

**HARDIN COUNTY  
WATER CONTROL  
AND  
IMPROVEMENT DISTRICT #1**

**ANNUAL  
FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2015**

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## INTRODUCTORY SECTION

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS COUNTY OF     **HARDIN**    

I, \_\_\_\_\_ of the  
(Name of Duty Authorized District Representative)

    **Hardin County Water Control and Improvement District #1**      
(Name of District)

hereby swear, or affirm, that the district named above has filed copies of its annual audit report of the fiscal year or period ended     December 31, 2015     in the district office and with the city or county listed below.

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 50.374.

\_\_\_\_\_  
(Name of City or County where audit report is filed)

Date: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
(Typed Name & Title of Above District Representative)

Sworn to and subscribed to before me this \_\_\_\_\_ day of \_\_\_\_\_.

(SEAL)

\_\_\_\_\_  
(Signature of Notary)

My Commission Expires On: \_\_\_\_\_  
Notary Public in the State of Texas

FINANCIAL SECTION

# MITCHELL T. FONTENOTE

## CERTIFIED PUBLIC ACCOUNTANT

April 6, 2016

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Hardin County Water Control and Improvement District #1

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hardin County Water Control Improvement District #1, as of and for the year ended December 31, 2015, 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 governmental activities, each major fund, and the aggregate remaining fund information of the Hardin County Water Control Improvement District #1, as of December 31, 2015, 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.

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MITCHELL@MITCHELLTFONTENOTECPA.COM

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-6 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hardin County Water Control Improvement District #1's basic financial statements. The Texas Supplementary Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was 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 budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Supplementary Schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Mitchell T. Fontenote CPA, Inc.*

Our discussion and analysis of the financial performance of the Hardin County Water Control and Improvement District #1 (the "District") provides an overview and analysis of financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the District's financial statements, which follows this section.

### **Financial Highlights**

The District's net position increased by \$64,044

During the year, the District's revenues decreased by \$99,538 and operating expenses decreased by \$70,877.

Total revenues collected during the year were \$276,633. Interest and penalties on collections was \$4,334.

### **Using This Annual Report**

This annual report consists of a series of financial statements: The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

### **Reporting the District as a Whole**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that help answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. *Net Position* represents the difference between total assets and liabilities and is similar to the total owners' equity presented by a commercial enterprise. The changes in the District's net assets are one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's net position is an indicator of whether its *financial health* is improving or deteriorating. Other nonfinancial factors, such as changes in the District's property tax, also impact the *overall health* of the District.

### **Overview of the District's Financial Position and Operations**

The District's net position increased by \$64,044 during the fiscal year. Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints on established debt covenants, enabling legislation, or other legal requirements) was \$887,528 at December 31, 2015.



HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 DECEMBER 31, 2015

Table I  
 Hardin County Water Control & Improvement District #1  
 Net Position

	December 31, 2015	December 31, 2014
Current Assets	\$ 1,098,194	\$ 1,513,799
Capital Assets	3,597,361	3,379,479
<b>Total Assets</b>	<b>\$ 4,695,555</b>	<b>\$ 4,893,278</b>
Current Liabilities	302,224	278,991
Long-Term Liabilities	2,512,500	2,797,500
<b>Total Liabilities</b>	<b>2,814,724</b>	<b>3,076,491</b>
<b>Net Position:</b>		
Invested in Capital Assets	797,361	311,979
Restricted	195,942	375,945
Unrestricted	887,528	1,128,863
<b>Total Net Position</b>	<b>\$ 1,880,831</b>	<b>\$ 1,816,787</b>

Table II  
 Hardin County Water Control & Improvement District #1  
 Changes in Net Position

	December 31, 2015	December 31, 2014
Operating Revenues:		
Charges for Services	\$ 193,710	\$ 199,078
Property Tax Revenue	322,645	413,321
Connection & Other Fees	4,500	7,000
Other Revenues	6,742	7,202
<b>Total Operating Revenue</b>	<b>527,597</b>	<b>626,601</b>
Operating Expense:		
Expenditures for Water & Sewer Service	115,244	124,795
Salaries and Payroll Taxes	10,145	9,939
Contracted Services & Professional Fees	74,337	72,567
Interest & Depreciation	229,632	193,772
Other Operating	34,195	133,357
<b>Total Operating Expense</b>	<b>463,553</b>	<b>534,430</b>
Net Operating Income (Loss)	64,044	92,171
Beginning Fund Balance	1,816,787	1,724,616
<b>Ending Fund Balance</b>	<b>\$ 1,880,831</b>	<b>\$ 1,816,787</b>

### **General Fund Budgetary Highlights**

The District did prepare an annual operating budget for fiscal year 2015.

### **Capital Assets**

The District's investments in capital assets as of December 31, 2015 were \$797,361 (net of accumulated depreciation and amortization and related debt). This investment in capital assets includes land, a water treatment plant, transmission lines, and capitalized charges. There were no material changes in Plant in Service during the year (excluding depreciation).

### **Debt Administration**

During the year, the District paid down debt of \$270,000 on bonds.

