the day-to-day manager of the sewer utility system.

1   **Q.    What is your education level?**

2   A.    I attended Texas State University and earned a Bachelors' Degree in Accounting.

3   **Q.    Please describe your work experience.**

4   A.    I worked for the State of Texas at the Texas General Land Office and Veterans Land  
5       Board for almost 30 years. At the GLO/VLB, I was the Director of Financial Reporting  
6       and was responsible for accounting, auditing, and reporting of governmental funds. I  
7       held this position for about 22 years. Also, at the GLO, I was the FEMA point of contact  
8       for any Texas Federally Declared Disaster that impacted state owned lands, and I was the  
9       financial lead for the GLO Storm Team to help prepare the state for anticipated storms or  
10      disasters. I am now retired and use my experience in finance and program planning to  
11      manage the District.

12   **Q.    Do you have a current biography?**

13   A.    Yes. DISTRICT EXH. 43 is an accurate copy of my current biography.

14   **[DISTRICT OFFERS DISTRICT EXH. 43]**

15   **Q.    Are you aware of the Board's action to increase the rates on September 15, 2017?**

16   A.    Yes.

17   **Q.    What do you know about the Board's decision to increase the rates?**

18   A.    It is my understanding that the Board knew about the anticipated repairs or replacements  
19      based on information available to the Board members in proposals for such repairs  
20      submitted to the District and based on site visits with the District's operators in 2016 and  
21      2017. Former President Gino Aguirre and Director Franklin Andrews explained that in  
22      their affidavits submitted to the Commission in President Aguirre's Supplemental  
23      Testimony on September 21, 2018. I know based on my consultation with local

1 contractors to conduct drying field sludge removal services that those contractors had  
2 informally provided estimates for the cost of sludge removal to the Board before the  
3 Board vote. That work was performed in 2018 after it was included in the budget.  
4 Similarly, the Board had an informal estimate for the repair of the control board at the lift  
5 station before the Board vote. I also know that the replacement of the roof on the blowers  
6 was on the Board's radar at the time it voted to increase the rates, but since the Board did  
7 not have an estimate for the roof repair, that work was not included in the rates.

8 **Q. What impact did Hurricane Harvey have on the District?**

9 A. Hurricane Harvey had come through our area just 3 weeks before the Board vote. The  
10 building that housed many of our records was significantly damaged which has made it  
11 difficult to provide documentation for some of these expenses and to show what was  
12 known at the time the Board voted to increase the rates. The building has since been  
13 replaced.

14 **Q. What recommendations did you make to the Board when you first got involved with**  
15 **the District in January 2018?**

16 A. I recommended that the Board formally adopt a 2018 Budget based on its known  
17 expenses and operating costs for the 2018 fiscal year. I also recommended that the Board  
18 evaluate its operating and maintenance costs and consultant fees to see where it could  
19 reduce costs. The District's fiscal year tracks the calendar year.

20 **Q. What was the financial position of the District at the end of 2016, the year before the**  
21 **rate increase?**

22 A. Based on my review of District audit information, the District had a decrease in net  
23 financial position for the year of \$21,109. The District had an even greater decrease in

1 net position of \$45,040 for the year ended 2015. Additional information comparing  
2 revenues in excess/(deficit) of expenditures can be found on the District's 2018 Audit. A  
3 true and correct copy of the District's 2018 Audit is attached.

4 **[DISTRICT OFFERS DISTRICT EXH. 44]**

5 **Q. What was the financial position of the District when you first got involved?**

6 A. Based on the 2017 financials, the District ended 2017 with a decrease in net financial  
7 position of \$10,499. The rate increase from September 15, 2017 had just taken effect on  
8 November 1, 2017 so there had only been one full month of collections from the new  
9 rates.

10 **Q. How has the financial position changed since the 2017 vote to increase the rates?**

11 A. Since the rate challenge in December 2017, the District has been incurring consultant and  
12 legal fees related to defending the rate, mediating with the parties, and re-evaluating the  
13 settlement based on the latest Commission input. The District had a deficit of \$58,688 of  
14 revenues over expenditures at the end of 2018, in large part due to the rate case expenses  
15 that it had to pay. This information can be found on the District's 2018 Audit at page 33.  
16 The financial position decreased an additional \$40,017 in 2018. This information can be  
17 found on the District's 2018 Audit on page 10.

18 **Q. How has the District's rate case expenses impacted the District's decisions on repair  
19 or replacement of certain facilities?**

20 A. The District's rate case expenses delayed some of the repairs and replacements  
21 anticipated by the District, as long as the delay would not jeopardize the operation of the  
22 system. Most repairs or replacements have been made, but in some cases, the District  
23 repaired facilities instead of a full replacement if that was recommended by the operator.

