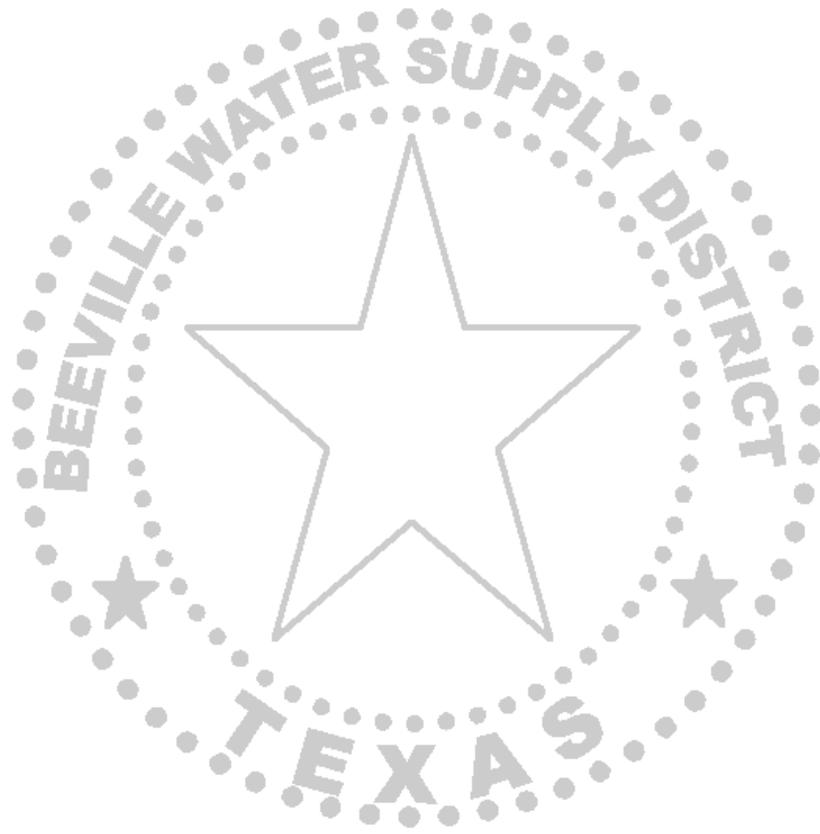


**BEEVILLE WATER SUPPLY
DISTRICT**

AUDITED FINANCIAL STATEMENTS

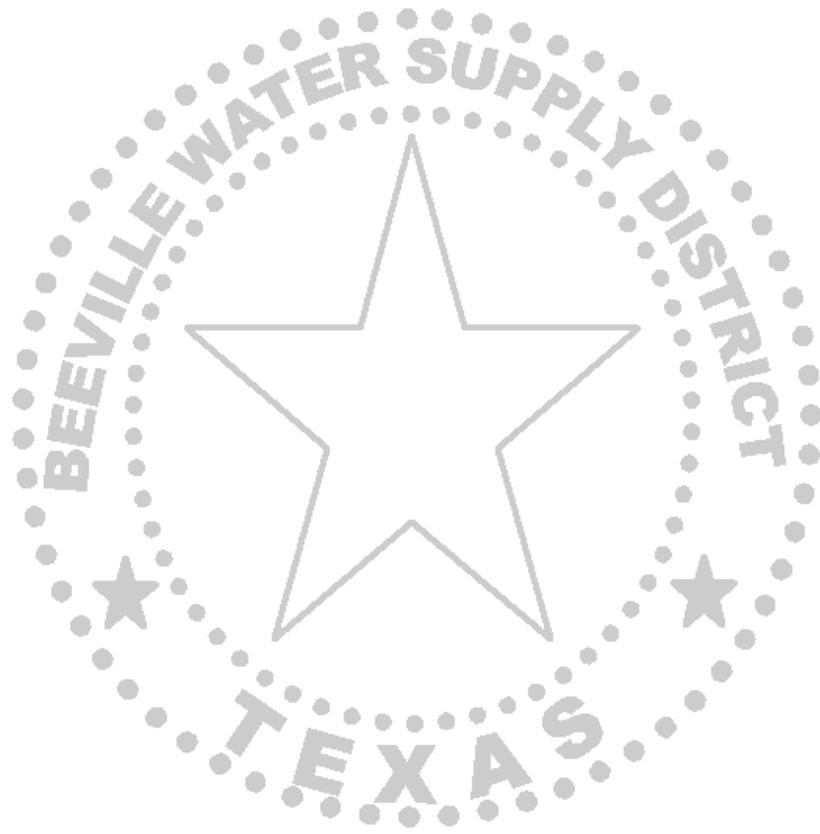
YEAR ENDED SEPTEMBER 30, 2013



BEEVILLE WATER SUPPLY DISTRICT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis.....	3-7
Basic Financial Statements:	
Governmental Activities Statement of Net Position – Exhibit 1	8
Governmental Activities Statement of Activities – Exhibit 2	9
Governmental Funds Balance Sheet – Exhibit 3-A.....	10-11
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets – Exhibit 3-B.....	13
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Exhibit 4-A.....	14-15
Reconciliation of Governmental Funds Statement of Revenue, Expenditures, And Changes in Fund Balance to the Statement of Activities – Exhibit 4-B.....	16
General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Exhibit 5	17
Notes to Financial Statements	19-28
Individual Fund Financial Statements:	
General Fund:	
Comparative Balance Sheets – Exhibit 6	31
Schedule of Revenues, Expenditures and Changes in Fund Balance – Exhibit 7	32-33
Debt Service Fund:	
Comparative Balance Sheets – Exhibit 8	35
Schedule of Revenues, Expenditures and Changes in Fund Balance – Exhibit 9	36-37
Capital Projects Fund:	
Comparative Balance Sheets – Exhibit 10	38
Schedule of Revenues, Expenditures and Changes in Fund Balance – Exhibit 11	39



INDEPENDENT AUDITOR'S REPORT

November 19, 2014

The Board of Directors of the
Beeville Water Supply District
Beeville, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the Beeville Water Supply District, a component unit of the City of Beeville, Texas, as of and for the year ended September 30, 2013, 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 to 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 the financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk 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 statement.

