

BEEVILLE WATER SUPPLY DISTRICT

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2017

Beeville Water Supply District  
Annual Financial Report  
For the Fiscal Year Ended September 30, 2017

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FINANCIAL SECTION

**BEYER & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Beeville Water Supply District

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Beeville Water Supply District, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Beeville Water Supply District, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–9 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.



BEYER & COMPANY  
Certified Public Accountants  
June 8, 2018

## Management's Discussion and Analysis

As management of the Beeville Water Supply District, we offer readers of the Beeville Water Supply District's financial statements this narrative overview and analysis of the financial activities of the Beeville Water Supply District for the fiscal year ended September 30, 2017.

### Financial Highlights

- . The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5,803,393 (net position). Of this amount, \$38,255 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- . The District's total net position decreased by \$299,558. This decrease is attributable to a decrease in property taxes of \$361,015

### Overview of the Financial Statements

This annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting operations in more detail than the government-wide statements.
- The *proprietary funds* statements offer short-term and long-term financial information about the water and sewer activities of the District.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

## Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how it has changed. Net position – the District's assets and deferred outflows of resources, less its liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, the reader needs to consider additional non-financial factors such as changes in the water and sewer revenues and expenses.

In the government-wide financial statements, all of the District's activities are reported as business-type activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law or by bond covenants.

The District has one kind of fund:

- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There is one type of proprietary fund used here:
- *Enterprise funds* account for goods and services provided to those outside the District, generally on a user-charge basis.

**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.

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Beeville Water Supply District, assets exceeded liabilities by \$5,803,393 at the close of the most recent fiscal year.

By far the largest portion of the Beeville Water Supply District's net position (93 percent) reflects its investment in capital assets (e.g., land, utility systems, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Beeville Water Supply District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Beeville Water Supply District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### BEEVILLE WATER SUPPLY DISTRICT NET POSITION

|  | Business-Type<br>Activities |                        | Total                  |                        |
|--|-----------------------------|------------------------|------------------------|------------------------|
|  | 2017                        | 2016                   | 2017                   | 2016                   |
| Current and Other Assets                               | \$97,112                    | \$120,264              | \$97,112               | \$120,264              |
| Restricted Assets:                                     | 355,114                     | 350,579                | 355,114                | 350,579                |
| Capital Assets:  | 5,380,308                   | 5,648,803              | 5,380,308              | 5,648,803              |
|  | <u>5,832,534</u>            | <u>6,119,646</u>       | <u>5,832,534</u>       | <u>6,119,646</u>       |
| <br>Total Assets                                       | <br><u>\$5,832,534</u>      | <br><u>\$6,119,646</u> | <br><u>\$5,832,534</u> | <br><u>\$6,119,646</u> |
| <br>Other Liabilities                                  | <br>29,141                  | <br>16,695             | <br>29,141             | <br>16,695             |
| Total Liabilities                                      | <u>29,141</u>               | <u>16,695</u>          | <u>29,141</u>          | <u>16,695</u>          |
| <br>Invested in Capital Assets,<br>Net of Related Debt | <br>5,380,308               | <br>5,648,803          | <br>5,380,308          | <br>5,648,803          |
| Restricted   | 384,830                     | 400,718                | 384,830                | 400,718                |
| Unrestricted   | 38,255                      | 53,430                 | 38,255                 | 53,430                 |
| Total Net Position                                     | <u>\$5,803,393</u>          | <u>\$6,102,951</u>     | <u>\$5,803,393</u>     | <u>\$6,102,951</u>     |

An additional portion of the Beeville Water Supply District's net position (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$38,255 and may be used to meet the District's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Beeville Water Supply District reported a positive balance in the business-type activities. For the prior fiscal year, the Beeville Water Supply District reported a positive balance in the business-type activities.

The District's total net position decreased by \$299,558. This decrease is attributable to a decrease in property taxes of \$361,015.



**Business-Type Activities:**

Business-type activities decreased the Beeville Water Supply District's net position by \$299,558.