### **Requests for Information**

This financial report is designated to provide a general overview of the District's finances for our customers, taxpayers, and bondholders, and other interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Hardin County Water Control & Improvement District #1  
101 Pinegarden Lane  
Sour Lake, Texas, 77659

## BASIC FINANCIAL STATEMENTS

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1  
STATEMENT OF GOVERNMENTAL FUND BALANCE AND NET POSITION  
DECEMBER 31, 2015

	General Fund	Debt Service	Adjustments	Statement of Net Position
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 558,846	\$ -	\$ -	\$ 558,846
Cash - Restricted	-	195,942	-	195,942
Accounts Receivable	14,015	-	-	14,015
Total Current Assets	<u>572,861</u>	<u>195,942</u>	<u>-</u>	<u>768,803</u>
<b>Fixed Assets</b>				
Water & Sewer System	-	-	2,772,085	2,772,085
Other Assets	-	-	173,091	173,091
Land	-	-	33,126	33,126
Construction in Progress	-	-	619,059	619,059
Net Property, Plant, and Equipment	<u>-</u>	<u>-</u>	<u>3,597,361</u>	<u>3,597,361</u>
<b>Other Assets</b>				
Taxes Receivable	47,164	282,227	-	329,391
Total Other Assets	<u>47,164</u>	<u>282,227</u>	<u>-</u>	<u>329,391</u>
<b>Total Assets</b>	<u>\$ 620,025</u>	<u>\$ 478,169</u>	<u>\$ 3,597,361</u>	<u>\$ 4,695,555</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 14,724	\$ -	\$ -	\$ 14,724
Bonds Payable - Current	-	-	287,500	287,500
Total Current Liabilities	<u>14,724</u>	<u>-</u>	<u>287,500</u>	<u>302,224</u>
<b>Long-term Liabilities</b>				
Bonds Payable	-	-	2,512,500	2,512,500
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>2,512,500</u>	<u>2,512,500</u>
Total Liabilities	14,724	-	2,800,000	2,814,724
<b>Deferred Inflows</b>				
Unearned Property Tax	47,164	204,264	(251,428)	-
Total Deferred Inflows	<u>47,164</u>	<u>204,264</u>	<u>(251,428)</u>	<u>-</u>
<b>FUND BALANCE</b>				
Restricted	-	273,905	(273,905)	
Unassigned	558,137	-	(558,137)	
Total Fund Balance	<u>558,137</u>	<u>273,905</u>	<u>(179,212)</u>	
<b>Total Liabilities and Fund Balance</b>	<u>\$ 620,025</u>	<u>\$ 478,169</u>	<u>\$ 1,048,909</u>	<u>\$ 2,814,724</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets				797,361
Restricted				195,942
Unrestricted				<u>887,528</u>
<b>Total Net Position</b>				<u>\$ 1,880,831</u>

The accompanying notes are an integral part of this financial statement.

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1

STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

	General Fund	Debt Service	Adjustments	Statement of Activities
<b>REVENUE</b>				
Charges for Services	\$ 189,376	\$ -	\$ -	\$ 189,376
Penalties and Interest	3,184	1,150	-	4,334
Tap Connections and Inspection Fees	4,500	-	-	4,500
Other Operating Revenue	5,297	811	-	6,108
Total Operating Revenues	<u>202,357</u>	<u>1,961</u>	<u>-</u>	<u>204,318</u>
<b>EXPENSES</b>				
Water Service	58,055	-	-	58,055
Sewer Service	57,189	-	-	57,189
Salaries and Payroll Taxes	10,145	-	-	10,145
Contracted Services	55,825	-	-	55,825
Professional Fees	18,512	-	-	18,512
Depreciation and Amortization	-	-	142,134	142,134
Bond Related Expense	3,124	-	-	3,124
Other Operating Expenses	31,071	-	-	31,071
Total Expenses	<u>233,921</u>	<u>-</u>	<u>142,134</u>	<u>376,055</u>
<b>Net Operating Income (Loss)</b>	(31,564)	1,961	(142,134)	(171,737)
<b>Non Operating Revenues (Expenses)</b>				
Investment Earnings	634	-	-	634
Ad valorem Taxes	25,636	250,997	46,012	322,645
Capital Outlay	(360,016)	-	360,016	-
Bond Principal	-	(270,000)	270,000	-
Bond Interest	-	(84,998)	(2,500)	(87,498)
Net Non-Operating Income	<u>(333,746)</u>	<u>(104,001)</u>	<u>673,528</u>	<u>235,781</u>
<b>Excess of Revenues Over Expenditures</b>	(365,310)	(102,040)	531,394	
<b>Other Sources (Uses) of Funds</b>				
Transfer In	(8,117)	-	8,117	-
Transfer Out	-	8,117	(8,117)	-
<b>Total Other Sources (Uses) of Funds</b>	<u>(8,117)</u>	<u>8,117</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	(373,427)	(93,923)	531,394	64,044
<b>Fund Balance/Net Position, Beginning of Year</b>	931,564	367,828	(1,844,564)	1,816,787
<b>Fund Balance/Net Position, End of Year</b>	<u>\$ 558,137</u>	<u>\$ 273,905</u>	<u>\$ (1,313,170)</u>	<u>\$ 1,880,831</u>

The accompanying notes are an integral part of this financial statement.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hardin County Water Control & Improvement District #1 (the “District”) is water district governed by the applicable laws and regulations of the Texas Water Code. It is governed by a five member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**REPORTING ENTITY**

The Board of Trustees (the “Board”) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 14, “The Financial Reporting Entity.” There are no component units included within the reporting entity.

**DISTRICT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are district-wide statements. The District does not have any business type activities or fiduciary funds. All tax revenue, interest income, and any other income is used to support the programs of the District. Enterprise funds (a type of proprietary fund) are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounting for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Statement of Net Position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. All governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting revenue are recognized when susceptible to accrual (i.e., when they become both measureable and available). “Measureable” means the amount of the transaction can be determined and “available” means collectible with the current period (30 days). The District considers property taxes as available if they are collected within the period. Expenditures are recorded when the related fund liability is incurred. The District reports deferred revenue on its Statement of Net Position. Deferred revenues arise when potential revenue does not meet both the “measureable” and “available” criteria for recognition in the current period.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont’d**

**CASH AND CASH EQUIVALENTS**

The District defines cash equivalents as cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents are stated at cost, which approximates market value.

**PROPERTY, PLANT, AND EQUIPMENT**

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures, renewals and betterments are capitalized. The District does not possess any infrastructure assets.

<u>Assets</u>	<u>Life</u>
Machinery & Equipment	20
Buildings	30
Amortization of Organizational & Engineering Costs	40
Water & Sewer Systems	50

**USE OF ESTIMATES**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**SECURITY DEPOSITS**

The District required security deposits to be paid in order for residents to obtain services. These deposits are refunded after two years if the customer has not been delinquent. The amount of the refund is to be determined by the Board and given as credit on the customer’s bill.