We believe that the audit evidence we 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, each major fund, of the Beeville Water Supply District as of September 30, 2013, and the respective changes in financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 the 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The individual financial statements and schedules, listed in the table of contents on pages 29 through 37 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual financial statements and schedules 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Collier, Johnson & Woods

**BEEVILLE WATER SUPPLY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
AMOUNTS IN THOUSANDS UNLESS STATED OTHERWISE**

This Management's Discussion and Analysis ("MD&A") of the Beeville Water Supply District ("District"), a political subdivision of the State of Texas and component unit of the City of Beeville, Texas ("City"), is intended to provide an overview of the District's financial position and results of operation for the fiscal year ended September 30, 2013. Since the focus of the MD&A is on current fiscal year's operations, activities, and currently known facts, it should be read in conjunction with the District's related financial statements and accompanying notes to best understand the District's financial position.

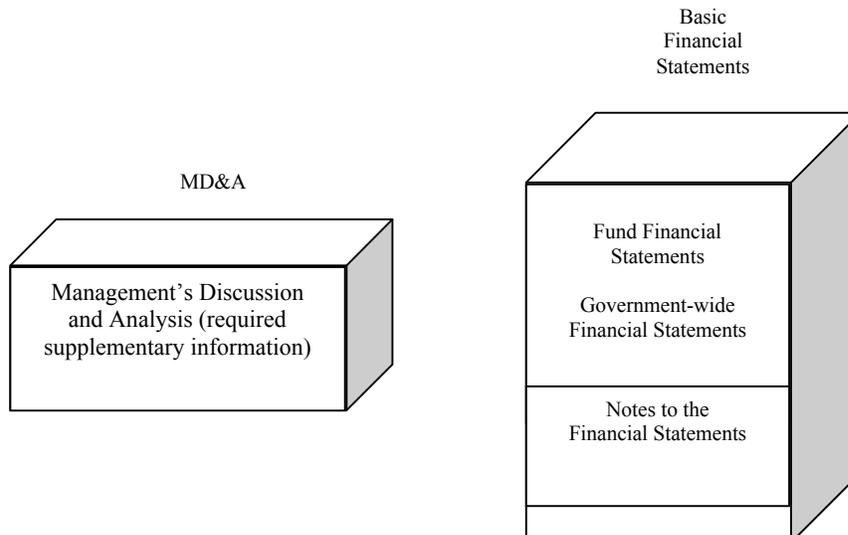
The MD&A is one of the elements of the reporting model required by the Government Accounting Standards Board ("GASB"). As part of the MD&A, presentation of certain comparative information between the current fiscal year and the prior fiscal year is required to assist in financial analysis.

IN BRIEF

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5,515,172 (net position). This number must be viewed in the context that the vast majority of the District's net position of \$4,868,609 (88.3%) are invested in capital assets, net of related debt, and that most capital assets in government do not directly generate revenue nor can they be sold to generate liquid capital. The remaining \$646,563 (11.7%) is unrestricted net position and may be used to meet the District's ongoing obligations to citizens and creditors. Unrestricted net assets increased by \$119,398 in fiscal year 2013.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending unassigned fund balances of \$308,105. The unassigned fund balance can be used for any lawful purpose.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic is provided to facilitate the reader's understanding of the format of the Basic Financial Statements and their individual components:



The District's Audited Financial Statements consists of the MD&A, the basic financial statements and accompanying notes, with the primary focus being on the District as a whole. The Statement of Net Assets and the Statement of Activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The fund financial statements report the District's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. The accompanying notes provide essential information that is not disclosed on the face of the financial statements. Consequently, the notes form an integral part of the District's basic financial statements. Other supplemental financial information includes the comparative and budget schedules.

The accounting for all of the District's services is included in the governmental funds. The General Fund and Debt Service Fund are governmental funds that use the modified accrual accounting method. This method focuses on how cash and other financial assets can be converted to cash and the balances at year-end are available for future spending. Furthermore, under this basis of accounting, changes in net spendable assets are normally recognized only to the extent that they are expected to have a near-term impact, while inflows are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources.

Notes to the Financial Statements

The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also provides individual fund statements.

Certain reclassifications have been made to prior year balances to make them comparable to the current year.

GOVERNMENT WIDE-FINANCIAL ANALYSIS

Statement of Net Assets (Government-Wide)

The District's total net positions was \$5,515,172 and \$4,853,899 as of September 30, 2013 and 2012, respectively, an increase of \$661,273 or 13.6%. Total assets increased \$19,417 thousand or less than 1% compared to September 30, 2012 mainly due to the cash received from the bonds issued. The District's total liabilities decreased \$641,826 thousand due mainly to payment on bonds.