- . Ad Valorem Taxes for business-type activities decreased by \$361,015.
- . Total expenses decreased by \$9,448.
- . The District received a contribution from the City of Beeville of \$34,000.

**BEEVILLE WATER SUPPLY DISTRICT  
CHANGE IN NET POSITION**

|  | Business-Type<br>Activities |             | Total       |             |
|--|-----------------------------|-------------|-------------|-------------|
|  | 2017                        | 2016        | 2017        | 2016        |
| Revenues:  |                             |             |             |             |
| Program Revenues:  |                             |             |             |             |
| Charges for Services   | \$24                        | \$106       | \$24        | \$106       |
| Operating Grants and Contributions                             | 34,000                      | 68,000      | 34,000      | 68,000      |
| General Revenues:  |                             |             |             |             |
| Maintenance and Operations Taxes                               | 6,740                       | 367,755     | 6,740       | 367,755     |
| Unrestricted Investment Earnings                               | 2,372                       | 1,661       | 2,372       | 1,661       |
| Total Revenue  | 43,136                      | 437,522     | 43,136      | 437,522     |
| Expenses:  |                             |             |             |             |
| Utility  | 342,694                     | 352,142     | 342,694     | 352,142     |
| Total Expenses   | 342,694                     | 352,142     | 342,694     | 352,142     |
| Increase in Net Position Before<br>Transfers and Special Items | (299,558)                   | 85,380      | (299,558)   | 85,380      |
| Transfers  |                             |             | 0           | 0           |
| Increase in Net Position                                       | (299,558)                   | 85,380      | (299,558)   | 85,380      |
| Net Position at 09/30/2016                                     | 6,102,951                   | 6,017,571   | 6,102,951   | 6,017,571   |
| Net Position at 09/30/2017                                     | \$5,803,393                 | \$6,102,951 | \$5,803,393 | \$6,102,951 |

The District's total net position decreased by \$299,558. This decrease is attributable to a decrease in property taxes of \$361,015.

| Functions/Programs             | Expenses  | Program Revenues     |                                    |
|--------------------------------|-----------|----------------------|------------------------------------|
|                                |           | Charges for Services | Operating Grants and Contributions |
| <b>Primary Government</b>      |           |                      |                                    |
| Business-Type Activities:      |           |                      |                                    |
| Water                          | \$342,694 | \$24                 | \$34,000                           |
| Total Business-Type Activities | \$342,694 | \$24                 | \$34,000                           |

Revenues by Source - Business-Type Activities

|                                    | <u>REVENUES</u> | <u>%</u>    |
|------------------------------------|-----------------|-------------|
| Charges for Services               | \$24            | 0%          |
| Operating Grants and Contributions | 34,000          | 79%         |
| Maintenance and Operations Taxes   | 6,740           | 16%         |
| Unrestricted Investment Earnings   | 2,372           | 5%          |
|                                    | <u>\$43,136</u> | <u>100%</u> |

Financial Analysis of the Government's Funds

As noted earlier, the Beeville Water Supply District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary funds:

The Beeville Water Supply District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the utility fund at the end of the year amounted to \$38,255. The decrease in net position was \$299,558. Other factors concerning the finances of this fund have already been addressed in the discussion of the Beeville Water Supply District's business-type activities.

## Capital Asset and Debt Administration

### Capital assets:

The Beeville Water Supply District's investment in capital assets for its business-type activities as of September 30, 2017, amounts to \$5,380,308 (net of accumulated depreciation). This investment in capital assets includes land and utility systems. The total decrease in the Beeville Water Supply District's investment in capital assets for the current fiscal year was \$268,495 or 4.75 percent.

Major capital asset events during the current fiscal year included the following: None

### BEEVILLE WATER SUPPLY DISTRICT CAPITAL ASSETS (Net of Depreciation)

|                          | Business-Type      |                    | Total              |                    |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
|                          | Activities         |                    |                    |                    |
|                          | 2017               | 2016               | 2017               | 2016               |
| Construction in Progress | 0                  | 0                  | 0                  | 0                  |
| Distribution System      | 5,380,308          | 5,648,803          | 5,380,308          | 5,648,803          |
| Total                    | <u>\$5,380,308</u> | <u>\$5,648,803</u> | <u>\$5,380,308</u> | <u>\$5,648,803</u> |

Additional information on the Beeville Water Supply District's capital assets can be found in note II C on page 23 of this report.