**DEBT ISSUE COSTS**

The District capitalizes all debt issue costs and amortizes the costs over the life of the debt using the effective interest method.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont’d**

**PROPERTY TAXES**

Property taxes are levied on October 1<sup>st</sup> by the District based on the January 1<sup>st</sup> property values as assessed by the Hardin County Appraisal District. Taxes are due without penalty until January 31<sup>st</sup> of the next calendar year. After January 31<sup>st</sup> the District has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the District.

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes and reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. The following is an explanation of the reconciliation:

*Capital Assets* – When capital assets (land, building, water and sewer facilities, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets of the District as a whole. The details of this adjustment are as follows:

Net Capital Assets	3,597,361
	<u>\$ 3,597,361</u>

*Long-term Liabilities* – Long-term liabilities applicable to the District’s activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. The details of this adjustment are as follows:

Deferred Outflows	(251,428)
Bonds Payable	2,800,000
	<u>\$ 2,548,572</u>



**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, Cont'd****Explanation of differences between governmental fund operating statements and statement of activities**

Differences in governmental fund operating statements and the statement of activities arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the government funds. The effects of the differences are as follows:

Property Taxes	46,012
	<u>\$ 46,012</u>

When capital assets that are used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures of governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation charged for the year. The details of these differences are as follows:

Depreciation Expense	142,134
	<u>\$ 142,134</u>

Repayment of bond principal is reported as an expenditure in governmental funds and thus, has the effect of reducing the fund balance because current financial resources have been used. For the District as a whole, however, principal payments reduce liabilities in the statement of net position and do not result in an expense in the statement of activities. Principal payments on the bonds made during the year were \$270,000.

The capital acquired from issuing new bonds is reported as other sources of funds in governmental funds, this has the effect of increasing fund balance. For the District as a whole, however, the outstanding balance of bonds is reported as a long-term liability along with any premium or discount associated with the bond. The details of these differences are as follows:

Long-term debt	(2,835,000)
Premium or Discount on Issuance of Bonds	35,000
	<u>\$ (2,800,000)</u>

**NOTE 3 – DEPOSITS AND INVESTMENTS**

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract.

**NOTE 3 – DEPOSITS AND INVESTMENTS, Cont'd**

The District does not pool cash and investments. Instead, the District maintains separate cash accounts, in the form of checking and/or savings accounts, for each fund.

The Public Funds Investment Act requires an annual audit of investment practices. With the exception of communicating the District's investment policy to the depository bank and periodic investment reporting, audit procedures in this area disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District was in substantial compliance with the requirements of the Act.

Cash and investments were covered by FDIC insurance and pledged securities throughout the year.

The following is disclosed regarding coverage of combined balances on the date of the highest deposit:

1. Name of Bank: **BBVA COMPASS BANK, Beaumont, TX**
2. The cash balance at the bank at the end of the year was \$751,613
3. The cash balance per books at the end of the year was \$754,788
4. Total FDIC coverage at the time of the largest combined balance was \$500,000. The amount not covered by FDIC insurance at the end of the year was \$251,613.
5. The amount not covered by FDIC insurance is covered by pledged securities.

Both cash deposits and investments held at financial institutions can be categorized according to three levels of risk. These three levels are as follows:

- Category 1 – Insured, registered, or held by the District or by its agent in the District's name
- Category 2 – Uninsured and unregistered held by the financial institution's trust department or agent in the District's name
- Category 3 – Uninsured and unregistered held by the financial institution, its trust department or agent, but not in the District's name

Based on these three levels of risk, all of the District's investments are classified as Category 1.

#### **NOTE 4 – ACCOUNTS RECEIVABLE**

The District considers account receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operating expenses when that determination is made.

#### **NOTE 5 – TAXES RECEIVABLE**

Property taxes receivable are offset by deferred revenues in the financial statements at December 31, 2015

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 6 – CHANGES IN FIXED ASSETS**

Capital asset activity for the District for the year ended December 31, 2015, was as follows:

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
<b>Capital Assets</b>				
Land	\$ 33,126	\$ -	\$ -	\$ 33,126
Buildings & Facilities	9,750	-	-	9,750
Water & Sewer System	4,511,057	-	-	4,511,057
Drainage System	120,369	-	-	120,369
Machinery & Equipment	17,232	-	-	17,232
Other Costs (Organizational & Engineering)	216,340	-	-	216,340
Construction in Progress	259,043	360,016	-	619,059
<b>Total Historical Costs</b>	<b>5,166,917</b>	<b>360,016</b>	<b>-</b>	<b>5,526,933</b>
<b>Less Accumulated Depreciation</b>				
Buildings & Facilities	(9,750)	-	-	(9,750)
Water & Sewer System	(1,605,613)	(133,359)	-	(1,738,972)
Drainage System	(35,075)	(6,018)	-	(41,093)
Machinery & Equipment	(17,232)	-	-	(17,232)
Other Costs (Organizational & Engineering)	(119,768)	(2,757)	-	(122,525)
<b>Total Accumulated Depreciation</b>	<b>(1,787,438)</b>	<b>(142,134)</b>	<b>-</b>	<b>(1,929,572)</b>
<b>Net Capital Assets</b>	<b>\$ 3,379,479</b>	<b>\$ 217,882</b>	<b>\$ -</b>	<b>\$ 3,597,361</b>

**NOTE 7 – BONDS PAYABLE**

Bonded indebtedness of the District is reflected in the Statement of Net Position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The District issued Series 2012 Unlimited Tax Refunding Bonds in the amount of \$2,425,000. The District issued Series 2014 Unlimited Tax Refunding Bonds in the amount of \$1,250,000. A summary of changes in general long-term debt for the year ended December 31, 2015 is as follows:

Description	Interest Rate Payable	Interest Current Year	Amounts Outstanding 1/1/2015	Issued	Retired	Outstanding 12/31/2015	Amount Due In One Year
<b>Bonds:</b>							
Series 2012	2.60%	79,568	1,855,000	-	150,000	1,705,000	150,000
Series 2014	2.00-4.00%	-	1,250,000	-	120,000	1,130,000	135,000
<b>Other Long-Term:</b>							
Discount on Bonds		-	37,500	-	2,500	35,000	2,500
<b>Total</b>		<b>\$ 79,568</b>	<b>\$ 3,142,500</b>	<b>\$ -</b>	<b>\$ 272,500</b>	<b>\$ 2,870,000</b>	<b>287,500</b>

**NOTE 7 – BONDS PAYABLE, Cont'd**

A summary of the annual requirement for bonds outstanding is as follows:

Year Ended December 31,	Principal	Interest	Total Requirements
2016	285,000	79,568	364,568
2017	295,000	70,790	365,790
2018	300,000	61,795	361,795
2019	310,000	52,583	362,583
Thereafter	1,645,000	206,532	1,851,532
Total	<u>\$ 2,835,000</u>	<u>\$ 471,268</u>	<u>\$ 3,306,268</u>

**NOTE 8 – RESERVATION OF FUND BALANCE**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

1. Non-Spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The District has \$0 classified as Non-Spendable.
2. Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The District has \$268,376 classified as Restricted.
3. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The District has \$0 classified as Committed.
4. Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the District. The District has \$0 classified as Assigned.
5. Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds. The District has \$571,298 classified as Unassigned.

The elected Board of Trustees for the entity has the authority to commit, assign, and restrict fund balances. In some instances a restriction is a result of meeting contractual or otherwise legal requirements, for example, debt service requirements contained in the bond covenant.

**NOTE 9 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and other various claims. The District purchases commercial insurance to indemnify it in the event of loss.

REQUIRED SUPPLEMENTARY INFORMATION

## HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1

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SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Amended Budget	Actual	Variance
<b>REVENUE</b>				
Charges for Water Service	\$ 184,000	\$ 184,000	\$ 189,376	\$ 5,376
Property Taxes	418,549	418,549	276,633	(141,916)
Tap Connection and Inspection Fees	9,000	9,000	4,500	(4,500)
Investment Earnings	70	70	634	564
Penalties and Interest	-	-	4,334	4,334
Other Revenues	8,000	8,000	6,108	(1,892)
Total Revenues	<u>619,619</u>	<u>619,619</u>	<u>481,585</u>	<u>(138,034)</u>
<b>EXPENSES</b>				
<b>Service Operations:</b>				
Water Service	36,596	36,596	58,055	(21,459)
Sewer Service	66,312	66,312	57,189	9,123
Salaries & Payroll Taxes	10,980	10,980	10,145	835
Contracted Services	75,460	75,460	55,825	19,635
Professional Fees	19,000	19,000	18,512	488
Other Expenses	51,650	51,650	34,195	17,455
<b>Capital Outlay</b>	40,000	40,000	360,016	(320,016)
<b>Debt Service:</b>				-
Principal Retirement	323,955	323,955	270,000	53,955
Interest & Fiscal Charges	35,055	35,055	84,998	(49,943)
Total Expenses	<u>659,009</u>	<u>659,009</u>	<u>948,935</u>	<u>(289,926)</u>
Excess (Deficiency) of Revenues over Expenditures	(39,390)	(39,390)	(467,350)	(427,960)
<b>Other Sources (Uses) of Funds</b>				
Transfer In	-	-	(8,117)	(8,117)
Transfer Out	-	-	8,117	8,117
Total Other Sources (Uses) of Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	(39,390)	(39,390)	(467,350)	(427,960)
<b>Fund Balance, Beginning of Year</b>	<u>1,299,392</u>	<u>1,299,392</u>	<u>1,299,392</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,220,612</u>	<u>\$ 1,220,612</u>	<u>\$ 832,042</u>	<u>\$ (855,920)</u>

TEXAS REQUIRED SUPPLEMENTARY INFORMATION

**NOTE 1 – CREATION OF DISTRICT**

The Hardin County Water Control and Improvement District #1 was created November 18, 1963, under the authority of the Texas Water Commission and operates under Chapter 51 of the Texas Water Commission. The Board of Directors held its first meeting on November 25, 1963, and the first bonds were sold on March 1, 1964.

**NOTE 2 – BASIS OF ACCOUNTING**

(The District's basis of accounting is covered in Notes to the Financial Statements.)

**NOTE 3 – BOND INTEREST**

The Unlimited Tax Refunding Bonds, Series 2012, were sold in August 2012 in the amount of \$2,425,000, with an interest rate of 2.6%. Interest is payable semi-annually February 15 and August 15. Principal payments are due February 15. This 2012 Issue was used to pay off the entire balances of the 1996 and 2004 bond issues.

The Unlimited Tax Refunding Bonds, Series 2014, were sold in July 2014 in the amount of \$1,250,000, with an interest rate of 2.00-4.00%. Interest is payable semi-annually February 15 and August 15. Principal payments are due February 15. This 2014 issue was used to make improvements to the water wells.

**NOTE 4 – PLEDGE OF LEVY AND TAXES**

For each year while any Bond is outstanding and the District remains in existence, there shall be and is hereby levied and assessed a continuing direct annual ad valorem tax upon each \$100 valuation of taxable property within the district at a rate from year to year sufficient, together with revenue and receipts from other sources which are legally available for such purposes: (i) to pay interest on the Bonds as it becomes due: and (ii) to provide a sinking fund for the payment of the principal of the Bonds when due or the redemption price at any earlier required redemption date, full allowance being made for anticipated delinquencies. The District shall timely assess and diligently collect such tax and apply the collections thereof solely as provided herein. Each order of the Board of Directors levying and establishing the rate of ad valorem taxes shall specify the portion of such rate levied to pay the debt service requirements on obligations of the District payable from the Bond Fund and the portion, if any, of such rate levied for operating and maintenance purposes, and all and all collections of ad valorem taxes, including penalty and interest attributable thereto, and all expenses of assessing and collecting such taxes, shall be allocated among such purposes in proportion to the respective levies in the tax year with respect to which such taxes are owed. In the absence of any specification to the contrary in the order of the Board of Directors levying and establishing the rate of ad valorem taxes, the entire amount of such taxes for such year shall be deemed to have been levied to pay the debt service requirements on obligations of the District payable from the Bond Fund.