Beeville Water Supply District Net Position September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>2013-2012</u> <u>Variance</u>
Assets			
Cash and Cash Equivalents	1,175,069	1,483,689	(308,620)
Receivables	55,826	51,196	4,630
Due From Other Funds	103,605	16	103,589
Bond Issue Cost	59,084	127,055	(67,971)
Capital Assets (Net of Accumulated Depreciation)	5,907,939	5,620,150	287,789
Total Assets	<u>7,301,523</u>	<u>7,282,106</u>	<u>19,417</u>
Liabilities			
Accounts Payable	14	16	(2)
Contractor's Retainage	159,382	159,382	-
Due to Other Funds	149,183	45,593	103,590
Long-Term Debt			
Due Within One Year	760,000	740,000	20,000
Due in More Than One Year	717,772	1,483,216	(765,444)
Total Liabilities	<u>1,786,351</u>	<u>2,428,207</u>	<u>(641,856)</u>
Net Position			
Invested in Capital Assets	4,868,609	4,326,734	541,875
Unrestricted	646,563	527,165	119,398
Total Net Position	<u><u>5,515,172</u></u>	<u><u>4,853,899</u></u>	<u><u>661,273</u></u>

Statement of Activities (Government-Wide)

Changes in Beeville Water Supply District Net Position Years Ended September 30, 2013 and 2012

	2013	2012	2013-2012 Variance
Revenues			
Property Taxes, Penalties and Interest	773,213	516,025	257,188
Investment Income	1,030	689	341
Transfers from City of Beeville	225,840	33,175	192,665
Other	--	1,255	(1,255)
Total Revenues	<u>1,000,083</u>	<u>551,144</u>	<u>448,939</u>
Expenses			
General Government	36,777	87,806	(51,029)
Water Production	3,126	32,046	(28,920)
Depreciation	212,867	177,778	35,089
Total Expenses	<u>252,770</u>	<u>297,630</u>	<u>(44,860)</u>
Debt Service			
Interest and Fiscal Charges	<u>86,041</u>	<u>68,967</u>	<u>17,074</u>
Excess of Revenues over Expenses	661,272	184,547	476,725
Net Position, Beginning of Year	<u>4,853,900</u>	<u>4,669,353</u>	<u>184,547</u>
NET POSITION END OF YEAR	<u><u>5,515,172</u></u>	<u><u>4,853,900</u></u>	<u><u>661,272</u></u>

FINANCIAL ANALYSIS

Revenues

In fiscal year 2013, the District's total revenues increased \$448,939 compared to prior year. The difference was a result of higher tax collections and the increase in the net amount transferred from the City of Beeville.

Expenditures

Expenses were down \$44,860 mainly due to an decrease in general government and water production offset by increase in the depreciation expense.

General Fund Budgetary Highlights

The change in fund balance was \$187,353 less than the budget. The major differences was \$239,788 reduction in water production cost paid by the City Utility Fund offset by \$45,168 reduced in transfers from the City Utility Fund. General Fund budgets tax revenue and an offset transfer to debt service but taxes were correctly recorded in the Debt Service Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District had \$5,907 in net capital assets at the end of September 30, 2013. The breakdown of the capital assets is as follows:

Beeville Water Supply District's Capital Assets

	<u>2013</u>	<u>2012</u>	<u>2013-2012</u> <u>Variance</u>
Construction in Progress	--	1,800,670	(1,800,670)
Machinery and Equipment	10,795,247	8,493,921	2,301,326
Total	10,795,247	10,294,591	500,656
Less: Accumulated Depreciation	4,887,308	4,674,441	212,867
NET CAPITAL ASSETS	<u>5,907,939</u>	<u>5,620,150</u>	<u>287,789</u>

For more information on the District's capital assets, see Note 3 in the financial statements.

**BEEVILLE WATER SUPPLY DISTRICT
GOVERNMENTAL ACTIVITIES
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

ASSETS	
Cash and Cash Equivalents (Note 2)	1,175,069
Receivables	
Taxes	65,678
Allowance for Uncollectibles	<u>(9,852)</u>
Net Receivables	55,826
Due from Other Funds (Note 7)	<u>16</u>
Total Current Assets	1,230,911
Bond Issue Cost	59,084
Other Capital Assets, Net of Accumulated Depreciation (Note 3)	<u>5,907,939</u>
Total Assets	<u>7,197,934</u>
 LIABILITIES	
Accounts Payable	15
Contractor's Retainage	159,382
Due to Other Funds (Note 7)	45,593
Current Portion of Long-Term Debt (Note 4)	<u>760,000</u>
Total Current Liabilities	964,990
Long-Term Debt, Excluding Current Portion (Note 4)	<u>717,772</u>
Total Liabilities	<u>1,682,762</u>
 NET POSITION	
Invested in Capital Assets, Net of Related Debt	4,868,609
Unrestricted	<u>646,563</u>
TOTAL NET POSITION	<u>5,515,172</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**BEEVILLE WATER SUPPLY DISTRICT
GOVERNMENTAL ACTIVITIES
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013**

Expenses		
General Government		35,827
Water Production		3,126
Paying Agent Fees		950
Interest		86,041
Depreciation		<u>212,867</u>
Total Expenses		<u>338,811</u>
General Revenues		
Property Taxes		773,213
Interest on Investments		1,030
Transfers (Note 5)		<u>225,840</u>
Total General Revenues and Transfers		<u>1,000,083</u>
Change in Net Position		661,272
Net Position at Beginning of Year		<u>4,853,900</u>
NET POSITION AT END OF YEAR		<u><u>5,515,172</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**BEEVILLE WATER SUPPLY DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2013**

ASSETS	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND
Cash and Cash Equivalents (Note 2)	445,514	82,430	647,125
Receivables			
Taxes	--	65,678	--
Allowance for Uncollectibles	--	(9,852)	--
Net Receivables	--	55,826	--
Due from Other Funds (Note 7)	48,772	140,571	--
TOTAL ASSETS	494,286	278,827	647,125
LIABILITIES AND FUND BALANCE			
Accounts Payable	16	--	--
Contractor's Retainage	--	--	159,381
Due to Other Funds (Note 7)	186,165	--	48,756
Unearned Revenue	--	55,826	--
Total Liabilities	186,181	55,826	208,137
Fund Balance			
Restricted	--	--	438,988
Committed	--	223,001	--
Unassigned	308,105	--	--
Total Fund Balance	308,105	223,001	438,988
TOTAL LIABILITIES AND FUND BALANCE	494,286	278,827	647,125

The Notes to the Financial Statements are an Integral Part of this Statement.