1 I prepared a chart of the expenses anticipated by the Board at the time it voted to increase  
2 the rates and their completion status. A true and correct copy of the District's Repair or  
3 Replacement projects is attached.

4 **[DISTRICT OFFERS DISTRICT EXH. 45]**

5 **Q. What would a refund of the revenue collected from the rate increase do to the**  
6 **financial integrity of the District?**

7 A. If the money collected from the rate increase was refunded, that would put a hardship on  
8 the District. Even with the rate increase the end of 2018 numbers showed a deficit. The  
9 District is being reasonable with its expenses, and is making repairs or replacements as  
10 necessary to ensure the viability of the system to provide continuous service to its  
11 customers. Requiring a refund of rates would put the District in a position where it may  
12 not be able to make needed repairs and replacements.

13 **Q. Has the Board considered another rate increase since September 15, 2017?**

14 A. Yes.

15 **Q. Why has the Board considered another rate increase?**

16 A. Between the consultant and legal fees incurred with this proceeding, the maintenance cost  
17 related to maintaining a 27 year old system, the increase in recurring expenses from the  
18 previous years as seen on the Audit, the current Board working to implement a capital  
19 improvement schedule and a regular maintenance rotation schedule, the District is in  
20 need of a rate increase. The Board wants to secure a rate study before doing another  
21 increase but may implement a small increase just based on recurring operating costs and  
22 anticipated repairs, before we can get a study done.



1    **Q.    When do you anticipate another rate increase to occur?**

2    A.    The District operates on a January 1 to December 31 fiscal year, so a rate increase would  
3       likely be done before the end of this year so the new rates will be effective for the next  
4       fiscal year.

5    **Q.    Have you reviewed the Commission's May 3 Order?**

6    A.    Yes.

7    **Q.    Of the expenses at issue in the Order, please explain if any of these expenses are**  
8       **likely to recur each year.**

9    A.    I understand that the sludge drying field repair will need to be done at least annually.  
10       The \$11,000 sludge estimate in Gino Aguirre's testimony and in the 2018 Budget was  
11       based on informal estimates for a larger project because the removal had not been done  
12       annually in the past.

13   **Q.    In the May 3 Order, how does the Commission suggest that expenses that are not**  
14       **likely to recur be handled?**

15   A.    It sounds like the Commission suggests that these expenses be normalized for costs that  
16       recur on a periodic basis if not every year.

17   **Q.    Could a surcharge be appropriate for any amounts that are not recurring or able to**  
18       **be normalized?**

19   A.    If allowed to be recovered as a surcharge, a two-year surcharge would be appropriate for  
20       recovery of any amounts on the repair or replacement list in question that are not  
21       recurring or able to be normalized. Since the District could not afford to make some

1 repairs or replacements due to the rate case expenses, the surcharge to cover those  
2 remaining expenses.

3 **Q. What would happen to the financial integrity of the District going forward if the**  
4 **Commission did not allow recovery of the \$62,533 through a surcharge or allow the**  
5 **rates to remain the same?**

6 **A.** A rate increase may be needed to cover the portion of the \$62,533 that cannot be  
7 recovered by a surcharge. Since the financial position of the District has continued to  
8 decrease from 2015-2018 as noted above, the financial integrity could continue to decline  
9 without the needed rate increase.

10 **Q. Are DISTRICT EXHS. 42 - 45 an accurate representation of what they purport to**  
11 **be?**

12 **A.** Yes.

13 **Q. Does this conclude your pre-filed direct testimony?**

14 **A.** Yes, but I reserve the right to amend this testimony as needed prior to the hearing.

**AFFIDAVIT**

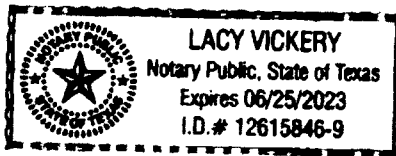
STATE OF TEXAS

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.

Tamera Atkins  
Tamera Atkins

SUBSCRIBED TO AND SWORN before me on this 10 th day of Oct 2019.



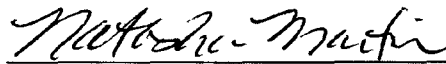
[Signature]  
Notary Public in and for  
The State of Texas

## CERTIFICATE OF SERVICE

I certify that a copy of this document was served on the following parties of record on  
October 11, 2019 via Email.