**NOTE 5 – COMPLIANCE WITH DEBT SERVICE REQUIREMENTS**

The District is in compliance with their bond indenture requirements.

Each fund shall be kept separate and apart from all other funds of the District. The Bond Fund shall constitute a trust fund which shall be held in trust for the benefit of the owners of the Bonds. All other funds shall be used solely as provided in this Order until all of the Bonds have been retired, both as to principal and interest.

*Operating Fund.* The Operating Fund shall comprise the funds of the District for operating and maintaining the System and paying general and administrative expenses of the District. The District shall deposit to the credit of the Operating Fund all income or increment which may grow out of the ownership and operation of the System unless derived from contracts with other persons, including private corporations, municipalities and political subdivisions which, under the terms of the authorizing orders, may be pledged for the requirements of the District’s revenue bonds issued particularly to finance the facilities needed in performing any such contracts, and the District may deposit to the credit of the Operating Fund such other income or receipts of the District not otherwise required to be applied by this Order. The Operating Fund shall be used solely to: (i) pay all reasonable expenses of the administration, efficient operations and adequate maintenance of the System; (ii) transfer from time to time any excess to the credit of the Bond Fund when needed to pay the obligations of the District payable therefrom; and (iii) to the extent the balance of the Bond Fund and tax collections available for deposit thereto are sufficient to pay when due the obligations of the District payable from the Bond Fund, to pay any other expense of the District.

*Bond Fund.* The Bond Fund shall comprise the interest and sinking fund of the District. The District shall deposit to the credit of the Bond Fund: (i) accrued interest on the Current Interest Bonds from their date to the date of their delivery; (ii) collections of District taxes to the extent provided in “Operating Fund” section hereof; and (iii) amounts transferred from the Operating Fund to the extent provided in the first paragraph of the section. The Bond Fund, including interest earnings or amounts deposited therein, shall be applied solely to pay the principal or redemption price of an interest on the Bonds when due, the fees of the Paying Agent/Registrar and to pay when due any other bonds or notes of the District payable in whole or in part from taxes.

**NOTE 5 – ENGINEERING REPORT**

No requirements.

**NOTE 6 – WATER AND SEWER RATES**

\$25	0 – 5,00 Gallons
\$5 per thousand	5,000 – 8,000 Gallons
\$2 per thousand	8,000 and above

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1

SCHEDULE OF SERVICES AND RATES

DECEMBER 31, 2015

**1. Services Provided by the District**

<input checked="" type="checkbox"/>	Retail Water	<input type="checkbox"/>	Wholesale Water
<input checked="" type="checkbox"/>	Retail Sewer	<input type="checkbox"/>	Wholesale Sewer
<input type="checkbox"/>	Parks/Recreation	<input type="checkbox"/>	Fire Protection
<input type="checkbox"/>	Solid Waste/Garbage	<input type="checkbox"/>	Flood Control
<input type="checkbox"/>	Participates in Joint Venture, Regional System and/or Wastewater Service (Other than Emergency Interconnect)	<input checked="" type="checkbox"/>	Drainage
<input type="checkbox"/>	Other	<input type="checkbox"/>	Irrigation
		<input type="checkbox"/>	Security
		<input type="checkbox"/>	Roads

**2. Retail Rates Based on 3/4" Meter**

Retail Rates Not Applicable

Based on Rate Order Dated:

	Minimum Charge	Minimum Usage	Flate Rate Yes/No	Rate per 1000 Gallons Over Minimum Usage Levels (Water Only)
Water	<u>\$10.00</u>	<u>5000</u>	<u>N</u>	<u>\$5 5,000 to 7,999</u>
Sewer	<u>\$15.00</u>	<u></u>	<u>Y</u>	<u>\$2 8,000 +</u>

District employee winter averaging for wastewater usage? Yes   
No

Total water and sewer charges per 10,000 gallons usage (including surcharges) \$44

**3. Does the District assess standby fees?**

Yes   
No

If yes, state the amount and basis of the assessment.

Not Applicable.

**4. Total water consumption (rounded to the nearest 1,000) during the fiscal year:**

Gallons pumped into system:	<u>44,229,200</u>
Gallons billed to customers:	<u>33,667,201</u>

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1

SCHEDULE OF SERVICES AND RATES

DECEMBER 31, 2015

**5. Number of retail water and/or wastewater connections within the District as of December 31, 2015:**

448

<u>Connections</u>	<u>Active Connections</u>	<u>Inactive Connections</u>
Single Family	440	0
Multi-Family	0	0
Commercial	5	0
Other - Recreational Centers, Governmental & VFD	<u>3</u>	<u>0</u>
<b>Totals</b>	<b><u>448</u></b>	<b><u>0</u></b>

**6. Anticipated source of funds to be used for debt service payments in the following fiscal year:**

A. Debt Service Tax Receipts	\$ 358,869
B. Surplus Construction Funds	-
C. Water and/or Wastewater Revenue	-
D. Standby Fees	-
E. Beginning Devt Service Fund Cash Balances	173,000
F. Interest Revenue	-
G. Other	<u>-</u>
<b>Total Anticipated to be Used</b>	<b><u>\$ 531,869</u></b>

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1

SCHEDULE OF GENERAL FUND EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2015