Exhibit 3-A

**TOTAL
GOVERNMENTAL
FUNDS**

1,175,069
65,678
(9,852)
55,826

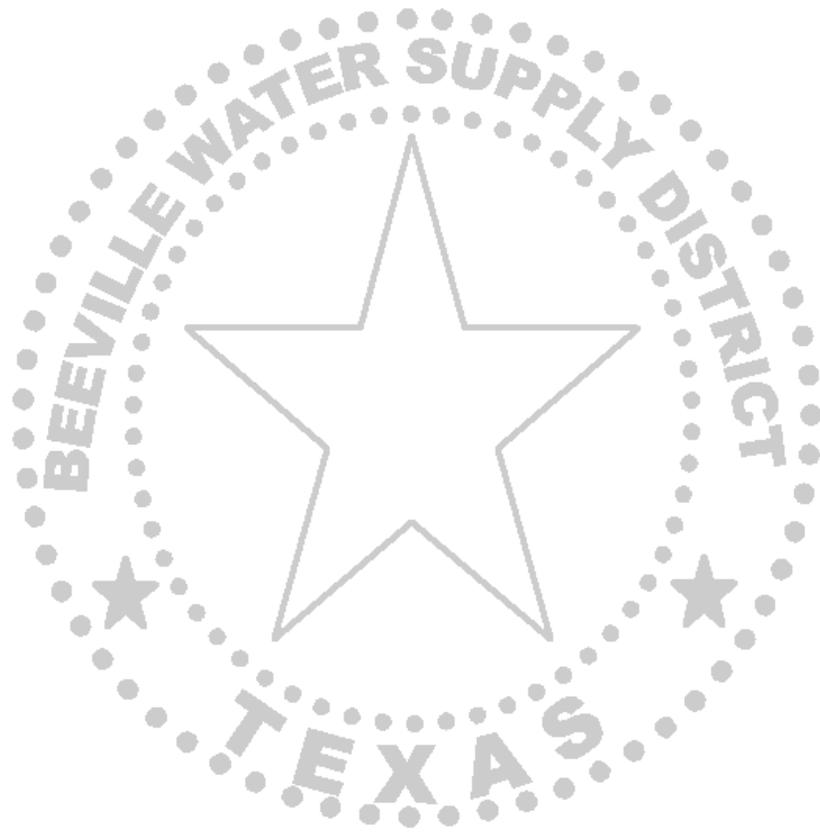
189,343

1,420,238

16
159,381
234,921
55,826
450,144

438,988
223,001
308,105
970,094

1,420,238



**BEEVILLE WATER SUPPLY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2013**

Total Fund Balance - Total Governmental Funds	970,094
--	---------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. The cost of assets in governmental activities and the accumulated depreciation are as follows:

Capital Assets	10,795,247	
Accumulated Depreciation	(4,887,308)	5,907,939

Ad valorem taxes received 60 days after year-end are not considered available revenues and are deferred in the governmental funds	55,827
---	--------

Bond cost are not current financial resources and therefore are not reported in governmental funds.	59,084
---	--------

Long-term debt is not due and payable in the current period and is not reported in governmental funds.	<u>(1,477,772)</u>
--	--------------------

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>5,515,172</u></u>
---	-------------------------

The Notes to the Financial Statements are an Integral Part of this Statement.

**BEEVILLE WATER SUPPLY DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2013**

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECT FUND</u>
Revenues			
Property Taxes	--	768,582	--
Interest on Investments	466	57	507
Total Revenues	<u>466</u>	<u>768,639</u>	<u>507</u>
Expenditures			
Current			
General Government	35,827	--	--
Water Production	3,126	--	--
Debt Service			
Principal Retirement	--	740,000	--
Interest	--	32,850	--
Bond Issuance Cost	--	950	(9,336)
Capital Projects	--	--	500,655
Total Expenditures	<u>38,953</u>	<u>773,800</u>	<u>491,319</u>
Other Financing Sources (Uses)			
Transfers In	<u>225,840</u>	--	--
Net Change in Fund Balance	187,353	(5,161)	(490,812)
Fund Balance at Beginning of Year	<u>120,752</u>	<u>228,162</u>	<u>929,800</u>
FUND BALANCE AT END OF YEAR	<u><u>308,105</u></u>	<u><u>223,001</u></u>	<u><u>438,988</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

Exhibit 4-A

**TOTAL
GOVERNMENTAL
FUNDS**

768,582

1,030

769,612

35,827

3,126

740,000

32,850

(8,386)

500,655

1,304,072

225,840

(308,620)

1,278,714

970,094

**BEEVILLE WATER SUPPLY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013**

Net Change in Fund Balances - Total Governmental Funds (308,620)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceed capital outlays

Capital Outlays	500,656	
Depreciation	(212,867)	287,789

Delinquent property taxes, net of allowance, are not reported in the governmental funds. This is the amount receivables decreased this year 4,630

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount repayments exceeded proceeds.

Bond Issuance Cost	(9,336)	
Principal Retirements	740,000	
Interest	(53,191)	<u>677,473</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>661,272</u></u>
---	-----------------------

The Notes to the Financial Statements are an Integral Part of this Statement.

**BEEVILLE WATER SUPPLY DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2013**

	<u>BUDGET</u>		<u>2013 ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenues				
General Property Taxes	772,850	772,850	--	(772,850)
Interest on Investments	1,300	1,300	466	(834)
Total Revenue	<u>774,150</u>	<u>774,150</u>	466	(773,684)
Expenditures				
Current				
General Government				
Personnel Cost	6,790	6,790	4,837	1,953
Other Services and Charges	21,000	21,000	30,950	(9,950)
Water Production				
Other Services and Charges	242,914	242,914	3,126	239,788
Total Expenditures	<u>272,308</u>	<u>272,308</u>	38,953	233,355
Other Financing Sources (Uses)				
Transfers In	271,008	271,008	225,840	(45,168)
Transfers Out	(772,850)	(772,850)	--	772,850
Total Other Financing Sources	<u>(501,842)</u>	<u>(501,842)</u>	225,840	727,682
Net Change in Fund Balance	--	--	187,353	187,353
Fund Balance at Beginning of Year	<u>120,752</u>	<u>120,752</u>	120,752	--
FUND BALANCE AT END OF YEAR	<u><u>120,752</u></u>	<u><u>120,752</u></u>	<u><u>308,105</u></u>	<u><u>187,353</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.



