

WELLBORN SPECIAL UTILITY DISTRICT

Independent Auditors' Report

and

Financial Statements

As of and for the Year Ended

December 31, 2018

WELLBORN SPECIAL UTILITY DISTRICT

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Milberger, Nesbitt & Ask, L.L.P.

(a Registered Limited Liability Partnership consisting of a Professional Corporation and an Individual)

Certified Public Accountants

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Independent Auditors' Report

Board of Directors
Wellborn Special Utility District
Wellborn, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Wellborn Special Utility District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Wellborn Special Utility District's basic financial statement 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wellborn Special Utility District as of December 31, 2018, and the changes in net position, and cash flows 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 and budgetary comparison information on pages 3 through 6 and pages 25 through 26, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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

The Texas Supplementary Information section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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 standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report on Summarized Comparative Information

We have previously audited the District's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2019, on our consideration of Wellborn Special Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wellborn Special Utility District's internal control over financial reporting and compliance.



Bryan, Texas
April 16, 2019

MILBERGER, NESBITT & ASK, L.L.P.
Certified Public Accountants

Wellborn Special Utility District
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2018

The following discussion and analysis of the Wellborn Special Utility District's (the District's) financial performance presents management's overview of the District's financial activities for the year ended December 31, 2018. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report includes the Management's Discussion and Analysis, the Independent Auditors' Report, the Basic Financial Statements, and the Required Supplementary Information.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis – for State and Local Governments. GASB No. 34 required the following changes to the District's financial statements:

1. The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The net position section is displayed in three categories: 1) Invested in Capital Assets, net of related debt, 2) Restricted, and 3) Unrestricted.
2. The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. This statement measures the success of the District's operations over the past year and can be used to determine the District's creditworthiness.
3. The *Statement of Cash Flows* includes a summarization of the cash flows from operations and investments during the reporting period. As in the past, the *Statement of Cash Flows* continues to reconcile the reasons why cash from operating activities differs from operating income.

Overview of the Basic Financial Statements

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the District's basic financial statements include four components:

- *Statement of Net Position*
- *Statement of Revenues, Expenses and Changes in Net Position*
- *Statement of Cash Flows*
- *Notes to the Financial Statements*

The *Statement of Net Position* includes all of the District's assets and liabilities, with the difference between the two reported as net position. Net position is displayed in three categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted
- Unrestricted

The *Statement of Net Position* provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information which shows how the District's net position changed during the year. All of the Current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The *Statement of Revenues, Expenses and Changes in Net Position* measures the success of the District's operations over the past year and determines whether the District has recovered its costs through water sales, user fees, and other charges.

Wellborn Special Utility District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended December 31, 2018

The *Statement of Cash Flows* provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Noncapital financing
- Capital financing
- Investing

This statement differs from the *Statement of Revenues, Expenses and Changes in Net Position* in that it accounts only for transactions that result in cash receipts and cash disbursements.

The *Notes to the Financial Statements* provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Financial Highlights

During the year ending December 31, 2018, the District's operating revenue of \$4,690,773 and operating expenses of \$4,361,692 resulted in net operating income of \$329,081. The net operating income for this year increased compared to the net operating income from last year due to increase in customers and the District's ability to produce more water at the Surface Water Treatment Plant. The District was also able to purchase less water.

The District supplies water to the system through seven water wells. The District's wells are located on Nunn Jones Road, Bird Pond Road, Linda Lane, Highway 6 and FM 2549. The District has a contract with the Brazos River Authority to purchase 4,000-acre feet of water from Lake Limestone. The District has developed surface water production facilities to utilize the water purchased from Lake Limestone. This water purchase represents a large expense for the District as well as an essential water source for projected growth.

Financial Analysis of the District

Total Net Position – The District's total net position grew during fiscal year 2018 increasing from \$35,032,493 to \$38,271,628. The increase in net position is largely due to increases in net operating revenue and developer contracts.

Wellborn Special Utility District
Statement of Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current Assets	\$ 5,147,052	\$ 4,289,077	\$ 857,975
Non-current assets	<u>51,159,040</u>	<u>48,343,378</u>	<u>2,815,662</u>
Total Assets	<u>\$ 56,306,092</u>	<u>\$ 52,632,455</u>	<u>\$ 3,673,637</u>
Current Liabilities	\$ 2,739,194	\$ 1,445,375	\$ 1,293,819
Non-current liabilities	<u>15,295,270</u>	<u>16,154,587</u>	<u>(859,317)</u>
Total Liabilities	<u>\$ 18,034,464</u>	<u>\$ 17,599,962</u>	<u>\$ 434,502</u>
Invested in Capital Assets	\$ 48,030,815	\$ 43,889,898	\$ 4,140,917
Restricted	2,114,457	2,135,136	(20,679)
Unrestricted	<u>(11,873,644)</u>	<u>(10,992,541)</u>	<u>(881,103)</u>
	<u>\$ 38,271,628</u>	<u>\$ 35,032,493</u>	<u>\$ 3,239,135</u>

Wellborn Special Utility District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended December 31, 2018

Change in Net Position – The District's 2018 income from operations increased by \$264,900. Operating expenses increased during the year due to the Surface Water Treatment operating at a higher level and requiring more chemicals and power; also increase in regulatory expenses due to new EPA requirements. Operating revenue increased primarily due to increase in customers and decrease in water purchases.

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Operating Revenue	\$ 4,690,773	\$ 4,366,266	\$ 324,507
Operating Expenses	<u>(4,361,692)</u>	<u>(4,302,085)</u>	<u>(59,607)</u>
Income from Operations	<u>\$ 329,081</u>	<u>\$ 64,181</u>	<u>\$ 264,900</u>
Non-operating revenue	\$ 3,478,435	\$ 1,939,949	\$ 1,538,486
Non-operating expenses	<u>(568,381)</u>	<u>(590,568)</u>	<u>22,187</u>
Non-operating revenue (expenses)	<u>\$ 2,910,054</u>	<u>\$ 1,349,381</u>	<u>\$ 1,560,673</u>
Change in Net Position	<u>\$ 3,239,135</u>	<u>\$ 1,413,562</u>	<u>\$ 1,825,573</u>

Capital Assets

As of December 31, 2018, the District had invested \$58,652,402 in capital assets, net of \$11,635,908 of accumulated depreciation. This amount represents a net increase of \$3,126,596 from the prior year, due primarily to improvements to water system, donated water lines and new building construction.

Wellborn Special Utility District Capital Assets

	<u>2018</u>	<u>2017</u>
Land	\$ 864,637	\$ 864,637
Water facilities and other equipment	55,590,984	52,794,705
Buildings and improvements, office furniture and equipment	<u>2,196,781</u>	<u>473,650</u>
	\$ 58,652,402	\$ 54,132,992
Accumulated depreciation and amortization	<u>(11,635,908)</u>	<u>(10,243,094)</u>
	<u>\$ 47,016,494</u>	<u>\$ 43,889,898</u>

Debt Administration

Detailed information about the District's long-term debt is presented in Note 6 to the 2018 audited financial statements.

Economic Factors

The District's excellent financial condition continues as the District benefits from a constant growth within the system's service area.

Wellborn Special Utility District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended December 31, 2018

Contacting the District's Financial Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Wellborn Special Utility District's office at 4118 Greens Prairie Road, Wellborn, Texas, 77881.