Current		
Personnel (Including Benefits)	\$	10,145
Professional Fees		
Auditing		6,500
Legal		12,012
Engineering		-
Financial Advisor		-
Purchased Services for Resale		
Bulk Water & Sewer Service Purchases		-
Tap Connection Expenses		1,200
Contracted Services		
Bookeeping		-
General Manager		33,524
Appraisal District		9,528
Tax Collector		153
Other Contracted Services		17,931
Utilities		18,054
Repairs and Maintenance		74,254
Administrative Expenditures		
Director's Fees		-
Office Supplies		-
Insurance		5,286
Other Administrative Expenses		-
Capital Outlay		
Acquisition of Fixed Assets		360,016
Other		
Solid Waste Disposal		7,417
Chemicals		10,292
Tests & Assessments		14,111
Miscellaneous Expenditures		13,514
<b>TOTAL EXPENDITURES</b>	<b>\$</b>	<b>593,937</b>

Number of persons employed by the District	<u>0</u>	Full Time
(Do not include independent Contractors or Consultatnts)	<u>2</u>	Part Time

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1

SCHEDULE OF TEMPORARY INVESTMENTS

DECEMBER 31, 2015

<u>Funds</u>	<u>Name of Institution</u>	<u>Identificatoin or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Rate</u>	<u>Balances At End of Year</u>
<b><u>General Fund:</u></b>					
Checking	BBVA Compass Bank	25358250158			\$ 14,061
Time Deposit	BBVA Compass Bank	2535820174	0.06%		\$ 5,419
Time Deposit	BBVA Compass Bank	2535820182	0.08%		\$ 93,966
Time Deposit	BBVA Compass Bank	6724340294	0.08%		\$ 442,225
<b><u>Debt Service Fund:</u></b>					
Time Deposit	BBVA Compass Bank	2535820166			\$ 195,942

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1

TAXES LEVIED AND COLLECTED  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Maintenance Taxes	Debt Service Taxes
<b>Taxes Receivable, Beginning of Year</b>	\$ 27,368	\$ 178,048
2015 Original Roll (Less: Abatements)	59,709	355,338
Total To Be Accounted For	<u>87,077</u>	<u>533,386</u>
Tax Collections:		
Current Year	15,487	92,163
Prior Years	24,712	158,834
Adjustments	(286)	162
Total Collections & Adjustments	<u>39,913</u>	<u>251,159</u>
<b>Taxes Receivable, End of Year</b>	<u>\$ 47,164</u>	<u>\$ 282,227</u>
<b><u>Taxes Receivable by Year</u></b>		
2001 & Prior	\$ -	\$ -
2002	1	5
2003	80	516
2004	117	764
2005	140	911
2006	126	820
2007	158	1,025
2008	121	787
2009	173	1,126
2010	243	1,583
2011	405	2,637
2012	394	2,565
2013	346	2,248
2014	580	3,731
2015	44,280	263,509
<b>Taxes Receivable, End of Year</b>	<u>\$ 47,164</u>	<u>\$ 282,227</u>

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1

TAXES LEVIED AND COLLECTED  
FOR THE YEAR ENDED DECEMBER 31, 2015

**PROPERTY VALUATION**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 7,890,600	\$ 7,512,330	\$ 7,151,769	\$ 7,464,046	\$ 7,136,053
Improvements	65,337,670	65,540,210	63,324,766	65,967,030	64,612,153
Personal Property	1,037,250	999,760	1,727,190	1,845,730	1,189,491
<b>Total Property Valuation</b>	<u><u>\$ 74,265,520</u></u>	<u><u>\$ 74,052,300</u></u>	<u><u>\$ 72,203,725</u></u>	<u><u>\$ 75,276,806</u></u>	<u><u>\$ 72,937,697</u></u>

**TAX RATES PER \$100 VALUATION**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Debt Service Tax Rates	0.478470	0.483600	0.506794	0.528800	0.542455
Maintenance Tax Rates	0.080400	0.075265	0.070629	0.067600	0.062734
<b>Total Tax Rates Per \$100</b>	<u><u>0.558870</u></u>	<u><u>0.558865</u></u>	<u><u>0.577423</u></u>	<u><u>0.596400</u></u>	<u><u>0.605189</u></u>

**TAX ROLLS**

	<u><u>\$ 415,048</u></u>	<u><u>\$ 413,852</u></u>	<u><u>\$ 416,921</u></u>	<u><u>\$ 448,951</u></u>	<u><u>\$ 441,411</u></u>
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For the Year Ended December 31, 2015

Percent of Current Taxes Collected to Current Taxes Levied	25.94%
Percent of Current and Delinquent Taxes Collected to Current Taxes Levied and Delinquent Taxes Outstanding at the Beginning of the Year	70.13%

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1

TAXES LEVIED AND COLLECTED

FOR THE YEAR ENDED DECEMBER 31, 2015

Tax rates for any other special district which:

- a) encompasses less than a county
- b) provide water, wastewater collection, drainage or roads to property in the district
- c) tax property in the District

(Do Not Include Taxes Levied by the District).

Name of Special	Services	Tax
None	None	\$0
<b>TOTAL RATE(S) OF SPECIAL DISTRICT(S)</b>		<b>\$0</b>

Tax rate for all overlapping jurisdictions. Include any taxing entries which overlap 10% or more.