BEEVILLE WATER SUPPLY DISTRICT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

Note 1 – SUMMARY OF ACCOUNTING POLICIES

The Beeville Water Supply District (the “District”) is a conservation and reclamation district created under Chapter 432 Acts of the 66th Legislature Regular Session, 1979, of the laws of the State of Texas, and pursuant to Article XVI, Section 59 of the Texas Constitution. The District encompasses approximately 3.085 acres with District boundaries mostly with the City of Beeville (the “City”), Texas.

The accounting and reporting policies of the District relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled State and Local Governments - Audit and Accounting Guide and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the District are described below.

The District is authorized to acquire or construct reservoirs, wells, and all other facilities necessary or useful for the purpose of diverting, impounding, drilling, storing, testing, and transporting water to the City of Beeville, Texas. No project by the District may be constructed until the plans are approved by the Texas Commission on Environmental Quality (TCEQ).

The District is governed by a five-member Board of Directors elected by the voters of the District. Each Director must be a resident of the District.

The existing water treatment and distribution system consists of a filtration and treatment plant located at Lake Corpus Christi, two pump stations, and an 18.1 mile, 24 inch transmission line, which connects with the City’s distribution system. The filtration plant has a capacity of 6 million gallons of water a day. The system, which currently provides water to about 18,000 people, has the capacity to serve 30,000 people.

The District owns the system and the maintenance and operations are carried out by the City under the provision of a Maintenance Operating Contract dated December 1, 1982.

The District obtains raw water pursuant to a Water Supply Agreement with the City of Corpus Christi, Texas. Water supplied to the City is limited by the Water Supply Contract. The amount of water available to purchase in any given year is based on prior consumption, as well as other factors.

Note 1 –SUMMARY OF ACCOUNTING POLICIES (Continuation)

A. The Reporting Entity

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Beeville Water Supply District. The financial statements of the District include only operations that are controlled by or dependent on the District. Control or dependence is determined based on selection of the governing board, designation of management, the ability to significantly influence operations, budgetary authority, funding deficits, control of excess funds, and accountability for fiscal management. Additional considerations include the scope of public service and special financing arrangements.

Based on the above mentioned criteria, as discussed in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards, the accompanying financial statements do not include any other organization. The District is a component unit of the City of Beeville, Texas.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net positions and the statement of activities) report information on all of the activities of the District. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The District has presented the following major governmental funds:

General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Note 1 –SUMMARY OF ACCOUNTING POLICIES (Continuation)

Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the District. The fund balance of the Debt Service Fund is restricted exclusively for debt service expenditures.

Capital Projects Fund is used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. 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. The District considers revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date, for which cash is received with the debt proceeds, are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes and interest income. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

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

E. Budgetary Controls

The District is required to adopt a legal budget; administration prepares an estimate of revenues and expenditure and submits them to the Board. They may increase or decrease each line item of the budget; however, the total expenditures cannot exceed the estimate of revenues and available cash unless allowed by special resolution. After the Board has properly adopted the budget, administration has the responsibility to monitor the expenditures to prevent expenditures from exceeding appropriations and to advise the Board as to the conditions of the various expenditure accounts.

Note 1 –SUMMARY OF ACCOUNTING POLICIES (Continuation)

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

F. Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with banks, amounts included in pooled cash and liquid investments with a maturity of three months or less when purchased.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. All purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Outlays for capital assets are capitalized as projects are constructed. Infrastructure assets begin depreciating at the end of year in which costs are incurred. Other constructed capital assets begin depreciating when the asset is placed in service.

Assets capitalized, not including infrastructure assets, have an original cost of \$4,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>ASSETS</u>	<u>LIFE IN YEARS</u>
Buildings	20-50
Water and Sewer System	5-50
Infrastructure	10-50
Machinery and Equipment	3-10
Improvements	10-50
Vehicles	3-10

H. Nature and Purpose of Classifications of Fund Equity

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the Board of Directors through an ordinance or resolution. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by District management based on the Board's direction.

Note 1 –SUMMARY OF ACCOUNTING POLICIES (Continuation)

For the classification of governmental fund balances, the District considers expenditures to be made from the most restrictive first when more than one classification is available.

I. Net Position

Net position represent the difference between assets and liabilities. Net positions invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

J. Use of Estimates

The preparation of basic financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amount reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

K. RECENT ACCOUNTING PRONOUNCEMENTS

GASB 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 2009 FASB and AICPA Pronouncements incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or after November 30, 1989, which does not conflict with or contradict FASB pronouncements.

- Financial Accounting Standards Boards (FASB) statements and interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants committee on Accounting Procedures

GASB 62 was implemented in the year ended September 30, 2013, and did not have a significant impact on the District's financial statements.

GASB 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources are the acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are incorporated into the definitions of the required components of the residual measure and that measure is renamed as net position, rather than net assets.

GASB 63 was implemented in the year ended September 30, 2013 as a result net assets have been renamed as net position.

Note 2 – DEPOSITS AND INVESTMENTS

Deposits - State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The District's deposits, including certificates of deposit, were fully insured or collateralized as required by the state statutes at September 30, 2013. All deposits of the District that exceeded the federal depository insurance coverage level were covered by collateral held by the Federal Reserve Bank in the District's name under a joint safekeeping agreement with International Bank of Commerce.