WELLBORN SPECIAL UTILITY DISTRICT
Statement of Net Position
December 31, 2018
With Comparative Totals for December 31, 2017

	2018	2017
<u>Assets</u>		
Current Assets		
Cash	\$ 3,385,896	\$ 2,179,340
Accounts receivable		
Water and sewer service	377,557	380,896
Expansion and other fees	5,231	4,956
Prepaid expenses	265,272	256,058
Investments	1,110,170	1,465,090
Interest receivable	2,926	2,737
Total Current Assets	\$ 5,147,052	\$ 4,289,077
Restricted Assets		
Reserve Funds	\$ 667,221	\$ 690,190
Interest and Sinking Funds	1,447,236	1,444,946
Total Restricted Assets	\$ 2,114,457	\$ 2,135,136
Capital Assets, net	\$ 47,016,494	\$ 43,889,898
Other Assets		
Construction in progress	\$ 1,014,321	\$ 1,270,052
Deferred bond costs, net of amortization	340,085	374,609
Service area boundary costs	673,683	673,683
Total Other Assets	\$ 2,028,089	\$ 2,318,344
Total Assets	\$ 56,306,092	\$ 52,632,455
<u>Liabilities</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 786,166	\$ 574,101
Deferred revenue	1,058,351	-
Notes and bonds payable - current portion	894,677	871,274
Total Current Liabilities	\$ 2,739,194	\$ 1,445,375
Customer Deposits	856,300	828,500
Notes and bonds payable - less current portion	14,438,970	15,326,087
Total Liabilities	\$ 18,034,464	\$ 17,599,962
<u>Net Position</u>		
Net Investment in Capital Assets	\$ 48,030,815	\$ 43,889,898
Restricted Net Position for Debt Service	2,114,457	2,135,136
Unrestricted Net Position	(11,873,644)	(10,992,541)
Total Net Position	\$ 38,271,628	\$ 35,032,493
Total Liabilities and Net Position	\$ 56,306,092	\$ 52,632,455

The accompanying notes which begin on page 12 are an integral part of the financial statements.

WELLBORN SPECIAL UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	2018	2017
Operating Revenue		
Water Service	\$ 5,474,818	\$ 5,394,981
Late Payment penalties and fees	67,338	71,231
Groundwater District assessments, net	(3,184)	(5,159)
	\$ 5,538,972	\$ 5,461,053
Less: water purchased	(848,199)	(1,094,787)
Operating income	\$ 4,690,773	\$ 4,366,266
 Operating expenses		
Personnel		
Salaries	\$ 949,268	\$ 917,432
Pension plan expense	33,776	34,997
Health and life insurance	156,421	139,334
Payroll taxes	74,754	70,956
	\$ 1,214,219	\$ 1,162,719
System		
Repairs and maintenance	\$ 408,406	\$ 397,971
Automobile, truck and radio	44,897	48,234
Depreciation - water facilities and equipment	1,349,117	1,296,987
Rental expense - well sites	54,000	54,000
Utilities	329,880	297,585
Chemicals	262,678	195,502
Supplies	6,712	4,378
Dues and subscriptions	27,689	25,865
Water supply contract fees	168,200	221,150
Regulatory monitoring and testing	47,626	18,481
Employee education and travel	7,268	8,643
	\$ 2,706,473	\$ 2,568,796
Administration		
Insurance - general and fidelity bonds	\$ 52,845	\$ 52,405
Professional fees	99,549	236,100
Postage	52,172	44,424
Telephone	21,360	17,263
Office Supplies	18,743	14,686
Depreciation - office furniture, equipment and building	43,697	16,175
Amortization	34,524	34,524

The accompanying notes which begin on page 12 are an integral part of the financial statements.

WELLBORN SPECIAL UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017
(continued)

	2018	2017
Administration - continued		
Collection processing fees	36,300	42,167
Bad debts	2,026	8,097
Equipment rental	11,268	17,566
Advertising	7,808	10,265
Contract services	2,615	31,747
Miscellaneous	<u>58,093</u>	<u>45,151</u>
	<u>\$ 441,000</u>	<u>\$ 570,570</u>
Total operating expenses	<u>\$ 4,361,692</u>	<u>\$ 4,302,085</u>
Operating income	<u>\$ 329,081</u>	<u>\$ 64,181</u>
 Non-operating revenue (expenses)		
Impact fees	\$ 848,250	\$ 841,316
Installation fees	190,310	211,733
Interest income	90,678	56,943
Rental income	21,429	17,535
Miscellaneous income	27,198	28,506
Interest expense	(568,381)	(590,568)
Developer contracts	<u>2,300,570</u>	<u>783,916</u>
Total non-operating revenue (expenses)	<u>\$ 2,910,054</u>	<u>\$ 1,349,381</u>
 Change in net position	 \$ 3,239,135	 \$ 1,413,562
 Total net position, beginning	 <u>35,032,493</u>	 <u>33,618,931</u>
 Total net position, ending	 <u>\$ 38,271,628</u>	 <u>\$ 35,032,493</u>

The accompanying notes which begin on page 12 are an integral part of the financial statements.

WELLBORN SPECIAL UTILITY DISTRICT

Statement of Cash Flows

For the Year Ended December 31, 2018

With Comparative Totals for December 31, 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net position	\$ 3,239,135	\$ 1,413,562
Noncash income and expenses included in change in net position		
Depreciation and amortization	1,427,338	1,347,686
Developer contracts income	(2,300,570)	(781,716)
Amortization of bond premium	(25,841)	(33,411)
(Increase) decrease in accounts receivable		
- water service	3,339	(30,137)
- expansion and other fees	(275)	3,412
(Increase) decrease in interest receivable	(189)	252
Increase in prepaid expenses	(9,214)	(5,396)
Increase (decrease) in accounts payable and accrued expenses	212,065	(101,705)
Increase in deferred revenue	<u>1,058,351</u>	<u>-</u>
Cash provided by operating activities	<u>\$ 3,604,139</u>	<u>\$ 1,812,547</u>
Cash Flows From Investing Activities		
Change in investments	\$ 354,920	\$ 758,564
Transfers to/from reserve fund, net	20,679	24,707
Acquisition of land, equipment and improvements to water system	(495,709)	(1,814,503)
Cost of building improvements, purchases of office furniture and equipment	(1,723,131)	(17,677)
Construction in progress	<u>255,731</u>	<u>(1,059,260)</u>
Cash used by investing activities	<u>\$ (1,587,510)</u>	<u>\$ (2,108,169)</u>
Cash Flows From Non-Capital Financing Activities		
Customers deposits, net	\$ 27,800	\$ 33,350
Payment of USDA note principal	(45,873)	(44,107)
Payment of bond/loan principal	<u>(792,000)</u>	<u>(767,000)</u>
Cash used by non-capital financing activities	<u>\$ (810,073)</u>	<u>\$ (777,757)</u>

Continued

The accompanying notes which begin on page 12 are an integral part of the financial statements.

WELLBORN SPECIAL UTILITY DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2018
With Comparative Totals for December 31, 2017
(continued)

	2018	2017
Summary of Cash Flows		
Cash provided by operating activities	\$ 3,604,139	\$ 1,812,547
Cash used by investing activities	(1,587,510)	(2,108,169)
Cash used by non-capital financing activities	(810,073)	(777,757)
Net increase (decrease) in cash	\$ 1,206,556	\$ (1,073,379)
Cash, beginning	2,179,340	3,252,719
Cash, ending	\$ 3,385,896	\$ 2,179,340
Other Cash Flow Information		
Cash paid during the year for interest	\$ 622,012	\$ 637,053
Cash paid during the year for income taxes	\$ -	\$ -

The accompanying notes which begin on page 12 are an integral part of the financial statements.