Windell Durant  
555 La Lucia St.  
Port Lavaca, Texas 77979  
(817) 559-4802 Phone  
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*DESIGNATED RATEPAYERS REPRESENTATIVE*

John Harrison  
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*PUBLIC UTILITY COMMISSION OF TEXAS*  
*LEGAL DIVISION*



Natasha J. Martin

September 2019

**Tamera Atkins Bio**

Tamera Atkins attended college at Texas State University (then South West Texas State University) in San Marcos, Texas graduating in 1984 with a BBA in Accounting.

Before retirement, Tamera Atkins was the Director of Financial Reporting for the Texas General Land Office and Veterans Land Board (GLO/VLB) in Austin, Texas. She held this position 1991 through 2013 but was employed with the GLO/VLB for almost 30 years, beginning in 1985.

Because the GLO/VLB is a multifaceted state agency, Tamera gained experience in many areas of accounting, auditing, and reporting for governmental funds. She is very accustomed to following all aspects of federal and state reporting to include requirements for Single Audits. The activities that she accounted for include oil, gas and other minerals that the state holds for the permanent school fund and also surface leases on those same lands; investments in real assets; oil spill response activities in Texas waters; coastal stewardship; historical maps and land grants; issuing bonds to provide housing, land and home improvement loans to Texas veterans; construction and operation of state nursing homes and cemeteries for Texas veterans; and, disaster response and recovery for state owned lands.

Tamera was the FEMA point of contact for the GLO in any Texas Federally Declared Disaster which had an impact on state owned lands. This included Hurricanes Claudette, Rita, Ike, Alex, and Wildfires of 2011 during her tenure. She also participated as the Financial Lead for GLO Storm Team which was activated when Texas Department of Emergency Management activated the Emergency Operations Center in anticipation of a tropical storm, hurricane or other disaster.

The GLO was designated by the Governor in July of 2011, as the new lead agency for HUD CDBG disaster funds and as of September 2011, began accounting for infrastructure and housing for Hurricane Ike and future disasters, which included Texas Wildfires. Additionally, in September 2011, the GLO was named the agency in charge of the Alamo and Tamera was involved in transferring all records to the state from the Daughters of the Republic.

Some volunteer activities she has been involved in include; helping in the creation of a basic needs resource center for the survivors of Hurricane Katrina; organization of a donation drive for a child with cancer; Adopt-A-Beach Cleanup Coordinator for Magnolia Beach, Port Lavaca, Texas; and, volunteering as Chair of the Case Management Committee of the Bastrop County Long term Recovery Team after attending UMCOR Disaster Case Management training.

Tamera has been married for 22 years. She and her husband, Barry have a 7 year old daughter. They moved to Magnolia Beach full time on January 1, 2018.

On January 13, 2018, she was appointed to the Board of Directors as Secretary for SCCCWCID#1. On December 29, 2018, she was appointed as Board President.

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

**Annual Audit Report**

**December 31, 2018**

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

PORT LAVACA, TEXAS  
ANNUAL AUDIT REPORT

December 31, 2018

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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, Tamera Atkins  
(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 14th day of May, 2019, its annual audit report for the fiscal year or period ended December 31, 2018, 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)

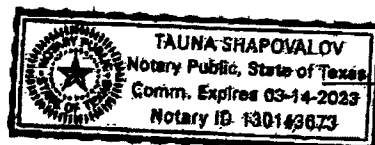
The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.154.

Date 5/15, 2019.

By: Tamera Atkins  
(Signature of District Representative)

Tamera Atkins,  
President of the Board of Directors  
(Typed Name and Title of above District Representative)

Sworn to and Subscribed to before me this 15<sup>th</sup> day of May, 2019.



[Signature]  
(Signature of Notary)

My commission expires on 3-14, 2023  
Notary Public in the State of Texas



MEMBER OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

**MARGARET E. FISSELER**  
CERTIFIED PUBLIC ACCOUNTANT  
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MEMBER OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

### **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 government activities and each major fund South Central Calhoun County Water Control and improvement District No. 1, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain 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 opinion.

#### **Opinion**

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, 2018, and the respective changes in financial position or the year then ended in accordance with accounting principles generally accepted the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 and the 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 basic 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.

The financial statements of the prior period were audited by a predecessor auditor whose report was dated May 14, 2018. An unqualified opinion was given in the report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2019, upon 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.



Margaret Ebner Fisseler  
Goliad, Texas  
May 8, 2019

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

Management's Discussion and Analysis  
December 31, 2018

---

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, 2018.