At September 30, 2013, the carrying amount of the District's deposits was a balance of \$1,175,069 and the respective bank balances totaled \$1,184,965.

Investments – The Public Funds Investment Act (Government Code 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. It requires a governmental entity to adopt, implement, and publicize an investment policy. The policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include: a list of the types of authorized investments in which the funds may be invested; the maximum allowable stated maturity of any individual investment owned by the entity and for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio; methods to monitor the market price of investments and a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. The investment policy may provide that bids for certificates of deposit be solicited: orally; in writing; electronically or in combination of those methods.

Authorized investments include: obligations, including letters of credit, of the United States or its agencies and instrumentalities, certificates of deposit and share certificates; repurchase agreements; securities lending; bankers acceptances; commercial paper; mutual funds; guaranteed investment and investment pools. The District had no investments at September 30, 2013.

Interest Rate Risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires investments to be within one year of maturity.

Credit Risk – To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits its investments to the top ratings issued by nationally recognized statistical rating organizations (NRSRO's)

Note 3 – CAPITAL ASSETS

The following is a summary of capital assets for the year ending September 30, 2013:

	<u>BEGINNING</u>	<u>ADDITIONS & TRANSFERS</u>	<u>DELETIONS</u>	<u>ENDING</u>
Capital Assets not Being Depreciated - Construction In Progress	1,800,670	(1,800,670)	--	--
Capital Assets Being Depreciated				
Filtration and Plumbing	3,360,876	19,800	--	3,380,676
Raw Water System	1,354,792	--	--	1,354,792
Water Transmission Line	3,778,253	--	--	3,778,253
Morrill Water Treatment Plant	--	2,281,526	--	2,281,526
Capital Assets Being Depreciated	8,493,921	2,301,326	--	10,795,247
Less Accumulated Depreciation for				
Filtration and Plumbing	(1,810,439)	(87,249)	--	(1,897,688)
Raw Water System	(792,261)	(27,238)	--	(819,499)
Water Transmission Line	(2,071,741)	(75,565)	--	(2,147,306)
Morrill Water Treatment Plant	--	(22,815)	--	(22,815)
Total Accumulated Depreciation	(4,674,441)	(212,867)	--	(4,887,308)
Total Assets Being Depreciated, Net	3,819,480	2,088,459	--	5,907,939
 TOTAL CAPITAL ASSETS, NET	 5,620,150	 287,789	 --	 5,907,939

Depreciation expense was \$212,867 for the year ended September 30, 2013.

Note 4 – LONG-TERM DEBT

The following is a summary of general long-term debt transactions of the District for the year ended September 30, 2013:

	<u>BALANCE</u> <u>OCT. 1, 2012</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>SEPT. 30, 2013</u>	<u>CURRENT</u>
Unlimited Tax Bonds					
Series 2011	815,000	--	400,000	415,000	415,000
Series 2012	1,400,000	--	340,000	1,060,000	345,000
Premium on Bonds	8,216	--	5,444	2,772	--
TOTAL	<u>2,223,216</u>	<u>--</u>	<u>745,444</u>	<u>1,477,772</u>	<u>760,000</u>

Note 5 – CONTRACTS WITH THE CITY OF BEEVILLE

The City of Beeville has entered into a contract with the Beeville Water Supply District to provide all water needed by the City. The City is currently the only customer of the Beeville Water Supply District. The City has also unconditionally guaranteed payment of all existing bond principal and interest of the Beeville Water Supply District, whether or not the City continues to acquire water from the Beeville Water Supply District. During year ended September 30, 2013, the City of Beeville, Texas transferred a net amount of \$225,840 to the Beeville Water Supply District which represents the City's annual subsidy to the Beeville Water Supply District.

Note 6 – PROPERTY TAX

Property tax is levied each October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the board of directors. Appraised values are established by the Appraisal Board of Review at 100% for estimated fair market value.

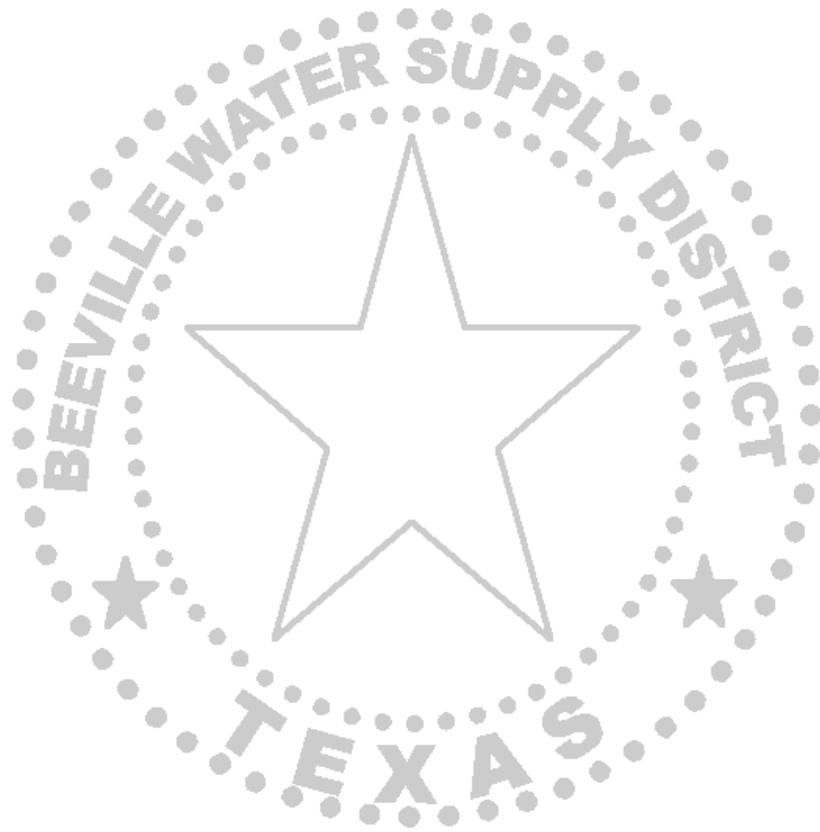
Taxes are due on October 1, the levy date, and are delinquent after the following January 31. Tax liens are automatic on January 31 each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent (February 1). The District usually waits until after July 1 to file suits on real estate property. Current tax collections for the year ended September 30, 2013, were 99.77% of the tax levy.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are levied. Revenues are recognized as the related ad valorem taxes are collected including those collected 60 days after year-end. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue.