Long-term debt:

There was no long term debt.

### Future Outlook

The District expects its finances to remain approximately the same as in the past. Inflation will play a factor but will affect both revenues and expenditures equally. The major event planned in the future is Water System Construction.

### Requests for Information

This financial report is designed to provide a general overview of the Beeville Water Supply District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Department, Beeville Water Supply District, 400 N. Washington, Beeville, Texas 78102.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BEEVILLE WATER SUPPLY CORPORATION  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2017

|   | Primary Government |                    |
|---|--------------------|--------------------|
|   | Business-Type      |                    |
|   | Activities         | Total              |
| <b>ASSETS</b>                                     |                    |                    |
| Cash and Cash Equivalents                         | \$19,896           | \$19,896           |
| Receivables (Net of Allowance for Uncollectibles) | 43,216             | 43,216             |
| Due from City of Beeville                         | 34,000             | 34,000             |
| Restricted Assets:                                |                    |                    |
| Cash and Cash Equivalents                         | 355,114            | 355,114            |
| Total Capital Assets Being Depreciated, Net       |                    |                    |
| Infrastructure                                    | 5,380,308          | 5,380,308          |
| <b>Total Assets</b>                               | <b>\$5,832,534</b> | <b>\$5,832,534</b> |
| <b>LIABILITIES:</b>                               |                    |                    |
| Accounts Payable                                  | \$29,141           | \$29,141           |
| Total Liabilities                                 | 29,141             | 29,141             |
| <b>LIABILITIES:</b>                               |                    |                    |
| Net Position                                      |                    |                    |
| Invested in Capital Assets, Net of Related Debt   | 5,380,308          | 5,380,308          |
| Restricted for:                                   |                    |                    |
| Construction                                      | 77,573             | 77,573             |
| Debt Service                                      | 307,257            | 307,257            |
| Unrestricted                                      | 38,255             | 38,255             |
| <b>Total Net Position</b>                         | <b>\$5,803,393</b> | <b>\$5,803,393</b> |

The accompanying notes are an integral part of this statement.

BEEVILLE WATER SUPPLY DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2017

| Functions/Programs                         | Expenses  | Program Revenues        |  | Capital<br>Grants and<br>Contributions | Net (Expense)<br>Revenue and<br>Changes in<br>Business-Type<br>Activities | Net (Expense)<br>Revenue and<br>Changes in<br>Total |
|--|-----------|-------------------------|--|--|---|---|
|  |           | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  |   |   |
| <b>Primary Government</b>                  |           |                         |  |  |   |   |
| Business-Type Activities:                  |           |                         |  |  |   |   |
| Beeville Water Supply District Corporation | 342,694   | 24                      | 34,000                                   |  | (308,670)   | (308,670)   |
| Total Business-Type Activities             | 342,694   | 24                      | 34,000                                   | 0                                      | (308,670)   | (308,670)   |
| Total Primary Government                   | \$342,694 | \$24                    | \$34,000                                 | \$0                                    | (308,670)   | (308,670)   |
| General Revenues                           |           |                         |  |  |   |   |
| Taxes                                      |           |                         |  |  |   |   |
| Property                                   |           |                         |  |  | 6,740   | 6,740   |
| Unrestricted Investment Earnings           |           |                         |  |  | 2,372   | 2,372   |
| Transfers                                  |           |                         |  |  | 0   | 0   |
| Total General Revenues and Transfers       |           |                         |  |  | 9,112   | 9,112   |
| Change in Net Position                     |           |                         |  |  | (299,558)   | (299,558)   |
| Net Position - Beginning                   |           |                         |  |  | 6,102,951   | 6,102,951   |
| Net Position - Ending                      |           |                         |  |  | \$5,803,393   | \$5,803,393   |

The accompanying notes are an integral part of this statement.