**Financial Highlights:**

- As of December 31, 2018, the assets of the District exceeded its liabilities by \$143,225 (net position).
- The District's net position decreased by \$40,017. This decrease is mainly attributable to an increase in repairs and maintenance and professional fee expenditures.
- Liabilities of the District include accounts payable, payroll liabilities, and unearned sewer service charges. Total liabilities increased \$5,246 or 16.44%, from the prior year.
- The District's governmental fund, the General Fund, ended the year with a combined fund balance in the amount of \$81,764. This is a \$58,688, or 41.79%, decrease and is directly attributable to the District's excess of current year expenditures over revenues. The entire \$81,764 fund balance is available for spending at the District's discretion.
- Overall program revenues increased \$42,681 or 35.87%. The increase is due to an increase in sewer service rates and other 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, Texas. Total interest income increased \$241, or 137.77%, from prior year's interest income. Interest income equaled \$416 and \$175 for the years ended December 31, 2018, and 2017, respectively.
- Expenditures during the current year increased \$70,485, or 53.55%. This increase is due to an increase in repairs and maintenance and professional fees in 2018.

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

Management's Discussion and Analysis  
December 31, 2018

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**Overview of the Financial Statements:**

This discussion and analysis are 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 State 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 entities 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, 2018

---

**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 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, 2018, the District's total assets in the amount of \$180,387 exceeded its total liabilities in the amount of \$37,162 by \$143,225 (net position).

The District's net capital assets equal \$61,461, or 34.07%, 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 \$37,162 equal only 25.95% 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, 2018

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

	<u>Governmental Activities 2018</u>	<u>Governmental Activities 2017</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 110,062	\$ 162,494
Other current assets	8,864	9,874
Property and equipment, net	<u>61,461</u>	<u>42,790</u>
Total Assets	<u>\$ 180,387</u>	<u>\$ 215,158</u>
<b>Liabilities</b>		
Accounts payable	\$ 7,652	\$ 4,893
Payroll liabilities	1,016	945
Unearned revenues	<u>28,494</u>	<u>26,078</u>
Total Liabilities	<u>37,162</u>	<u>31,916</u>
<b>Net Position</b>		
Net investment in capital assets	61,461	42,790
Unrestricted	<u>81,764</u>	<u>140,452</u>
Total Net Position	<u>143,225</u>	<u>183,242</u>
Total Liabilities and Net Position	<u>\$ 180,387</u>	<u>\$ 215,158</u>

**Governmental Activities.** As the District has no business-type activities, governmental activities are responsible for increasing the District's net position. The District's \$161,685 in program revenues equals 99.74% of total revenues. Program revenues include charges for sewer services and tap connection fees. The remaining .26% 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, 2018

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

	<u>Governmental Activities 2018</u>	<u>Governmental Activities 2017</u>
<b>Revenues</b>		
Program revenues	\$ 161,685	\$ 119,004
General revenues	<u>416</u>	<u>2,130</u>
Total Revenues	<u>162,101</u>	<u>121,134</u>
<b>Expenses</b>		
Service operations	\$ 84,256	\$ 85,180
Administration	<u>117,862</u>	<u>46,453</u>
Total Expenses	<u>202,118</u>	<u>131,633</u>
Decrease in Net Position	(40,017)	(10,499)
Beginning Net Position	<u>183,242</u>	<u>193,741</u>
Ending Net Position	<u>\$ 143,225</u>	<u>\$ 183,242</u>

**Capital Assets.** As noted earlier, the District's investment in capital assets for its governmental activities is \$61,461 (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	<u>82,970</u>	<u>21,028</u>	-	<u>103,998</u>
Total Capital Assets	892,397	21,028	-	913,425
Accumulated Depreciation	<u>(849,607)</u>	<u>(2,357)</u>	-	<u>(851,964)</u>
Net Capital Assets	<u>\$ 42,790</u>	<u>\$ 18,671</u>	<u>\$ -</u>	<u>\$ 61,461</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, 2018

**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 \$15,516, which is due to an increase in professional fees incurred in the current year.

	<u>Actual</u>	<u>Adjusted Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Revenues</b>			
Program revenues	\$ 161,685	\$ 156,360	\$ 5,325
General revenues	<u>416</u>	<u>245</u>	<u>171</u>
Total Revenues	162,101	156,605	5,496
<b>Expenditures</b>			
Service operations	81,277	121,623	(40,346)
Administration	<u>139,512</u>	<u>83,650</u>	<u>55,862</u>
Total Expenditures	220,789	205,273	15,516
Net Increase (Decrease) in Unrestricted Fund Balance	(58,688)	(48,668)	(10,020)
Net Beginning Fund Balance	<u>140,452</u>	<u>97,138</u>	<u>43,314</u>
Net Ending Fund Balance	<u>\$ 81,764</u>	<u>\$ 48,470</u>	<u>\$ 33,294</u>

**Long-Term Debt.** The District did not issue any long-term debt during 2018 and did not have any long-term debt outstanding as of December 31, 2018.