	Taxing Jurisdiction	Tax Rate
A. County	Hardin County	0.56000
B. City	N/A	0.00000
C. School District	Hardin Jefferson ISD	1.32000
D. Special Districts not included above:		
ESD #5 Sour Lake		0.10000
E. Total Special District		0.00000
F. Total District Tax Rate		0.55887
G. TOTAL OVERLAPPING TAX RATE		2.53887
(Sum of A-F)		



HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1  
GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS – BY YEARS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**SERIES 2012**  
**Annual Requirements**

Due During Fiscal Year Ending	Principal Due /15	Interest Due 2/15 & 8/15	Total
2016	150,000	42,380	192,380
2017	155,000	38,415	193,415
2018	160,000	34,320	194,320
2019	165,000	30,095	195,095
2020	170,000	25,740	195,740
2021	175,000	21,255	196,255
2022	175,000	16,705	191,705
2023	180,000	12,090	192,090
2024	185,000	7,345	192,345
2025	190,000	2,470	192,470
	<u>\$ 1,705,000</u>	<u>\$ 230,815</u>	<u>\$ 1,935,815</u>

**SERIES 2014**  
**Annual Requirements**

Due During Fiscal Year Ending	Principal Due /15	Interest Due 2/15 & 8/15	Total
2016	135,000	37,188	172,188
2017	140,000	32,375	172,375
2018	140,000	27,475	167,475
2019	145,000	22,488	167,488
2020	30,000	19,425	49,425
2021	35,000	18,288	53,288
2022	40,000	16,975	56,975
2023	40,000	15,575	55,575
2024	40,000	14,175	54,175
2025	40,000	12,775	52,775
2026	85,000	10,588	95,588
2027	90,000	7,525	97,525
2028	95,000	4,288	99,288
2029	75,000	1,313	76,313
	<u>\$ 1,130,000</u>	<u>\$ 240,453</u>	<u>\$ 1,370,453</u>

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1  
 ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT  
 FOR THE YEAR ENDED DECEMBER 31, 2015

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	<u>Series 2012</u>	
Interest Rates	2.60%	
Dates Interest Payable	2/15 & 8/15	
Maturity Dates	2/15	
Bonds Outstanding at Beginning of Current Year	\$1,855,000	
Bonds Sold During Current Year	\$0	
Retirements:		
Principal	<u>(\$150,000)</u>	
Bonds Outstanding at End of Current Year	<u>\$1,705,000</u>	
Retirements:		
Interest	<u>\$46,280</u>	
Paying Agent Name and Address:	Series 2012	BBVA Compass Bank Dallas, TX

	<u>Series 2014</u>	
Interest Rates	2.00-4.00%	
Dates Interest Payable	2/15 & 8/15	
Maturity Dates	2/15	
Bonds Outstanding at Beginning of Current Year	1,250,000	
Bonds Sold During Current Year	\$0	
Retirements:		
Principal	<u>(\$120,000)</u>	
Bonds Outstanding at End of Current Year	<u>\$1,130,000</u>	
Retirements:		
Interest	<u>\$45,296</u>	
Paying Agent Name and Address:	Series 2014	BNY Mellon

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1  
 COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	AMOUNTS					PERCENT TO TOTAL FUND REVENUES				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
<b>GENERAL FUND</b>										
REVENUES:										
Property Taxes	\$ 25,636	\$ 61,752	\$ 48,321	\$ 42,364	\$ 38,027	11.21%	22.79%	18.86%	16.78%	14.17%
Service Revenue	189,376	196,162	183,703	193,104	211,685	82.83%	72.38%	71.72%	76.47%	78.86%
Tap Connection Fees	4,500	7,000	21,000	10,500	14,000	1.97%	2.58%	8.20%	4.16%	5.22%
Penalty & Interest	3,184	380	441	606	290	1.39%	0.14%	0.17%	0.24%	0.11%
Other	5,931	5,726	2,692	5,957	4,422	2.59%	2.11%	1.05%	2.36%	1.65%
Total Revenue	\$ 228,627	\$ 271,020	\$ 256,157	\$ 252,531	\$ 268,424	100.00%	100.00%	100.00%	100.00%	100.00%
EXPENDITURES:										
Professional Fees	\$ 18,512	\$ 15,344	\$ 15,830	\$ 15,689	\$ 10,964	8.10%	5.66%	6.18%	6.21%	4.08%
Billing & Collecting	33,524	33,524	33,524	33,546	92,334	14.66%	12.37%	13.09%	13.28%	34.40%
Utilities	18,054	19,941	19,505	16,764	24,178	7.90%	7.36%	7.61%	6.64%	9.01%
Materials & Supplies	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Repairs & Maintenance	74,254	83,942	107,164	118,979	95,179	32.48%	30.97%	41.84%	47.11%	35.46%
Other Expenditures	89,577	185,853	32,903	59,780	8,716	39.18%	68.58%	12.84%	23.67%	3.25%
Capital Outlay	360,016	-	130,618	12,750	40,721	157.47%	0.00%	50.99%	5.05%	15.17%
Total Expenditures	\$ 593,937	\$ 338,604	\$ 339,544	\$ 257,508	\$ 272,092	259.78%	124.94%	132.55%	101.97%	101.37%
Excess Revenues (Expenditures)	\$ (365,310)	\$ (67,584)	\$ (83,387)	\$ (4,977)	\$ (3,668)	-159.78%	-24.94%	-32.55%	-1.97%	-1.37%
OTHER SOURCES (USES)										
Transfer In	\$ (8,117)	\$ -	\$ -	\$ -	\$ -					
Bond Proceeds	-	1,250,000	-	-	-	0	461.22%	0.00%	0.00%	0.00%
Discount on Bond	-	(37,500)	-	-	-	0.00%	-13.84%	0.00%	0.00%	0.00%
Total Other Sources (Uses)	\$ (8,117)	\$ 1,212,500	\$ -	\$ -	\$ -	0.00%	447.38%	0.00%	0.00%	0.00%
Change in Fund Balance	\$ (373,427)	\$ 1,144,916	\$ (83,387)	\$ (4,977)	\$ (3,668)	-159.78%	422.45%	-32.55%	-1.97%	-1.37%