FUND FINANCIAL STATEMENTS

BEEVILLE WATER SUPPLY DISTRICT  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2017

|   | Business-Type Activities                         |                    |                    |
|---|--|--------------------|--------------------|
|   | Enterprise Funds                                 |                    |                    |
|   | Beeville Water<br>Supply District<br>Corporation |                    | Totals             |
|   | Current<br>Year                                  | Prior<br>Year      | Current<br>Year    |
| <b>ASSETS</b>   |  |                    |                    |
| Current Assets  |  |                    |                    |
| Cash and Cash Equivalents                                     | \$19,896   | \$60,931           | \$19,896           |
| Accounts Receivables (Net of Allowance<br>for Uncollectibles) | 43,216   | 59,333             | 43,216             |
| Due from City of Beeville                                     | 34,000   |                    | 34,000             |
| Total Current Assets  | 97,112   | 120,264            | 97,112             |
| Noncurrent Assets   |  |                    |                    |
| Restricted Assets:  |  |                    |                    |
| Cash and Cash Equivalents - Debt Service                      | 264,041  | 323,637            | 264,041            |
| Cash and Cash Equivalents - Construction                      | 91,073   | 26,942             | 91,073             |
| Total Restricted Assets                                       | 355,114  | 350,579            | 355,114            |
| Noncurrent Assets   |  |                    |                    |
| Capital Assets  |  |                    |                    |
| Construction in Progress                                      |  |                    | 0                  |
| Infrastructure  | 11,401,221                                       | 11,376,638         | 11,401,221         |
| Total Capital Assets  | 11,401,221                                       | 11,376,638         | 11,401,221         |
| Less Accumulated Depreciation                                 |  |                    | 0                  |
| Total Capital Assets (Net of<br>Accumulated Depreciation)     | (6,020,913)                                      | (5,727,835)        | (6,020,913)        |
|   | 5,380,308  | 5,648,803          | 5,380,308          |
| Total Noncurrent Assets                                       | 5,380,308  | 5,648,803          | 5,380,308          |
| <b>TOTAL ASSETS</b>   | <b>\$5,832,534</b>                               | <b>\$6,119,646</b> | <b>\$5,832,534</b> |

(continued)

(continued)

|   | Business-Type Activities<br>Enterprise Funds     |               |                 |
|---|--|---------------|-----------------|
|   | Beeville Water<br>Supply District<br>Corporation |               | Totals          |
|   | Current<br>Year                                  | Prior<br>Year | Current<br>Year |
| LIABILITIES, FUND EQUITY<br>AND OTHER CREDITS           |  |               |                 |
| Liabilities   |  |               |                 |
| Current Liabilities (Payable from Current Assets)       |  |               |                 |
| Accounts Payable  | \$29,141   | \$16,695      | \$29,141        |
| Accrued Interest Payable                                |  |               | 0               |
| Bonds Payable - Current                                 |  |               | 0               |
| Total Current Liabilities (Payable from Current Assets) | 29,141   | 16,695        | 29,141          |
| Total Current Liabilities                               | 29,141   | 16,695        | 29,141          |
| Total Liabilities                                       | 29,141   | 16,695        | 29,141          |
| Invested in Capital Assets, Net of Related Debt         | 5,380,308  | 5,648,803     | 5,380,308       |
| Restricted for Debt Service - Expendable                | 307,257  | 382,939       | 307,257         |
| Restricted for Construction - Expendable                | 77,573   | 17,779        | 77,573          |
| Unrestricted  | 38,255   | 53,430        | 38,255          |
| Total Net Position                                      | \$5,803,393                                      | \$6,102,951   | \$5,803,393     |