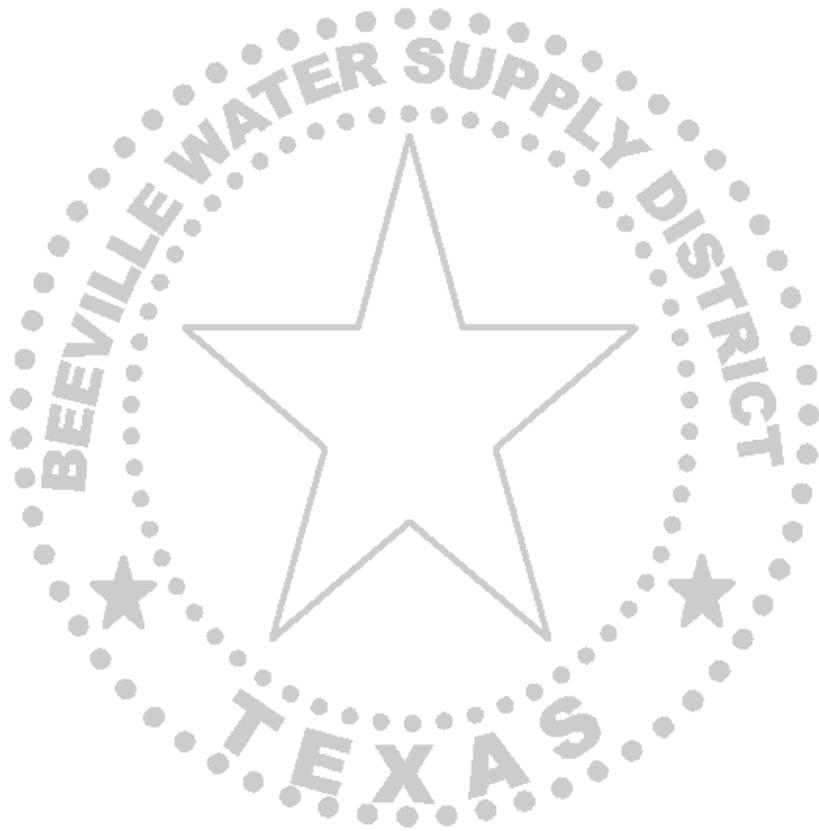
Note 7 - INTERFUND TRANSACTIONS AND BALANCES

Interfund balances including those to the City of Beeville at September 30, 2013 consisted of the following individual fund balances:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund:		
Capital Projects Fund	48,756	--
Debt Service Fund	--	140,571
City of Beeville General Fund	16	--
City of Beeville Utility Fund	--	45,594
Total General Fund	<u>48,772</u>	<u>186,165</u>
Capital Projects Fund - General Fund	--	48,756
Debt Service Fund - General Fund	140,571	--
City of Beeville	<u>45,594</u>	<u>16</u>
TOTAL	<u><u>234,937</u></u>	<u><u>234,937</u></u>



**INDIVIDUAL FUND
FINANCIAL STATEMENTS
AND SCHEDULES**



**BEEVILLE WATER SUPPLY DISTRICT
GENERAL FUND
COMPARATIVE BALANCE SHEETS**

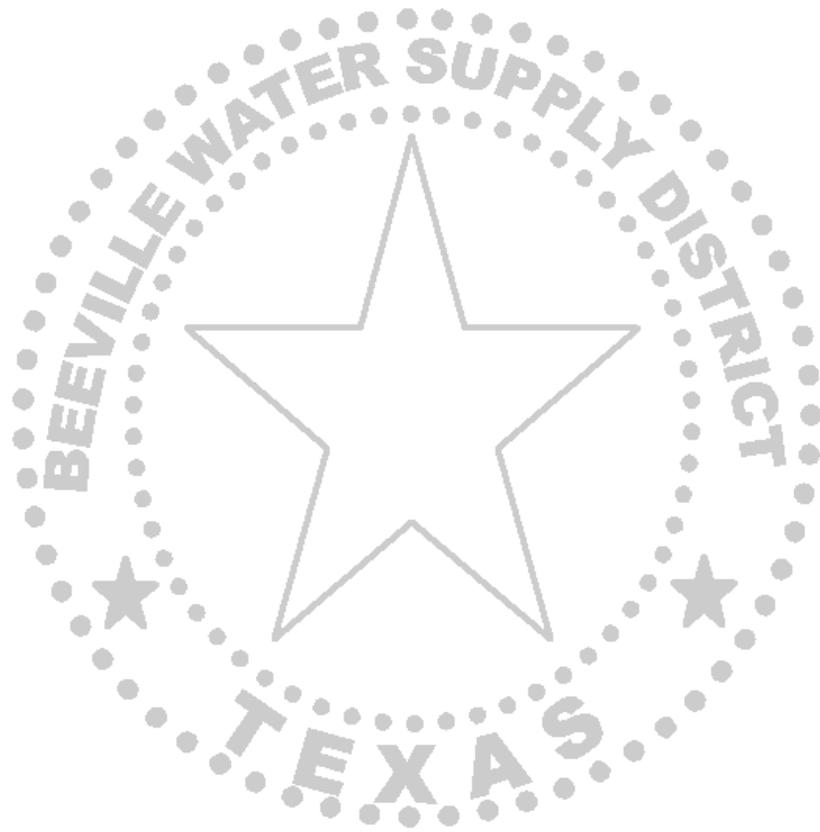
ASSETS	SEPTEMBER 30,	
	2013	2012
Cash and Cash Equivalents	445,514	246,203
Receivables		
Taxes	--	59,644
Allowance for Uncollectibles	--	(8,447)
Net Receivables	--	51,197
Due from Other Funds	48,772	48,772
TOTAL ASSETS	494,286	346,172
LIABILITIES AND FUND BALANCE		
Accounts Payable	16	16
Due to Other Funds	186,165	174,207
Unearned Revenue	--	51,197
Total Liabilities	186,181	225,420
Fund Balance		
Unassigned	308,105	120,752
TOTAL LIABILITIES AND FUND BALANCE	494,286	346,172