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1  
 COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	AMOUNTS					PERCENT TO TOTAL FUND REVENUES				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
<b><u>DEBT SERVICE FUND</u></b>										
REVENUES:										
Property Taxes	\$ 250,997	\$ 411,878	\$364,881	\$351,035	\$340,283	99.22%	99.04%	97.30%	98.65%	95.63%
Penalty & Interest	1,151	2,536	2,891	4,465	1,658	0.46%	0.61%	0.77%	1.25%	0.47%
Other	811	1,476	7,224	342	536	0.32%	0.35%	1.93%	0.10%	0.15%
Total Revenue	<u>\$ 252,959</u>	<u>\$ 415,890</u>	<u>\$374,996</u>	<u>\$355,842</u>	<u>\$342,477</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>96.24%</u>
EXPENDITURES:										
Tax Collection Services	\$ -	\$ 2,054	\$ 821	\$ 1,844	\$ 4,888	0.00%	0.49%	0.22%	0.52%	1.37%
Other Expenditures	-	-	-	25	1,013	0.00%	0.00%	0.00%	0.01%	0.28%
Debt Service, Interest & Fees	354,998	316,637	364,260	366,185	361,835	140.34%	76.13%	97.14%	102.91%	101.68%
Total Expenditures	<u>\$ 354,998</u>	<u>\$ 318,691</u>	<u>\$365,081</u>	<u>\$368,054</u>	<u>\$367,736</u>	<u>140.34%</u>	<u>76.63%</u>	<u>97.36%</u>	<u>103.43%</u>	<u>103.34%</u>
Excess Revenues (Expenditures)	<u>\$ (102,039)</u>	<u>\$ 97,199</u>	<u>\$ 9,915</u>	<u>\$ (12,212)</u>	<u>\$ (25,259)</u>	<u>-40.34%</u>	<u>23.37%</u>	<u>2.64%</u>	<u>-3.43%</u>	<u>-7.38%</u>
OTHER SOURCES (USES)										
Transfer Out	\$ 8,117	\$ -	\$ -	\$ -	\$ -	3.21%	0.00%	0.00%	0.00%	0.00%
Total Other Sources (Uses)	<u>\$ 8,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Fund Balance	<u>\$ (93,922)</u>	<u>\$ 97,199</u>	<u>\$ 9,915</u>	<u>\$ (12,212)</u>	<u>\$ (25,259)</u>	<u>-37.13%</u>	<u>23.37%</u>	<u>2.64%</u>	<u>-3.43%</u>	<u>-7.38%</u>

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1

INSURANCE COVERAGE

FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Type of Coverage</u>	<u>From</u>	<u>To</u>	<u>Amount of Coverage</u>	<u>Insurer Name</u>	<u>Type Corporation Stock/Mutual</u>	<u>Policy Clause Co-Insurance</u>
<b><u>Real and Personal Property Coverage</u></b>						
Well, Machinery, Building	10/1/2015	10/1/2016	2,870,186	Texas Municipal League	Mutual	No
<b><u>General Liability</u></b>						
Liability Coverage	10/1/2015	10/1/2016	3,000,000	Texas Municipal League	Mutual	No
Pollution Coverage	10/1/2015	10/1/2016	2,000,000	Texas Municipal League	Mutual	No
<b><u>Errors and Omissions</u></b>						
General Liability	10/1/2015	10/1/2016	3,000,000	Texas Municipal League	Mutual	No
<b><u>Automobile Liability</u></b>						
General Liability	10/1/2015	10/1/2016	2,000,000	Texas Municipal League	Mutual	No
<b><u>Officer &amp; Employee Bond</u></b>						
	10/1/2015	10/1/2016	25,000 Each	Texas Municipal League	Stock	No

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1

BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS

DECEMBER 31, 2015

Complete District Mailing Address: Hardin County WCID #1  
101 Pinegarden Lane  
Sour Lake, TX 77659

District Business Telephone Number: (409) 791-1060

<u>Names and Addresses</u>	<u>Term of Office Elected &amp; Expired or Date Hired</u>	<u>Fees and Expense Reimbursement</u>	<u>Title at Year End</u>	<u>Resident of District</u>
<u>Board Members:</u>				
Jack Maddox 1043 Pine Shadows Sour Lake, TX 77659	05/12 - 05/16	\$1,500	President	Yes
Tim Beard 1430 Woodway Blvd Sour Lake, TX 77659	05/14 - 05/17	\$0	Vice President	Yes
Lloyd B. Hughes 1227 East Pine Shadows Sour Lake, TX 77659	05/12 - 05/16	\$300	Secretary/Treasurer	Yes
Jerry Giardina 1051 Pine Needles Sour Lake, TX 77659	05/17 - 05/17	\$0	Director	Yes
Paul Gustafson 202 Pinehurst Sour Lake, TX 77659	05/14 - 05/17	\$0	Director	Yes
<u>Key Administrative Personnel:</u>				
Wayne Turk 101 Pinegarden Sour Lake, TX 77659	Contracted 1984	\$10,105	Office Manager	Yes
Mike Wills (Utility Service Supply) 275 Jena Lane Lumberton, TX 77657	Contracted 2003	\$19,556	Operations Manager	No
Charlie Adams (Utility Innovations) PO Box 2076 Silsbee, TX 77565	Contracted 2015	\$13,968	Operations Manager	No

HARDIN COUNTY WATER CONTROL AND IMPROVEMENT #1  
 BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS  
 DECEMBER 31, 2015

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<u>Names and Addresses</u>	<u>Term of Office Elected &amp; Expired or Date Hired</u>	<u>Fees and Expense Reimbursement</u>	<u>Title at Year End</u>	<u>Resident of District</u>
<u>Consultants &amp; Providers of Professional Services:</u>				
Germer PLLC Attorneys at Law 550 Fannin Suite 400 Beaumont, TX 77701	Contracted 1992	\$12,012	Attorneys	No
Alex Stephens, Chief Appraiser Hardin County Appraisal District P.O. Box 670 Kountze, TX 77625	Contracted 1983	\$9,528	Appraisal District	No
Mitchell T Fontenote CPA, Inc. 2428 Nall Street Port Neches, TX 77651	Contracted 2014	\$5,000	Auditors	No
David Sticker & Co PC 2180 Eastex Fwy Beaumont, TX 77703	Contracted 2014	\$1,500	Consulting CPA	No