WELLBORN SPECIAL UTILITY DISTRICT

Notes to Financial Statements

December 31, 2018

Note 1 - Summary of Significant Accounting Policies

Wellborn Special Utility District was formed May 5, 1998 when the members of Wellborn Water Supply Corporation approved a resolution to convert from a nonprofit corporation to a Special Utility District. The District is created under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Texas Water Code Annotated, Chapter 65. Its purpose is to provide water service to the rural area known as the "Wellborn Community". The District is generally bounded by the Brazos River on the west; by FM 2154 and State Highway 6 on the south, by areas along Carters Creek and Lick Creek on the east; and by the City of College Station on the north reflected in the current Certificate of Convenience and Necessity No. 11340 boundary. Wellborn SUD's service area also consists of an area bound to the north by Silver Hill Road extending to the south across Highway 60 adjacent to the existing Wellborn SUD CCN boundary, extending to the west to the Brazos River and then extending east to Turkey Creek Road and adjoining the service area of the City of College Station, Texas and an area located approximately eleven miles northwest of downtown Bryan, Texas and is generally bounded on the north by SH 79 and FM 391; on the east by the boundaries of Wickson Creek Special Utility District; on the south by SH 21 and on the west by the Brazos River. Most of its water service is provided to single family residences and general farm use, though it does service limited commercial and community needs.

Reporting Entity

The financial statements of the District include all funds and operations which are controlled by or dependent upon the District. The District Board's responsibility is to appoint management, set budgets for the District and oversee operations included in these financial statements. The District does not have taxing authority.

Measurement Focus and Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with U. S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's operations are accounted for as a proprietary fund. Proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses recognized when incurred.

The District classifies its net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets – this component consists of capital assets, including restricted capital assets, net of accumulated depreciation.

Restricted – this component consists of external constraints imposed on net position by creditors, grantors, or laws or regulations of other governments or through constitutional provisions or enabling legislation.

Unrestricted – this component consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Budgeting

The Board of Directors of Wellborn Special Utility District approved the original 2018 budget on December 12, 2017 and budget amendments on November 20, 2018. The annual budget is considered a management control and planning tool and, as such, is incorporated into the accounting system of the District. The budget is adopted on a basis consistent with generally accepted accounting principles. The District can make amendments to the budget at any time with the approval of the Board of Directors.

Capital Assets

Land is stated at cost and depreciable capital assets are stated at cost less accumulated depreciation. Water expansion lines acquired by donation are stated at estimated or appraised values at time of receipt. The cost of easements purchased and the value of easements acquired by donation are nominal and are not reflected in the financial statements. The cost of new meters installed and on hand at year end and installation costs are capitalized. Betterments which materially increase the value or life of an asset are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is calculated by the straight-line method, using a 40-year life for water facilities and building and 5, 6, 7, 10 and 20 year lives for certain other assets.

Intangibles

Intangible assets, which consist of service area boundary costs, are stated at cost.

Investments

The District is authorized to invest in one or more of the following securities: 1) U.S. Government obligations 2) Certificates of Deposit issued by state and national banks, or savings and loans, domiciled in Texas which are guaranteed by Federal Deposit Insurance Corporation or are secured by obligations of the U.S. Government or other collateral authorized by law 3) Local Government Investment Pools which operate on a fully disclosed basis, and (4) SEC regulated, no-load money market mutual funds with a dollar-weighted average portfolio of 90 days or less.

Assessments

The collection from customers of a nonrefundable impact fee and a meter installation fee is reflected as income.

Receivables

The District uses the direct write-off method for accounts receivable. A receivable is written off when it is deemed uncollectible.

Deferred Bond Issuance Costs

Deferred bond issuance costs represent underwriter's discount, insurance and other costs related to bond issuance. These costs are capitalized and amortized using the straight-line method over the life of the bonds.

Statements of Cash Flows

For purposes of the statement of cash flows, the District considers highly liquid, short-term investments with original maturities of three months or less to be cash equivalents, except investments which are in escrow.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Cash and Investments

The District has collateral agreements with three financial institutions securing excess deposits with U.S. Government and agency instruments valued at \$10,685,284 as of December 31, 2018.

At December 31, 2018, 100% of the District's non-escrow investments were in certificates of deposit.

The District's investments are categorized to give an indication of level of risk assumed by the District at fiscal year-end. The categories are described as follows:

Category 1 - Insured or registered, or securities held by the District or its agent in the District's name

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the District's name

The District's investments are in compliance with the Public Funds Investment Act.

Cash and investments, categorized by level or risk, are:

	<u>Category 1</u>
Cash	\$ 4,833,132
Non-pooled investments	
Certificates of Deposit	<u>1,777,391</u>
	<u>\$ 6,610,523</u>
Current Assets	
Cash	\$ 3,385,896
Investments	1,110,170
Investments - Reserve Funds	<u>2,114,457</u>
	<u>\$ 6,610,523</u>

Note 3 - Accounts Receivable

Amounts deemed uncollectible, net of recoveries, in 2018 and 2017 were \$2,026 and \$8,097, respectively.

Aged Accounts Receivable

<u>Age</u>	December 31,	
	<u>2018</u>	<u>2017</u>
Current	\$ 280,191	\$ 279,179
31 - 60 days	85,025	87,951
61 - 90 days	7,346	13,089
over 90 days	<u>4,995</u>	<u>677</u>
	<u>\$ 377,557</u>	<u>\$ 380,896</u>

Note 4 – Restricted Investments

The District is required by the current bond ordinance to maintain a Reserve Fund and an Interest and Sinking Fund for the outstanding bonds. As of December 31, 2018, the Reserve Bond Fund balance is \$667,221 and the Interest and Sinking Fund Balance is \$1,447,236. The transfers made to the Funds comply with the current bond ordinance.

As of December 31, 2018, restricted investments are as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Cash on deposit	\$ 1,447,236	\$ 1,447,236
Certificates of Deposit	<u>667,221</u>	<u>667,221</u>
	<u>\$ 2,114,457</u>	<u>\$ 2,114,457</u>

Note 5 - Capital Assets

Capital assets are as follows:

	December 31,	
	<u>2018</u>	<u>2017</u>
Land	\$ 864,637	\$ 864,637
Water Facilities and other equipment	55,590,984	52,794,705
Buildings and improvements, office furniture and equipment	<u>2,196,781</u>	<u>473,650</u>
	\$ 58,652,402	\$ 54,132,992
Accumulated depreciation/amortization	<u>11,635,908</u>	<u>10,243,094</u>
	<u>\$ 47,016,494</u>	<u>\$ 43,889,898</u>

The District has seven operating wells. Four produce approximately 375 gallons of water per minute, one produces 625 gallons per minute, one produces 2,000 gallons per minute and one produces 1,100 gallons per minute. In addition, the District has eight booster pumps, 1,800,000 gallons of ground storage, one 1,000,000 gallon and two 250,000-gallon elevated storage tanks, approximately 1,287,895 feet of transmission lines, one-half million gallons storage tank at Arrington Road, and a conventional surface water treatment plant equipped to produce 1.5 million gallons a day. These assets allow the District to produce its own water supply and reduce its dependence on purchasing water from outside sources.