**Economic Factors.** The District's 2019 annual operating budget for expenditure equals \$150,874 which is \$54,399, or 26.50%, less than 2018 budgeted expenditures. The decrease is mainly due to budgeting for a decrease in expected professional fees.

**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 Tamera Atkins, President, P.O. Box 833, Port Lavaca, Texas 77979.



## **BASIC FINANCIAL STATMENTS**

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, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 110,062	\$ -	\$ 110,062
Sewer service receivables	1,656	-	1,656
Assets (Construction in Progress)	1,571	-	1,571
Prepaid expenditures	5,637	-	5,637
Capital assets (net of accumulated depreciation)			
Land		25,000	25,000
Infrastructure		12,546	12,546
Other capital assets		23,915	23,915
Total Assets	<u>\$ 118,926</u>	<u>\$ 61,461</u>	<u>\$ 180,387</u>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 7,652	\$ -	\$ 7,652
Payroll liabilities	1,016	-	1,016
Unearned sewer service revenues	28,494	-	28,494
Total Liabilities	<u>37,162</u>	<u>-</u>	<u>37,162</u>
<b><u>Fund Balances / Net Position</u></b>			
Fund balances:			
Unassigned	81,764	(81,764)	-
Total Fund Balances	<u>81,764</u>	<u>(81,764)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 118,926</u>	<u>\$ -</u>	<u>\$ -</u>
Net position:			
Net investment in capital assets		61,461	61,461
Unrestricted		81,764	81,764
Total Net Position		<u>\$ 143,225</u>	<u>\$ 143,225</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, 2018

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Total Governmental Fund Balances	\$ 81,764
Amounts reported in governmental activities in the statement of net position are different because:	
Capital assets of \$913,425, net of depreciation of \$851,964, are not financial resources and therefore not reported in the fund	<u>61,461</u>
Net Position of Governmental Activities	<u>\$ 143,225</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, 2018

	General Fund	Adjustments	Statement of Activities
<b>Expenditures / Expenses</b>			
<b>Service Operations:</b>			
Plant maintenance	\$ 35,223	\$ -	\$ 35,223
Plant chemicals	756	-	756
Plant supplies	2,345	-	2,345
Sewer tests	4,368	-	4,368
Wages and outside services	15,831	-	15,831
Contract labor	13,032	-	13,032
Utilities	10,344	-	10,344
Depreciation	-	2,357	2,357
<b>Administration:</b>			
Director' fees	10,070	-	10,070
Bonds and permits	1,600	-	1,600
Legal and professional fees	72,147	-	72,147
Regulatory assessment fee	753	-	753
Insurance	2,954	-	2,954
Office supplies	954	-	954
Telephone	1,015	-	1,015
Postage	1,475	-	1,475
Payroll tax	3,113	-	3,113
Wages	10,285	-	10,285
Bonus	650	-	650
Bank charges	25	-	25
Office Building & Improvements	21,028	(21,028)	-
Bad debt	11,191	-	11,191
Computer and Internet	32	-	32
Charitable contributions	-	-	-
Miscellaneous	1,598	-	1,598
Total expenditures / expenses	<u>220,789</u>	<u>(18,671)</u>	<u>202,118</u>
<b>Revenues</b>			
<b>Program Revenues:</b>			
Charges for sewer service	125,709	-	125,709
Tap connection and other fees	21,118	-	21,118
Fee income	14,858	-	14,858
Total program revenues	<u>161,685</u>	<u>-</u>	<u>161,685</u>
Net Program Revenue / Expense			(40,433)
<b>General Revenues:</b>			
Interest income	416	-	416
Total general revenues	<u>416</u>	<u>-</u>	<u>416</u>
Excess of revenues over expenditures	(58,688)	-	-
Change in net position	-	18,671	(40,017)
<b>Fund Balance / Net Position</b>			
Beginning of the year	140,452	42,790	183,242
End of the year	<u>\$ 81,764</u>	<u>\$ 61,461</u>	<u>\$ 143,225</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  
December 31, 2018

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Net Change in Governmental Fund Balances \$ (58,688)

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 \$2,357 exceeds capital outlays of \$21,028 in the current period. 18,671

Change in Net Position \$ (40,017)

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, 2018

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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, 2018

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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, 2018

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**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, 2018

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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, 2018

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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 8, 2019, 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 8, 2019, any potential liability to the District cannot be reasonably estimated and therefore no loss contingency has been recorded as of December 31, 2018. The rate case hearing is currently in mediation with the Public Utilities Commission.