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

BEEVILLE WATER SUPPLY DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

|   | Business-Type Activities<br>Enterprise Funds     |               |                 |
|---|--|---------------|-----------------|
|   | Beeville Water<br>Supply District<br>Corporation |               | Totals          |
|   | Current<br>Year                                  | Prior<br>Year | Current<br>Year |
| OPERATING REVENUES:                     |  |               |                 |
| Miscellaneous                           | \$24   | \$106         | \$24            |
| Total Operating Revenues                | 24   | 106           | 24              |
| OPERATING EXPENSES:                     |  |               |                 |
| Other Services and Charges              | 49,616   | 55,843        | 49,616          |
| Depreciation                            | 293,078  | 292,752       | 293,078         |
| Total Operating Expenses                | 342,694  | 348,595       | 342,694         |
| Operating Income (Loss)                 | (342,670)  | (348,489)     | (342,670)       |
| NON-OPERATING REVENUES (EXPENSES):      |  |               |                 |
| Interest Income                         | 2,372  | 1,661         | 2,372           |
| Property Taxes                          | 6,740  | 367,755       | 6,740           |
| Intergovernmental - City of Beeville    | 34,000   | 68,000        | 34,000          |
| Interest and Fiscal Charges             |  | (3,547)       | 0               |
| Total Non-Operating Revenues (Expenses) | 43,112   | 433,869       | 43,112          |
| Income Before Transfers                 | (299,558)  | 85,380        | (299,558)       |
| Transfers In (Out) - Net                | 0  | 0             | 0               |
| Change in Net Position                  | (299,558)  | 85,380        | (299,558)       |
| Total Net Position - Beginning          | 6,102,951  | 6,017,571     | 6,102,951       |
| Total Net Position - Ending             | \$5,803,393                                      | \$6,102,951   | \$5,803,393     |

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

BEEVILLE WATER SUPPLY DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

|   | Business-Type Activities                         |                 |           |
|---|--|-----------------|-----------|
|   | Enterprise Funds                                 |                 |           |
|   | Beeville Water<br>Supply District<br>Corporation |                 | Totals    |
| Current<br>Year   | Prior<br>Year                                    | Current<br>Year |           |
| Cash Flows from Operating Activities  |  |                 |           |
| Receipts from Customers and Users   | \$16,141   | \$9,262         | \$16,141  |
| Payments to Suppliers   | (71,170)   | (40,583)        | (71,170)  |
| Net Cash Provided (Used) by Operating Activities                            | (55,029)   | (31,321)        | (55,029)  |
| Cash Flows from Non-Capital<br>and Related Financing Activities             |  |                 |           |
| Tax Revenues  | 6,740  | 367,755         | 6,740     |
| Intergovernmental - City of Beeville  | 34,000   | 68,000          | 34,000    |
| Net Cash Provided (Used) by Non-Capital<br>and Related Financing Activities | 40,740   | 435,755         | 40,740    |
| Cash Flows from Capital and Related Financing Activities                    |  |                 |           |
| Purchases of Capital Assets   | (24,583)   | (294,624)       | (24,583)  |
| Principal Payment on Revenue Bonds, Notes<br>and Capital Leases             |  | (360,000)       | 0         |
| Interest and Fiscal Charges   | 0  | (3,547)         | 0         |
| Net Cash Provided (Used) by Capital<br>and Related Financing Activities     | (24,583)   | (658,171)       | (24,583)  |
| Cash Flows from Investing Activities  |  | 0               |           |
| Interest Received   | 2,372  | 1,661           | 2,372     |
| Net Cash Provided (Used)<br>by Investment Activities                        | 2,372  | 1,661           | 2,372     |
| Net Increase (Decrease) in Cash Equivalents                                 | (36,500)   | (252,076)       | (36,500)  |
| Cash and Cash Equivalents at Beginning of Year                              | 411,510  | 663,586         | 411,510   |
| Cash and Cash Equivalents at End of Year                                    | \$375,010  | \$411,510       | \$375,010 |

(continued)