Note 6 - Notes and Bonds Payable

The District has notes with USDA - Rural Development as follows:

<u>Loan #</u>	<u>Interest Rate</u>	Balance	
		<u>12/31/18</u>	<u>12/31/17</u>
91-08	4.5%	\$ 189,450	\$ 195,288
91-10	3.25%	298,052	307,990
91-11	3.25%	214,636	221,778
91-13	4.375%	1,037,575	1,056,296
91-15	3.625%	<u>207,959</u>	<u>212,193</u>
		<u>\$ 1,947,672</u>	<u>\$ 1,993,545</u>

Note 6 – Notes and Bonds Payable – continued

Year ended December 31,	Approximate		Total
	Interest	Principal	
2019	\$ 77,746	\$ 47,702	\$ 125,448
2020	76,049	49,399	125,448
2021	73,850	51,598	125,448
2022	71,776	53,672	125,448
2023	69,617	55,831	125,448
	<u>\$ 369,038</u>	<u>\$ 258,202</u>	<u>\$ 627,240</u>

The notes payable to the USDA - Rural Development are secured by all assessments, easements, permits, land and improvements, and income ratably with bond obligations.

Pursuant to a loan commitment with the Texas Water Development Board, on March 21, 2000, the District approved the issuance of "Wellborn Special Utility District Water System Revenue Bonds, Series 2000" in the aggregate principal amount of \$3,300,000 payable from the gross revenues of the District's waterworks system. The proceeds were to finance the costs of extending the District's waterworks system and to eliminate the need to purchase water.

The District approved the issuance of "Wellborn Special Utility District Water System Revenue Refunding Bonds, Series 2006" as of April 1, 2006. The District also called for redemption on July 15, 2010 of the "Wellborn Special Utility District Water System Revenue Bonds, Series 2000 totaling \$2,375,000 maturing on July 15 each of the years 2013 through 2024. Net proceeds from the Series 2006 Refunding Bonds have been placed in escrow for the payment of interest and maturing bonds.

Series 2006 Refunding Bonds

Date	Principal	Interest	Debt Service Payment	Interest Rate
1/15/2019	\$ -	\$ 28,010	\$ 28,010	4.00%
7/15/2019	210,000	28,010	238,010	4.00%
1/15/2020	-	23,810	23,810	
7/15/2020	220,000	23,810	243,810	4.00%
1/15/2021	-	19,410	19,410	
7/15/2021	225,000	19,410	244,410	4.00%
1/15/2022	-	14,910	14,910	
7/15/2022	235,000	14,910	249,910	4.00%
1/15/2023	-	10,210	10,210	
7/15/2023	245,000	10,210	255,210	4.10%
1/15/2024	-	5,188	5,188	
7/15/2024	250,000	5,187	255,187	4.15%
	<u>\$ 1,385,000</u>	<u>\$ 203,075</u>	<u>\$ 1,588,075</u>	

Note 6 – Notes and Bonds Payable – continued

The District approved the issuance of “Wellborn Special Utility District Water System Revenue Bonds, Series 2007” dated June 15, 2007 totaling \$3,500,000. The proceeds were used to finance the cost of a surface water plant and were disbursed as the project was constructed. Principal and interest at 2.25% are due as follows:

Series 2007 Revenue Bonds

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service Payment</u>
1/15/2019	\$ -	\$ 31,356	\$ 31,356
7/15/2019	175,000	31,356	206,356
1/15/2020	-	29,125	29,125
7/15/2020	180,000	29,125	209,125
1/15/2021	-	26,785	26,785
7/15/2021	185,000	26,785	211,785
1/15/2022	-	24,334	24,334
7/15/2022	190,000	24,334	214,334
1/15/2023	-	21,816	21,816
7/15/2023	195,000	21,816	216,816
1/15/2024	-	19,184	19,184
7/15/2024	205,000	19,184	224,184
1/15/2025	-	16,365	16,365
7/15/2025	375,000	16,365	391,365
1/15/2026	-	11,115	11,115
7/15/2026	385,000	11,115	396,115
1/15/2027	-	5,629	5,629
7/15/2027	395,000	5,628	400,628
	<u>\$ 2,285,000</u>	<u>\$ 371,417</u>	<u>\$ 2,656,417</u>

Note 6 – Notes and Bonds Payable – continued

The District approved the issuance of “Wellborn Special Utility District Water System Revenue and Refunding Bonds, Series 2008” dated July 15, 2008 totaling \$1,600,000. The proceeds were issued in part to refund the outstanding “Wellborn Special Utility District Water System Revenue Note, Series 2005A.” Principal and interest are due as follows:

Series 2008 Revenue and Refunding Bonds

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service Payment</u>	<u>Interest Rate</u>
1/15/2019	\$ -	\$ 27,000	\$ 27,000	4.50%
7/15/2019	70,000	27,000	97,000	4.50%
1/15/2020	-	25,425	25,425	
7/15/2020	70,000	25,425	95,425	5.00%
1/15/2021	-	23,850	23,850	
7/15/2021	75,000	23,850	98,850	5.00%
1/15/2022	-	21,975	21,975	
7/15/2022	80,000	21,975	101,975	5.00%
1/15/2023	-	19,975	19,975	
7/15/2023	85,000	19,975	104,975	5.25%
1/15/2024	-	17,850	17,850	
7/15/2024	90,000	17,850	107,850	5.25%
1/15/2025	-	15,488	15,488	
7/15/2025	185,000	15,487	200,487	5.25%
1/15/2026	-	10,632	10,632	
7/15/2026	195,000	10,631	205,631	5.25%
1/15/2027	-	5,513	5,513	
7/15/2027	210,000	5,512	215,512	5.25%
	<u>\$ 1,060,000</u>	<u>\$ 335,413</u>	<u>\$ 1,395,413</u>	

The District approved the issuance of “Wellborn Special Utility District Water System Revenue Bonds, Series 2010” on March 16, 2010 totaling \$538,000 to install distribution lines in the Southern part of the system. The bonds are held by the USDA – Rural Development. Principal and interest at 3% are due as follows:

Note 6 – Notes and Bonds Payable – continued

Series 2010 Revenue Bonds

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service Payment</u>
1/15/2019	\$ -	\$ 7,426	\$ 7,426
7/15/2019	7,000	7,304	14,304
1/15/2020	-	7,320	7,320
7/15/2020	7,000	7,240	14,240
1/15/2021	-	7,214	7,214
7/15/2021	8,000	7,096	15,096
1/15/2022	-	7,093	7,093
7/15/2022	8,000	6,977	14,977
1/15/2023	-	6,972	6,972
7/15/2023	9,000	6,858	15,858
1/15/2024	-	6,836	6,836
7/15/2024	9,000	6,761	15,761
1/15/2025	-	6,700	6,700
7/15/2025	9,000	6,590	15,590
1/15/2026	-	6,564	6,564
7/15/2026	10,000	6,456	16,456
1/15/2027	-	6,412	6,412
7/15/2027	10,000	6,308	16,308
1/15/2028	-	6,261	6,261
7/15/2028	11,000	6,193	17,193
1/15/2029	-	6,095	6,095
7/15/2029	11,000	5,995	16,995
1/15/2030	-	5,928	5,928
7/15/2030	12,000	5,832	17,832
1/15/2031	-	5,747	5,747
7/15/2031	12,000	5,653	17,653
1/15/2032	-	5,565	5,565
7/15/2032	13,000	5,505	18,505
1/15/2033	-	5,369	5,369
7/15/2033	13,000	5,281	18,281
1/15/2034	-	5,172	5,172
7/15/2034	14,000	5,088	19,088