**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 provision 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 \$110,062, and the bank balance was \$114,965. 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, 2018

**Note 4 Capital Assets**

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

	Balance 01/01/2018	Additions	Deletions	Balance 12/31/2018
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Sewer Plant	784,427	-	-	784,427
Other Capital Assets	82,970	21,028	-	103,998
Total Capital Assets	892,397	21,028	-	913,425
Accumulated Depreciation	(849,607)	(2,357)	-	(851,964)
Net Capital Assets	<u>\$ 42,790</u>	<u>\$ 18,671</u>	<u>\$ -</u>	<u>\$ 61,461</u>

Depreciation expense for the year ended December 31, 2018, equaled \$2,357.

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, 2018, 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 2018, nor does it have any outstanding debt as of December 31, 2018.

**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, 2018

	Actual	Original Budget	Final Budget	Positive (Negative)
<b>Revenues</b>				
Sewer service	\$ 125,709	\$ 127,500	\$ 156,360	\$ (30,651)
Tap connection and other fees	21,118	-	-	21,118
Fee income	14,858	-	-	14,858
Interest income	416	-	245	171
Total Revenues	<u>162,101</u>	<u>127,500</u>	<u>156,605</u>	<u>5,496</u>
<b>Expenditures / Expenses</b>				
Service operations:				
Plant maintenance	24,161	35,000	35,000	(10,839)
Lawn maintenance	1,801	1,740	1,740	61
Sewer line maintenance	168	15,000	15,000	(14,832)
Plant chemicals	756	1,500	1,500	(744)
Plant supplies	643	1,000	1,000	(357)
Generator Fuel	1,680	500	1,680	-
Sewer tests	4,368	5,000	5,000	(632)
Location Services (811)	161	100	-	161
Rental Expense	5,982	-	5,102	880
Wages and outside services	15,831	20,300	28,300	(12,469)
Subcontractor expenses	2,350	-	2,350	-
Contract labor	13,032	30,000	16,032	(3,000)
Utilities	10,344	8,919	8,919	1,425
Administration:				
Small tools & equipment	348	-	500	(152)
Advertising	30	-	30	-
Directors' fees	10,070	-	-	10,070
Bonds and permits	1,600	500	500	1,100
Legal and professional fees	72,147	25,000	60,000	12,147
Regulatory assessment fee	753	2,000	2,000	(1,247)
Insurance	2,954	4,800	4,500	(1,546)
Mileage (Budgeted Only)	-	200	650	(650)
Office supplies	954	1,800	1,800	(846)
Telephone	1,015	1,000	1,000	15
Postage	1,475	1,800	1,800	(325)
Payroll tax	3,113	2,505	2,500	613
Wages	10,285	-	-	10,285
Bank charges	25	100	100	(75)
Office Building	21,028	-	-	21,028
Building Repairs & Maintenance	220	-	220	-
Bad debt	11,191	3,000	3,000	8,191
Computer and internet	32	50	50	(18)
Charitable contributions	-	100	100	(100)
Dues and subscriptions	400	-	-	400
Continuing education	-	1,500	1,500	(1,500)
Safety	22	100	100	(78)
Disconnection fees	600	-	800	(200)
Bonuses	650	750	1,500	(850)
Engineering/consulting fees	600	1,000	1,000	(400)
Total expenditures / expenses	<u>220,789</u>	<u>165,264</u>	<u>205,273</u>	<u>15,516</u>
Excess (deficiency) of revenues over expenditures	<u>(58,688)</u>	<u>(37,764)</u>	<u>(48,668)</u>	<u>(10,020)</u>
<b>Fund Balance</b>				
Beginning of the year	140,452	97,138	97,138	43,314
End of the year	<u>\$ 81,764</u>	<u>\$ 59,374</u>	<u>\$ 48,470</u>	<u>\$ 33,294</u>

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

**Schedule of Services and Rates  
December 31, 2018**

**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
WASTEWATER:	\$ 40 monthly	N/A	Y	\$ N/A	to
SURCHARGE:	\$ -			\$ -	to

District employs winter averaging for wastewater use: Yes ☐ No ☒ X

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

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

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	296	290	x1.0	
≤3/4"			x1.0	
1"			x2.5	
1 1/2"			x5.0	
2"			x8.0	
3"			x15.0	
4"			x25.0	
6"			x50.0	
8"			x80.0	
10"			x115.0	
Total Water				
Total Waste Water	296	290	x1.0	

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

Schedule of Services and Rates, Continued  
December 31, 2018

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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