(continued)

|   | Business-Type Activities                         |                   |                   |
|---|--|-------------------|-------------------|
|   | Enterprise Funds                                 |                   |                   |
|   | Beeville Water<br>Supply District<br>Corporation |                   | Totals            |
| Current<br>Year   | Prior<br>Year                                    | Current<br>Year   |                   |
| Reconciliation of Operating Income to<br>Net Cash Provided (Used) by Operating<br>Activities: |  |                   |                   |
| Operating Income (Loss)   | (\$342,670)                                      | (\$348,489)       | (342,670)         |
| Adjustments to Reconcile to Net Cash Flow   |  |                   |                   |
| Non-Cash Items Included in Net Income   |  |                   |                   |
| Depreciation  | 293,078  | 292,752           | 293,078           |
| Changes in Current Items  |  |                   |                   |
| Decrease (Increase) in Accounts Receivable  | 16,117   | 9,156             | 16,117            |
| Increase (Decrease) in Accounts Payable   | (34,000)   | 15,715            | (34,000)          |
| Increase (Decrease) in Accrued Interest Payable   | 12,446   | (455)             | 12,446            |
| Net Cash Provided (Used)<br>by Operating Activities   | <u>(\$55,029)</u>                                | <u>(\$31,321)</u> | <u>(\$55,029)</u> |

Noncash Investing, Capital, and Financing Activities: None

Note: The above funds are all Enterprise Funds.

BEEVILLE WATER SUPPLY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

I. Summary of significant accounting policies

Reporting entity

Beeville Water Supply District was incorporated June 15, 1999 under Article 1434 A, of the Revised Civil Statutes of Texas of 1925, as amended, and as supplement by the Texas Non-Profit Corporate Act, Article 1396-1.01, et seq., of the Revised Civil Statutes of Texas. The District also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

Basis of Accounting/Measurement Focus

A. Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Business-Type Activities for the District accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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 they are needed.

## B. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Utility Fund (Water and Sewer) are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. 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 they are needed.

The government reports the following major proprietary funds:

The utility fund accounts for the activities of the District’s water operations.



C. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government and the District to invest in obligations of the U.S. Treasury. Investments for the government are reported at fair value.

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the District's pooled cash and investments.

2. Receivables and payables

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2017, and 10 percent of delinquent outstanding property taxes at September 30, 2017. Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the District bills the taxpayers. The District begins to collect the taxes as soon as the taxpayers are billed.

3. Restricted assets

The restricted assets at September 30, 2017 were \$264,041 for debt service and \$91,073 for Construction.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., utility systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

| <i>Assets</i>  | <i>Years</i> |
|----------------|--------------|
| Infrastructure | 10-50        |

5. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

6. Restricted Net Position

The restricted net position at September 30, 2017 consists of \$307,257 for debt service and \$77,573 for Construction.

7. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

8. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

9. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

## II. Detailed notes on all funds

### A. Deposits and investments

#### Legal and Contractual Provisions Governing Deposits and Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is not in substantial compliance with the requirements of the Act and with local policies.

#### Policies Governing Deposits and Investments:

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. However, the District has no depository contract. The District addresses the following risks:

*Custodial credit risk - deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2017, the District's bank balances totaled \$376,019 were not exposed to custodial credit risk because they were fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is \$1,491,057 and the FDIC coverage is \$250,000. The book amount of the cash at September 30, 2017 was \$375,010.

As of September 30, 2017, the District had the following investments: None

B. Receivables

Receivables as of year end for the Districts customer accounts, including the applicable allowances for uncollectible accounts, are as follows:

|                                       | Beeville Water<br>Supply District<br>Corporation |  | Total           |
|---------------------------------------|--|--|-----------------|
| <u>Receivables</u>                    |  |  |                 |
| Taxes                                 |  |  |                 |
| Property                              | \$48,018   |  | \$48,018        |
| Gross Receivables                     | <u>48,018</u>                                    |  | <u>48,018</u>   |
| Less: Allowance for<br>Uncollectibles | <u>4,802</u>                                     |  | <u>4,802</u>    |
| Net Total Receivables                 | <u>\$43,216</u>                                  |  | <u>\$43,216</u> |