Series 2010 Revenue Bonds - continued

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service Payment</u>
1/15/2035	-	4,960	4,960
7/15/2035	14,000	4,880	18,880
1/15/2036	-	4,749	4,749
7/15/2036	15,000	4,697	19,697
1/15/2037	-	4,522	4,522
7/15/2037	16,000	4,448	20,448
1/15/2038	-	4,280	4,280
7/15/2038	16,000	4,210	20,210
1/15/2039	-	4,038	4,038
7/15/2039	17,000	3,972	20,972
1/15/2040	-	3,781	3,781
7/15/2040	18,000	3,740	21,740
1/15/2041	-	3,509	3,509
7/15/2041	19,000	3,451	22,451
1/15/2042	-	3,221	3,221
7/15/2042	20,000	3,169	23,169
1/15/2043	-	2,919	2,919
7/15/2043	21,000	2,871	23,871
1/15/2044	-	2,601	2,601
7/15/2044	21,000	2,573	23,573
1/15/2045	-	2,284	2,284
7/15/2045	22,000	2,246	24,246
1/15/2046	-	1,951	1,951
7/15/2046	23,000	1,919	24,919
1/15/2047	-	1,603	1,603
7/15/2047	25,000	1,577	26,577
1/15/2048	-	1,225	1,225
7/15/2048	26,000	1,212	27,212
1/15/2049	-	832	832
7/15/2049	27,000	818	27,818
1/15/2050	-	423	423
7/15/2050	28,000	417	28,417
	<u>\$ 491,000</u>	<u>\$ 296,909</u>	<u>\$ 787,909</u>

The District approved the issuance of “Wellborn Special Utility District Water System Revenue Bonds, Series 2013” on December 15, 2013, totaling \$9,740,000 to purchase, construct and improve its water system. Principal and interest are due as follows:

Note 6 – Notes and Bonds Payable – continued

Series 2013 Revenue Bonds

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service Payments</u>	<u>Interest Rate</u>
1/15/2019	\$ -	\$ 156,163	\$ 156,163	4.000%
7/15/2019	360,000	156,162	516,162	4.000%
1/15/2020	-	148,963	148,963	
7/15/2020	375,000	148,962	523,962	3.500%
1/15/2021	-	142,400	142,400	
7/15/2021	430,000	142,400	572,400	4.000%
1/15/2022	-	133,800	133,800	
7/15/2022	445,000	133,800	578,800	4.000%
1/15/2023	-	124,900	124,900	
7/15/2023	460,000	124,900	584,900	4.000%
1/15/2024	-	115,700	115,700	
7/15/2024	480,000	115,700	595,700	3.125%
1/15/2025	-	108,200	108,200	
7/15/2025	400,000	108,200	508,200	3.250%
1/15/2026	-	101,700	101,700	
7/15/2026	415,000	101,700	516,700	3.500%
1/15/2027	-	94,438	94,438	
7/15/2027	425,000	94,437	519,437	3.500%
1/15/2028	-	87,000	87,000	
7/15/2028	655,000	87,000	742,000	4.000%
1/15/2029	-	73,900	73,900	
7/15/2029	680,000	73,900	753,900	4.000%
1/15/2030	-	60,300	60,300	
7/15/2030	710,000	60,300	770,300	4.000%
1/15/2031	-	46,100	46,100	
7/15/2031	740,000	46,100	786,100	4.000%
1/15/2032	-	31,300	31,300	
7/15/2032	765,000	31,300	796,300	4.000%
1/15/2033	-	16,000	16,000	
7/15/2033	800,000	16,000	816,000	4.250%
	<u>\$ 8,140,000</u>	<u>\$ 2,881,725</u>	<u>\$ 11,021,725</u>	

Note 6 – Notes and Bonds Payable – continued

Notes and Bonds payable as of December 31, 2018 are as follows:

Note payable - USDA - Rural	
Development	\$ 1,947,672
Series 2006 Bonds	1,385,000
Series 2007 Bonds	2,285,000
Series 2008 Bonds	1,060,000
Series 2010 Bonds	491,000
Series 2013 Bonds	<u>8,140,000</u>
	\$ 15,308,672
Unamortized bond premium	<u>24,975</u>
	\$ 15,333,647
Less current portion (includes \$24,975 bond premium amortization)	<u>894,677</u>
Long-term portion	<u><u>\$ 14,438,970</u></u>

Note 7 – Customer Deposits

A customer deposit is \$100 (prior to 1973 it was \$50). According to the Bylaws, one deposit entitles the customer to one connection to the water main. At December 31, 2018 there were 8,559 customers.

In January 2018, the Board approved an increase in impact fees collected from \$2,100 to \$5,923, effective March 1, 2018. At the Board meeting on March 20, 2018, the Board implemented the following stepped Impact Fee:

<u>If paid on or before close of business on:</u>	<u>Amount of collected new Impact Fee</u>
January 16, 2019	\$ 3,375
January 16, 2020	4,649
January 15, 2021	5,923

All subdivisions platted after January 16, 2018 are subject to the new stepped Impact fee. Any subdivision platted prior to January 16, 2018 will be charged the old Impact Fee of \$2,100. The District collects fees for meter installations ranging from \$317 to \$898, depending on the size of the water line connection and a minimum fee of \$800 if a road bore is necessary.

Note 8 - Water Rates

Water is sold to members at the following rates:

\$9.00 per month	Meters not set
\$26.00 per month	up to 2,000 gallons
\$3.60 per 1,000 gallons	2,001 to 10,000 gallons
\$4.05 per 1,000 gallons	10,001 to 20,000 gallons
\$4.55 per 1,000 gallons	20,001 to 30,000 gallons
\$5.70 per 1,000 gallons	30,001 to 40,000 gallons
\$6.40 per 1,000 gallons	40,001 to 50,000 gallons
\$7.10 per 1,000 gallons	above 50,000 gallons

The District has an interconnection agreement with Wickson Special Utility District to provide emergency backup supply of water to and from each entity.

The District purchased/produced 1,000,840,000 gallons and sold 902,929,665 gallons of water in 2018, which is a 10% line loss.

Note 9 - Retirement Plan

The District has a defined contribution money purchase pension plan covering all employees with one year of service who have attained the age of twenty-one. The District contributes 5% of an eligible employee's compensation. For the period ended December 31, 2018, the District contributed \$33,776. The retirement plan administrator reports the fair market value as of December 31, 2018, as follows:

Vested plan benefits	\$ 464,302
Nonvested plan benefits	<u>8,246</u>
Total retirement plan assets	<u>\$ 472,548</u>

Note 10 - Water Supply Agreement

The District has a water supply agreement, maturing August 31, 2047, with the Brazos River Authority to purchase up to 4,000 acre-feet of water annually from Lake Limestone, Texas. Beginning in April 2009 the District placed in service the necessary facilities or equipment to harness the water from Lake Limestone to the Wellborn Community. The agreement requires payment of a variable annual fee to the Authority.

The current year's water supply contract fee of \$298,700, net of sales of \$130,500, is shown as an operating expense.

Note 11 – Lease Obligations

The District has signed two leases for well sites. One lease has a monthly rental of \$3,000 per month expiring October 2019. One lease has a monthly rental of \$1,500 expiring August 2018. The rental for the year ended December 31, 2018 was \$54,000.