## TEXAS SUPPLEMENTARY INFORMATION



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

Schedule of General Fund Expenditures  
December 31, 2018

<b>Personnel Expenditures (including benefits)*</b>	<b>\$ -</b>
<b>Professional Fees:</b>	
Auditing	7,350
Accounting	9,378
Legal	54,573
<b>Purchased Services For Resale:</b>	
Bulk Water & Wastewater Service Purchases	-
<b>Contracted Services:</b>	
Bookkeeping	-
Other Contracted Services	21,551
<b>Utilities</b>	<b>10,344</b>
<b>Repairs and Maintenance</b>	<b>49,382</b>
<b>Administrative Expenditures:</b>	
Directors Fees	10,070
Office Supplies	954
Insurance	2,954
Other Administrative Expenses	-
<b>Capital Outlay:</b>	
Capitalized Assets	21,028
Expenditures not Capitalized	-
<b>Tap Connection Expenditures</b>	<b>-</b>
<b>Solid Waste Disposal</b>	<b>-</b>
<b>Fire Fighting</b>	<b>-</b>
<b>Parks and Recreation</b>	<b>-</b>
<b>Other Expenditures</b>	<b>33,205</b>
<b>Total Expenditures</b>	<b>\$ 220,789</b>

\*Number of persons employed by the District \_\_\_\_ Full-Time 7 Part-Time

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

Schedule of Temporary Investments  
December 31, 2018

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The District had no temporary investments for the year ended December 31, 2018

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

Analysis of Taxes Levied and Receivable  
December 31, 2018

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**Not applicable:** The District had no levied or outstanding taxes for the year ended December 31, 2018.

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, 2018

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Not applicable: The District had no long-term debt service for the year ended December 31, 2018.

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

Schedule of Change in Long-Term Bonded Debt  
December 31, 2018

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Not applicable: The District had no long-term bonded debt for the year ended December 31, 2018.

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, 2018

General Fund	AMOUNTS				
	2018	2017	2016	2015	2014
<b>Revenues:</b>					
Sewer service	\$ 125,709	\$ 106,792	\$ 82,525	\$ 65,886	\$ 67,412
Tap connection and other fees	21,118	9,176	7,250	1,500	2,700
Fee income	14,858	3,036	100	-	-
Interest income	416	175	118	120	146
Other Income	-	1,955	-	-	-
<b>TOTAL REVENUES</b>	<b>162,101</b>	<b>121,134</b>	<b>89,993</b>	<b>67,506</b>	<b>70,258</b>
<b>EXPENDITURES:</b>					
<b>Service Operations:</b>					
Plant maintenance	35,223	12,535	3,061	6,951	7,143
Plant chemicals	756	845	1,177	863	922
Plant supplies	2,345	397	548	-	-
Sewer tests	4,368	3,896	4,580	6,019	6,509
Wages and outside services	15,831	24,238	21,984	19,807	17,207
Contract labor	13,032	2,925	813	-	-
Utilities	10,344	7,836	6,790	5,897	7,004
Sewer plant acquisition and equipment	-	1,355	1,110	-	6,541
<b>Administration:</b>					
Directors' fees	10,070	7,621	6,930	8,005	6,335
Dues and subscriptions	400	-	106	-	-
Bonds and permits	1,600	1,450	1,450	2,523	7,081
Legal and professional fees	72,147	14,923	7,506	6,425	6,400
Regulatory assessment fee	753	538	119	357	374
Insurance	2,954	2,153	1,768	2,445	2,398
Office supplies	954	404	816	444	1,159
Advertising	30	-	260	137	261
Telephone	1,015	599	84	242	364
Postage	1,475	883	314	495	383
Payroll expense	3,113	2,580	2,882	2,413	2,081
Wages	10,285	8,313	11,395	8,096	7,796
Bonuses	650	-	1,000	1,450	1,800
Bank charges	25	63	11	249	32
Bad debts	11,191	517	-	-	-
Computer and Internet	32	79	-	-	-
Charitable contributions	-	100	-	-	-
Office rent	-	1,820	2,704	1,170	1,170
Uniforms	-	-	76	-	-
Miscellaneous	1,168	4,410	306	178	1,158
Office acquisition and improvements	21,028	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>220,789</b>	<b>100,480</b>	<b>77,790</b>	<b>74,166</b>	<b>84,118</b>
<b>EXCESS (DEFICIENCY) REVENUES</b>					
<b>OVER (UNDER) EXPENDITURES</b>	<b>\$ (58,688)</b>	<b>\$ 20,654</b>	<b>\$ 12,203</b>	<b>\$ (6,660)</b>	<b>\$ (13,860)</b>