C. Capital assets

Capital asset activity for the year ended September 30, 2017 was as follows:

| Proprietary Funds:                              | Beginning          |                    |            | Ending             |
|---|--------------------|--------------------|------------|--------------------|
| Capital assets not being depreciated:           | Balances           | Increases          | Decreases  | Balances           |
| Land  | \$0                | \$0                | \$0        | \$0                |
| Construction in Progress                        | 0                  |                    |            | 0                  |
| Total capital assets not being depreciated:     | <u>0</u>           | <u>0</u>           | <u>0</u>   | <u>0</u>           |
| <br>Capital assets being depreciated:           |                    |                    |            |                    |
| Building and Improvements                       | 0                  | 0                  | 0          | 0                  |
| Machinery, Equipment and Vehicles               | 0                  | 0                  | 0          | 0                  |
| Distribution System                             | 11,376,638         | 24,583             | 0          | 11,401,221         |
| Total capital assets being depreciated:         | <u>11,376,638</u>  | <u>24,583</u>      | <u>0</u>   | <u>11,401,221</u>  |
| <br>Less: Accumulated Depreciation for:         |                    |                    |            |                    |
| Building and Improvements                       | 0                  |                    | 0          | 0                  |
| Machinery, Equipment and Vehicles               | 0                  |                    | 0          | 0                  |
| Distribution System                             | 5,727,835          | 293,078            | 0          | 6,020,913          |
| Total Accumulated Depreciation                  | <u>5,727,835</u>   | <u>293,078</u>     | <u>0</u>   | <u>6,020,913</u>   |
| Total Capital Assets Depreciated, Net           | 5,648,803          | (268,495)          | 0          | 5,380,308          |
| Proprietary Fund Activities capital assets, Net | <u>\$5,648,803</u> | <u>(\$268,495)</u> | <u>\$0</u> | <u>\$5,380,308</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

|   |                  |
|---|------------------|
| Business-Type Activities                              |                  |
| Beeville Water Supply District Corporation            | <u>\$293,078</u> |
| Total Depreciation Expense - Business-Type Activities | <u>\$293,078</u> |

D. Interfund receivables, payables, and transfers

There was no due to/from other funds at September 30, 2017.

There were no interfund fund transfers for the year ended September 30, 2017.

E. Leases

The District had no Operating Leases for the year ended September 30, 2017. Rent expenditures were \$0 for the year ended September 30, 2017. Sublease rental income was \$0 for the year ended September 30, 2017.

F. Long-term debt

There was no long term debt.

### III. Other information

#### A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

|   | Year Ended<br>September 30, 2017 | Year Ended<br>September 30, 2016 |
|---|----------------------------------|----------------------------------|
| Unpaid Claims, beginning of fiscal year | \$0                              | \$0                              |
| Incurred Claims (including IBNRs)       | 0                                | 0                                |
| Claim Payments                          | 0                                | 0                                |
| Unpaid Claims, end of fiscal year       | <u>\$0</u>                       | <u>\$0</u>                       |

#### B. Related party transaction

There were no related party transactions.

#### C. Subsequent events

There were no subsequent events requiring disclosure.

D. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The District is not a defendant in any lawsuit.

E. Pension Plan

The government does not have a pension plan.

F. Texas Water Development Board Notes

The 2017 activity for the Bond Reserve Fund and the Interest and Sinking Fund is as follows:

|                                     | DEBT<br>SERVICE<br>FUND | TOTAL            |
|-------------------------------------|-------------------------|------------------|
| BALANCE AT JANUARY 1, 2017          | \$323,637               | \$323,637        |
| AD VALOREM TAXES                    | 22,857                  | 22,857           |
| INTEREST INCOME                     | 1,754                   | 1,754            |
| OTHER INCOME                        | 22                      | 22               |
| MISCELLANEOUS EXPENSE               | (229)                   | (229)            |
| TRANSFER TO OTHER FUNDS             | (84,000)                | (84,000)         |
| BALANCE AT DECEMBER 31, 2017        | <u>\$264,041</u>        | <u>\$264,041</u> |
| TOTAL 2017 AD VALOREM TAXES         | \$6,740                 |                  |
| ADD: DEPRECIATION                   | 293,078                 |                  |
| LESS: 2017 OPERATING EXPENSES       | (342,694)               |                  |
| LESS: 2017 DEBT SERVICE REQUIREMENT | 0                       |                  |
| (OVERAGE)/COVERAGE                  | <u>(\$42,876)</u>       |                  |