Future minimum lease payments, by year end and in the aggregate, are as follows:

<u>Year ending December 31,</u>	
2019	<u>\$ 24,000</u>
	<u>\$ 24,000</u>

Note 12 – Subsequent Events

These financial statements considered subsequent events through April 16, 2019, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

WELLBORN SPECIAL UTILITY DISTRICT
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
For the Year Ended December 31, 2018

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue				
Water sales	\$ 5,700,000	\$ 5,735,000	\$ 5,474,818	\$ (260,182)
Late payment penalties	75,000	75,000	67,338	(7,662)
Groundwater District assessments	-	-	(3,184)	(3,184)
	<u>\$ 5,775,000</u>	<u>\$ 5,810,000</u>	<u>\$ 5,538,972</u>	<u>\$ (271,028)</u>
Less: water purchased	<u>(1,100,000)</u>	<u>(800,000)</u>	<u>(848,199)</u>	<u>(48,199)</u>
Gross profit	<u>\$ 4,675,000</u>	<u>\$ 5,010,000</u>	<u>\$ 4,690,773</u>	<u>\$ (319,227)</u>
Operating Expenses				
Personnel				
Salaries	\$ 1,050,000	\$ 950,000	\$ 949,268	\$ 732
Pension plan expense	55,000	55,000	33,776	21,224
Health and life insurance	176,500	174,000	156,421	17,579
Payroll taxes	<u>84,000</u>	<u>75,000</u>	<u>74,754</u>	<u>246</u>
	<u>\$ 1,365,500</u>	<u>\$ 1,254,000</u>	<u>\$ 1,214,219</u>	<u>\$ 39,781</u>
System				
Repairs and maintenance	\$ 496,500	\$ 470,300	\$ 408,406	\$ 61,894
Automobile, truck and radio	51,000	46,105	44,897	1,208
Depreciation - water facilities and equipment	1,308,000	1,308,000	1,349,117	(41,117)
Rental expense - well sites	54,000	54,000	54,000	-
Utilities	307,500	287,500	329,880	(42,380)
Chemicals	190,000	205,000	262,678	(57,678)
Supplies	4,000	5,500	6,712	(1,212)
Dues and subscriptions	30,000	30,000	27,689	2,311
Water supply contract fees	296,000	306,000	168,200	137,800
Regulatory monitoring and testing	21,000	34,000	47,626	(13,626)
Employee education and travel	<u>6,800</u>	<u>5,800</u>	<u>7,268</u>	<u>(1,468)</u>
	<u>\$ 2,764,800</u>	<u>\$ 2,752,205</u>	<u>\$ 2,706,473</u>	<u>\$ 45,732</u>
Administration				
Insurance	\$ 55,000	\$ 55,000	\$ 52,845	\$ 2,155
Professional fees	175,000	100,000	99,549	451
Postage	45,000	45,000	52,172	(7,172)
Telephone	17,700	18,700	21,360	(2,660)
Office supplies	13,000	13,000	18,743	(5,743)
Depreciation - office furniture, equipment and building	-	-	43,697	(43,697)

Continued

WELLBORN SPECIAL UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Budget and Actual
For the Year Ended December 31, 2018
(continued)

	Original	Amended		Variance
	Budget	Budget	Actual	Favorable (Unfavorable)
Administration - continued				
Amortization	26,000	34,524	34,524	-
Collection processing fees	50,000	37,500	36,300	1,200
Bad debts	3,500	3,500	2,026	1,474
Equipment rental	18,000	11,500	11,268	232
Advertising	9,000	7,000	7,808	(808)
Contract services	25,000	5,000	2,615	2,385
Miscellaneous	<u>51,800</u>	<u>53,300</u>	<u>58,093</u>	<u>(4,793)</u>
	\$ 489,000	\$ 384,024	\$ 441,000	\$ (48,870)
Total operating expenses	<u>\$ 4,619,300</u>	<u>\$ 4,390,229</u>	<u>\$ 4,361,692</u>	<u>\$ 28,537</u>
Net operating income	<u>\$ 55,700</u>	<u>\$ 619,771</u>	<u>\$ 329,081</u>	<u>\$ (106,073)</u>
Non-operating revenue and (expense)				
Impact fees	\$ 800,000	\$ 800,000	\$ 848,250	\$ 48,250
Installation fees	225,000	225,000	190,310	(34,690)
Interest income	50,000	70,000	90,678	20,678
Rental income	17,900	22,529	21,429	(1,100)
Miscellaneous income	19,300	20,300	27,198	6,898
Interest expense	(606,881)	(606,881)	(568,381)	38,500
Developer contracts	<u>2,000</u>	<u>2,000</u>	<u>2,300,570</u>	<u>2,298,570</u>
Total non-operating revenues (expenses)	<u>\$ 507,319</u>	<u>\$ 532,948</u>	<u>\$ 2,910,054</u>	<u>\$ 2,377,106</u>
Change in net position	<u>\$ 563,019</u>	<u>\$ 1,152,719</u>	<u>\$ 3,239,135</u>	<u>\$ 2,271,033</u>
Total net position beginning			<u>35,032,493</u>	
Total net position ending			<u>\$ 38,271,628</u>	

WELLBORN SPECIAL UTILITY DISTRICT
INDEX – TEXAS SUPPLEMENTARY INFORMATION

December 31, 2018

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WELLBORN SPECIAL UTILITY DISTRICT
 TSI -1 - SERVICES AND RATES
 For the Year Ended December 31, 2018

1. Services Provided by the District:

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

2. Retail Rates Based on 5/8" Meter: Retail Rates Not Applicable

Most prevalent type of meter (if not a 5/8"):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:				\$ 3.60	2,001 to 10,000
				\$ 4.05	10,001 to 20,000
				\$ 4.55	20,001 to 30,000
				\$ 5.70	30,001 to 40,000
				\$ 6.40	40,001 to 50,000
	\$ <u>26.00</u>	<u>0 - 2,000</u>	<u>Y</u>	\$ <u>7.10</u>	<u>50,001 to above</u>
WASTEWATER	<u>\$ N/A</u>	<u>N/A</u>			
SURCHARGE:	<u>\$ N/A</u>	<u>N/A</u>			

District employs winter averaging for wastewater usage? Yes No

Total water charges per 10,000 gallons usage (including surcharges). \$ 54.80

Retail Service Providers: Number of retail water and/or wastewater* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted.

	Active Connections	Active ESFC	Inactive Connections (ESFC)**
Single Family	<u>8,559</u>	<u>0</u>	<u>12</u>
Multi-Family	<u>0</u>	<u>0</u>	<u>0</u>
Commercial	<u>57</u>	<u>0</u>	<u>0</u>
Wastewater	<u>-</u>	<u>0</u>	<u>0</u>
Other - recreational centers, government & VFD	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>8,616</u></u>	<u><u>0</u></u>	<u><u>12</u></u>

* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

** "Inactive" means that water and wastewater connections were made, but service is not being provided.

3. Total Water Consumption (In Thousands) During the Fiscal Year:

Gallons pumped into system:	<u>1,000,840</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>902,930</u>	(Gallons billed/Gallons pumped)
		<u>90.00%</u>

4. Standby Fees:

Does the District assess standby fees? Yes No

Does the District have Operation and Maintenance standby fees? Yes No

5. Location of District:

County (ies) in which District is located. Brazos and Robertson

Is the District located entirely within one county? Yes No

Is the District located entirely within a city? Entirely Partly Not at all

City (ies) in which District is located. College Station and Bryan

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ's in which District is located. College Station and Bryan

WELLBORN SPECIAL UTILITY DISTRICT
 TSI-2 – SCHEDULE OF GENERAL FUND EXPENDITURES
 For the Year Ended December 31, 2018

Personnel Expenditures	
(including benefits)	\$ <u>1,214,219</u>
Professional fees:	
Auditing	\$ <u>14,430</u>
Legal	\$ <u>33,405</u>
Engineering	\$ <u>53,046</u>
Financial advisor	\$ <u>-</u>
Purchased Services for Resale	
Bulk Water & Wastewater Service Purchases	\$ <u>848,199</u>
Contracted Services:	
Bookkeeping	\$ <u>-</u>
General Manager	\$ <u>-</u>
Appraisal District	\$ <u>-</u>
Tax Collector	\$ <u>-</u>
Other Contracted Services	\$ <u>2,615</u>
Utilities	\$ <u>329,880</u>
Repairs and Maintenance	\$ <u>408,406</u>
Administrative Expenditures:	
Directors' Fees	\$ <u>-</u>
Office Supplies	\$ <u>18,743</u>
Insurance	\$ <u>52,845</u>
Other Administrative Expenditures	\$ <u>806,840</u>
Capital Outlay:	
Capitalized Assets	\$ <u>3,366,469</u>
Expenditures not Capitalized	\$ <u>-</u>
Tap Connection Expenditures	
Solid Waste Disposal	\$ <u>-</u>
Fire Fighting	\$ <u>-</u>
Parks and Recreation	\$ <u>-</u>
Other Expenditures	\$ <u>-</u>
TOTAL EXPENDITURES	\$ <u>7,149,097</u>

Number of persons employed by the District: 18 Full-Time 1 Part-time
 (Do not include independent contractors or consultants.)