PERCENT OF TOTAL FUND REVENUES				
2018	2017	2016	2015	2014
77.6%	88.2%	91.7%	97.6%	96.0%
13.0	7.6	8.1	2.2	3.8
9.2	2.5	0.1	-	-
0.2	0.1	0.1	0.2	0.2
-	1.6	-	-	-
100.0	100.0	100.0	100.0	100.0
21.7	10.3	3.4	10.3	10.2
0.5	0.7	1.3	1.3	1.3
1.4	0.3	0.6	-	-
2.7	3.2	5.1	8.9	9.3
9.8	20.0	24.4	29.3	24.5
8.0	2.4	0.9	-	-
6.4	6.5	7.6	8.7	10.0
-	1.1	1.2	-	9.3
6.2	6.3	7.7	11.9	9.0
0.2	-	0.1	-	-
1.0	1.2	1.6	3.7	10.1
44.5	12.3	8.3	9.5	9.1
0.5	0.5	0.1	0.5	0.5
1.8	1.8	2.0	3.6	3.4
0.6	0.3	0.9	0.7	1.6
-	-	0.3	0.2	0.4
0.6	0.5	0.1	0.4	0.5
0.9	0.7	0.4	0.7	0.5
1.9	2.1	3.2	3.6	3.0
6.3	6.9	12.7	12.0	11.1
0.4	-	1.1	2.2	2.6
-	0.1	-	0.4	-
6.9	0.4	-	-	-
-	0.1	-	-	-
-	0.1	-	-	-
-	1.5	3.0	1.7	1.7
0.7	-	0.1	-	-
13.0	3.6	0.3	0.3	1.6
136.0	82.9	86.4	109.9	119.7
(36.0)%	17.10%	13.60%	(9.9)%	(19.7)%

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

Board Members, Key Personnel, and Consultants  
December 31, 2018

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

District Business Telephone Number: (361) 552-1060

<u>Names and Addresses</u>	<u>Term of Office Elected &amp; Expires or date Hired</u>	<u>Directors' Fees December 31, 2018</u>	<u>Expense Reimbursement December 31, 2018</u>	<u>Title at Year End</u>	<u>Resident of District</u>
<b>Board Members:</b>					
Alan Gino Aguirre 92 N Ocean Drive Port Lavaca, Texas 77979	05/17 - 05/21	\$ 2,057	\$ -	President	Yes
Tamera Atkins 39 La Lucia St Port Lavaca, Texas 77979	01/17 - 05/20	\$ 1,949	\$ -	Secretary	Yes
Franklin Andrews 109 Susy St Port Lavaca, Texas 77979	05/16 - 05/20	\$ 2,057	\$ -	Member	Yes
Robert Williams PO Box 89 Port Lavaca, Texas 77979	05/16 - 05/20	\$ 2,058	\$ -	Vice-President	Yes
Ester Mayne 36 Bay Front Lane Port Lavaca, Texas 77979	05/16 - 05/20	\$ 1,949	\$ -	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, TX 77903-3750

Auditor

**Investment Officer:**

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

Investment  
Officer



MEMBER OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

**MARGARET E. FISSELER**  
CERTIFIED PUBLIC ACCOUNTANT  
122 S. COMMERCIAL  
PO BOX 557  
GOLIAD, TX 77963-0557  
(361) 645-3286 or (361) 645-3705 - Fax (361) 645-3533  
email: mfisselercoa@gmail.com

MEMBER OF  
TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

**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, 2018, 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 8, 2019.

**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 for 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 considered 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.

**Auditor's 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 the 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 subject for any other purpose.



Margaret Ebner Fisseler, CPA  
Goliad, Texas 77963

**Repair or Replacement Items Considered by the Board but had not been performed and were anticipated prior to September 15, 2017.**

Item	Anticipate d Costs	Date Proposal	Latest Proposal	Amount	Paid	2018 Budget	Recurring
Clarifier replacement	21,955.00	2012	2018	28,867.00		NO	NO
Chlorinator replacement	6,281.00	2016	2019		24,783.75	YES	NO
Ebara Grinder pump	6,433.00	2013	2019			NO	NO
2 Lift Pumps (\$8256 each)	16,512.00	2017			16,132.40	YES	NO
Sludge Removal	11,000.00	approximate	2018		5,652.41	YES	YES
Control Board	352.50	2017			352.50	YES	NO
Blower Room Roof from Harvey					1,957.00		
<b>TOTAL</b>	<b>62,533.50</b>				<b>48,878.06</b>		

If not in the 2018 Budget, not factored into the rate increase.

28,388.00