**BEEVILLE WATER SUPPLY DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2013
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER, 30 2012**

	<u>BUDGET</u>		<u>2013 ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
Revenues			
General Property Taxes	772,850	772,850	--
Interest on Investments	1,300	1,300	466
Miscellaneous	--	--	--
Total Revenue	<u>774,150</u>	<u>774,150</u>	<u>466</u>
Expenditures			
Current			
General Government			
Personnel Cost	6,790	6,790	4,837
Materials and Supplies	1,604	1,604	40
Other Services and Charges	21,000	21,000	30,950
Water Production			
Other Services and Charges	242,914	242,914	3,126
Capital Projects	--	--	--
Total Expenditures	<u>272,308</u>	<u>272,308</u>	<u>38,953</u>
Other Financing Sources (Uses)			
Transfers In	271,008	271,008	225,840
Transfers Out	<u>(772,850)</u>	<u>(772,850)</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>(501,842)</u>	<u>(501,842)</u>	<u>225,840</u>
Net Change in Fund Balance	--	--	187,353
Fund Balance at Beginning of Year	<u>120,752</u>	<u>120,752</u>	<u>120,752</u>
FUND BALANCE AT END OF YEAR	<u><u>120,752</u></u>	<u><u>120,752</u></u>	<u><u>308,105</u></u>

Exhibit 7

VARIANCE FINAL BUDGET POSITIVE (NEGATIVE)	2012 ACTUAL
(772,850)	--
(834)	265
--	1,255
<u>(773,684)</u>	<u>1,520</u>
1,953	4,197
1,564	--
(9,950)	83,609
239,788	32,046
--	16,576
<u>233,355</u>	<u>136,428</u>
(45,168)	33,175
772,850	--
<u>727,682</u>	<u>33,175</u>
187,353	(101,733)
--	222,485
<u>187,353</u>	<u>120,752</u>



**BEEVILLE WATER SUPPLY DISTRICT
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS**

ASSETS	SEPTEMBER 30,	
	2013	2012
Cash and Cash Equivalents	82,430	99,549
Receivables		
Taxes	65,678	--
Allowance for Uncollectibles	(9,852)	--
Net Receivables	55,826	--
Due from Other Funds	140,571	128,613
TOTAL ASSETS	278,827	228,162
LIABILITIES AND FUND BALANCE		
Unearned Revenue	55,826	--
Total Liabilities	55,826	--
Fund Balance		
Committed	223,001	228,162
Total Fund Balance	223,001	228,162
TOTAL LIABILITIES AND FUND BALANCE	278,827	228,162

**BEEVILLE WATER SUPPLY DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2013
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER, 30 2012**

	<u>BUDGET</u>		<u>2013</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
Revenues			
General Property Taxes	--	--	768,582
Interest on Investments	--	--	57
Total Revenue	--	--	768,639
Expenditures			
Debt Service			
Principal Retirement	--	--	740,000
Interest	--	--	32,850
Bond Issuance Cost	--	--	950
Total Expenditures	--	--	773,800
Net Change in Fund Balance	--	--	(5,161)
Fund Balance at Beginning of Year	228,162	228,162	228,162
FUND BALANCE END OF YEAR	228,162	228,162	223,001

Exhibit 9

VARIANCE	
FINAL BUDGET	2012
POSITIVE	ACTUAL
(NEGATIVE)	
768,582	522,790
57	52
<u>768,639</u>	<u>522,842</u>
(740,000)	395,000
(32,850)	24,200
(950)	550
<u>(773,800)</u>	<u>419,750</u>
(5,161)	103,092
<u>--</u>	<u>125,070</u>
<u>(5,161)</u>	<u>228,162</u>

**BEEVILLE WATER SUPPLY DISTRICT
CAPITAL PROJECTS FUND**

ASSETS	SEPTEMBER 30,	
	2013	2012
Cash and Cash Equivalents	647,125	1,137,938
TOTAL ASSETS	647,125	1,137,938
LIABILITIES AND FUND BALANCE		
Contractor's Retainage	159,381	159,382
Due to Other Funds	48,756	48,756
Total Liabilities	208,137	208,138
Fund Balance		
Restricted	438,988	929,800
TOTAL LIABILITIES AND FUND BALANCE	647,125	1,137,938

**BEEVILLE WATER SUPPLY DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

	YEAR ENDED SEPTEMBER 30,	
	2013	2012
Revenues		
Interest on Investments	507	372
Expenditures		
Debt Service		
Bond Issuance Cost	(9,336)	95,050
Capital Projects	500,655	1,772,833
Total Expenditures	<u>491,319</u>	<u>1,867,883</u>
Other Financing Sources		
Revenue Bonds Issued	<u>--</u>	<u>1,400,000</u>
Net Change in Fund Balance	(490,812)	(467,511)
Fund Balance at Beginning of Year	<u>929,800</u>	<u>1,397,311</u>
FUND BALANCE END OF YEAR	<u><u>438,988</u></u>	<u><u>929,800</u></u>