WELLBORN SPECIAL UTILITY DISTRICT
 TSI-3 - SCHEDULE OF TEMPORARY INVESTMENTS
 For the Year Ended December 31, 2018

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at 12/31/18	Accrued Interest at 12/31/18
<u>Current Assets and Reserve Funds</u>					
Certificates of Deposit					
The Bank & Trust	#614624413293	2.15%	6/8/2020	\$ 109,856	\$ 149
Commerce National	#200006518	1.74%	11/3/2019	252,518	337
The Bank & Trust	#621000010047	2.00%	9/30/2019	310,675	17
Prosperity Bank	#99127164	1.20%	9/24/2020	215,491	50
Guaranty Bank	#6207162	2.14%	5/22/2020	256,504	602
The Bank & Trust	#621000011565	1.85%	8/27/2019	311,185	536
The Bank & Trust	#621000012423	1.95%	4/20/2020	321,162	1,235
				<u>\$ 1,777,391</u>	<u>\$ 2,926</u>

WELLBORN SPECIAL UTILITY DISTRICT
 TSI-5 – LONG-TERM SERVICE REQUIREMENTS BY YEARS
 For the Year Ended December 31, 2018

DUE DURING FISCAL YEARS ENDING	PRINCIPAL DUE	INTEREST DUE	TOTAL
USDA - Rural Development			
2019	\$ 47,702	\$ 77,746	\$ 125,448
2020	49,399	76,049	125,448
2021	51,598	73,850	125,448
2022	53,672	71,776	125,448
2023	55,831	69,617	125,448
2024	57,886	67,562	125,448
2025	60,410	65,038	125,448
2026	62,847	62,601	125,448
2027	65,383	60,065	125,448
2028	67,860	57,588	125,448
2029	70,769	54,679	125,448
2030	73,633	51,815	125,448
2031	76,615	48,833	125,448
2032	79,590	45,858	125,448
2033	82,951	42,497	125,448
2034	86,320	39,128	125,448
2035	89,828	35,620	125,448
2036	93,390	32,058	125,448
2037	97,286	28,162	125,448
2038	91,581	24,323	115,904
2039	80,077	20,894	100,971
2040	58,204	18,212	76,416
2041	60,782	15,634	76,416
2042	63,420	12,996	76,416
2043	66,172	10,244	76,416
2044	69,021	7,395	76,416
2045	72,041	4,375	76,416
2046	63,404	1,264	64,668
	<u>\$ 1,947,672</u>	<u>\$ 1,175,879</u>	<u>\$ 3,123,551</u>

WELLBORN SPECIAL UTILITY DISTRICT
 TSI-5 – LONG-TERM SERVICE REQUIREMENTS BY YEARS
 For the Year Ended December 31, 2018

DUE DURING FISCAL YEARS ENDING	PRINCIPAL DUE	INTEREST DUE	TOTAL
Series 2006 Revenue and Refunding Bonds			
2019	\$ 210,000	\$ 56,020	\$ 266,020
2020	220,000	47,620	267,620
2021	225,000	38,820	263,820
2022	235,000	29,820	264,820
2023	245,000	20,420	265,420
2024	250,000	10,375	260,375
	<u>\$ 1,385,000</u>	<u>\$ 203,075</u>	<u>\$ 1,588,075</u>
Series 2007 Revenue Bonds			
2019	\$ 175,000	\$ 62,712	\$ 237,712
2020	180,000	58,250	238,250
2021	185,000	53,570	238,570
2022	190,000	48,668	238,668
2023	195,000	43,632	238,632
2024	205,000	38,368	243,368
2025	375,000	32,730	407,730
2026	385,000	22,230	407,230
2027	395,000	11,257	406,257
	<u>\$ 2,285,000</u>	<u>\$ 371,417</u>	<u>\$ 2,656,417</u>

WELLBORN SPECIAL UTILITY DISTRICT
 TSI-5 – LONG-TERM SERVICE REQUIREMENTS BY YEARS
 For the Year Ended December 31, 2018

DUE DURING FISCAL YEARS	PRINCIPAL	INTEREST	TOTAL
<u>ENDING</u>	<u>DUE</u>	<u>DUE</u>	
	Series 2008 Revenue and Refunding Bonds		
2019	\$ 70,000	\$ 54,000	\$ 124,000
2020	70,000	50,850	120,850
2021	75,000	47,700	122,700
2022	80,000	43,950	123,950
2023	85,000	39,950	124,950
2024	90,000	35,700	125,700
2025	185,000	30,975	215,975
2026	195,000	21,263	216,263
2027	210,000	11,025	221,025
	<u>\$ 1,060,000</u>	<u>\$ 335,413</u>	<u>\$ 1,395,413</u>

WELLBORN SPECIAL UTILITY DISTRICT
 TSI-5 – LONG-TERM SERVICE REQUIREMENTS BY YEARS
 For the Year Ended December 31, 2018

DUE DURING FISCAL YEARS	PRINCIPAL	INTEREST	TOTAL
<u>ENDING</u>	<u>DUE</u>	<u>DUE</u>	
Series 2010 Revenue Bonds			
2019	\$ 7,000	\$ 14,730	\$ 21,730
2020	7,000	14,560	21,560
2021	8,000	14,310	22,310
2022	8,000	14,070	22,070
2023	9,000	13,830	22,830
2024	9,000	13,597	22,597
2025	9,000	13,290	22,290
2026	10,000	13,020	23,020
2027	10,000	12,720	22,720
2028	11,000	12,454	23,454
2029	11,000	12,090	23,090
2030	12,000	11,760	23,760
2031	12,000	11,400	23,400
2032	13,000	11,070	24,070
2033	13,000	10,650	23,650
2034	14,000	10,260	24,260
2035	14,000	9,840	23,840
2036	15,000	9,446	24,446
2037	16,000	8,970	24,970
2038	16,000	8,490	24,490
2039	17,000	8,010	25,010
2040	18,000	7,521	25,521
2041	19,000	6,960	25,960
2042	20,000	6,390	26,390
2043	21,000	5,790	26,790
2044	21,000	5,174	26,174
2045	22,000	4,530	26,530
2046	23,000	3,870	26,870
2047	25,000	3,180	28,180
2048	26,000	2,437	28,437
2049	27,000	1,650	28,650
2050	28,000	840	28,840
	<u>\$ 491,000</u>	<u>\$ 296,909</u>	<u>\$ 787,909</u>

WELLBORN SPECIAL UTILITY DISTRICT
 TSI-5 – LONG-TERM SERVICE REQUIREMENTS BY YEARS
 For the Year Ended December 31, 2018

DUE DURING FISCAL YEARS ENDING	PRINCIPAL DUE	INTEREST DUE	TOTAL
Series 2013 Revenue Bonds			
2019	\$ 360,000	\$ 312,325	\$ 672,325
2020	375,000	297,925	672,925
2021	430,000	284,800	714,800
2022	445,000	267,600	712,600
2023	460,000	249,800	709,800
2024	480,000	231,400	711,400
2025	400,000	216,400	616,400
2026	415,000	203,400	618,400
2027	425,000	188,875	613,875
2028	655,000	174,000	829,000
2029	680,000	147,800	827,800
2030	710,000	120,600	830,600
2031	740,000	92,200	832,200
2032	765,000	62,600	827,600
2033	800,000	32,000	832,000
	<u>\$ 8,140,000</u>	<u>\$ 2,881,725</u>	<u>\$ 11,021,725</u>

WELLBORN SPECIAL UTILITY DISTRICT
 TSI-5 – LONG-TERM SERVICE REQUIREMENTS BY YEARS
 For the Year Ended December 31, 2018

DUE DURING FISCAL YEARS ENDING	PRINCIPAL DUE	INTEREST DUE	TOTAL
Annual Requirements for All Series			
2019	\$ 869,702	\$ 577,533	\$ 1,447,235
2020	901,399	545,254	1,446,653
2021	974,598	513,050	1,487,648
2022	1,011,672	475,884	1,487,556
2023	1,049,831	437,249	1,487,080
2024	1,091,886	397,002	1,488,888
2025	1,029,410	358,433	1,387,843
2026	1,067,847	322,514	1,390,361
2027	1,105,383	283,942	1,389,325
2028	733,860	244,042	977,902
2029	761,769	214,569	976,338
2030	795,633	184,175	979,808
2031	828,615	152,433	981,048
2032	857,590	119,528	977,118
2033	895,951	85,147	981,098
2034	100,320	49,388	149,708
2035	103,828	45,460	149,288
2036	108,390	41,504	149,894
2037	113,286	37,132	150,418
2038	107,581	32,813	140,394
2039	97,077	28,904	125,981
2040	76,204	25,733	101,937
2041	79,782	22,594	102,376
2042	83,420	19,386	102,806
2043	87,172	16,034	103,206
2044	90,021	12,569	102,590
2045	94,041	8,905	102,946
2046	86,414	5,134	91,548
2047	25,000	3,180	28,180
2048	26,000	2,437	28,437
2049	27,000	1,650	28,650
2050	27,990	840	28,830
	<u>\$ 15,308,672</u>	<u>\$ 5,264,418</u>	<u>\$ 20,573,090</u>

WELLBORN SPECIAL UTILITY DISTRICT
 TSI-6 – CHANGES IN LONG-TERM BONDED DEBT
 For the Year Ended December 31, 2018

	<u>Series 2006</u>	<u>Series 2007</u>	<u>Series 2008</u>	<u>Series 2010</u>	<u>Series 2013</u>	<u>Total</u>
Interest rate	4 -4.15%	2.25 - 2.85%	3.75 - 5.25%	3%	3.125 - 4.25%	
Dates Interest Payable	1/15; 7/15	1/15; 7/15	1/15; 7/15	1/15; 7/15	1/15; 7/15	
Maturity Dates	7/15/2024	7/15/2027	7/15/2027	7/15/2050	7/15/2033	
Beginning Bonds						
Outstanding	\$ 1,590,000	\$ 2,450,000	\$ 1,125,000	\$ 498,000	\$ 8,490,000	\$ 14,153,000
Bonds Sold During the						
Fiscal Year	-	-	-	-	-	-
Bonds Retired During the						
Fiscal Year	<u>(205,000)</u>	<u>(165,000)</u>	<u>(65,000)</u>	<u>(7,000)</u>	<u>(350,000)</u>	<u>(792,000)</u>
Ending Bonds Outstanding	<u>\$ 1,385,000</u>	<u>\$ 2,285,000</u>	<u>\$ 1,060,000</u>	<u>\$ 491,000</u>	<u>\$ 8,140,000</u>	<u>\$ 13,361,000</u>

Interest Paid During						
the Fiscal Year	<u>\$ 64,220</u>	<u>\$ 66,838</u>	<u>\$ 56,925</u>	<u>\$ 14,940</u>	<u>\$ 324,575</u>	<u>\$ 527,498</u>

Paying Agent's Name and City	
Series 2006	JPMorgan Chase Bank, Dallas, Texas
Series 2007	Regions Bank, Houston, Texas
Series 2008	Regions Bank, Houston, Texas
Series 2010	USDA Rural Development, Bryan, Texas
Series 2013	Regions Bank, Houston, Texas

Bond Authority:		
	<u>Other</u>	<u>Refunding</u>
	<u>Bonds</u>	<u>Bonds</u>
Amount Authorized	<u>\$ 13,778,000</u>	<u>\$ 3,975,000</u>
Amount Issued	<u>\$ 13,778,000</u>	<u>\$ 3,975,000</u>
Remaining To Be Issued	<u>\$ -</u>	<u>\$ -</u>

Debt Service Fund cash and temporary investment as of 12/31/18	<u>\$ 1,447,236</u>
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Average annual debt service payment (Principal and Interest) for remaining term of all debt	<u>\$ 640,726</u>
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WELLBORN SPECIAL UTILITY DISTRICT
 TSI-7 – COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES – ENTERPRISE FUND –
 FIVE YEARS
 For the Year Ended December 31, 2018

	AMOUNTS				
	2018	2017	2016	2015	2014
OPERATING REVENUES					
Water/wastewater Service	<u>\$ 5,538,972</u>	<u>\$ 5,461,053</u>	<u>\$ 4,893,006</u>	<u>\$ 4,773,863</u>	<u>\$ 4,528,559</u>
OPERATING EXPENSES					
Water purchased	\$ 848,199	\$ 1,094,787	\$ 641,602	\$ 483,290	\$ 427,539
Professional fees	99,624	236,100	103,649	115,043	110,140
Contract services	2,615	31,747	4,654	11,179	541
Payroll	1,214,219	1,162,719	1,186,346	1,012,343	886,002
Utilities	329,880	297,585	327,558	295,845	315,241
Materials and supplies	6,712	4,378	4,959	3,394	3,533
Repairs and maintenance	408,406	397,971	415,098	348,670	277,622
Depreciation and amortization	1,427,338	1,347,686	999,641	936,940	925,650
Other operating expenses	<u>872,898</u>	<u>823,899</u>	<u>818,797</u>	<u>648,254</u>	<u>628,200</u>
	<u>\$ 5,209,891</u>	<u>\$ 5,396,872</u>	<u>\$ 4,502,304</u>	<u>\$ 3,854,958</u>	<u>\$ 3,574,468</u>
Operating revenue	<u>\$ 329,081</u>	<u>\$ 64,181</u>	<u>\$ 390,702</u>	<u>\$ 918,905</u>	<u>\$ 954,091</u>
NON-OPERATING REVENUES					
(EXPENSES)					
Impact fees	\$ 848,250	\$ 841,316	\$ 952,100	\$ 1,197,000	\$ 1,139,526
Installation fees	190,310	211,733	291,146	327,984	285,074
Investment income	90,678	56,943	60,100	63,330	58,680
Gain on sale of fixed assets	-	-	8,056	-	998,297
Miscellaneous income	48,627	46,041	40,372	39,009	32,217
Interest expense	(568,381)	(590,568)	(604,501)	(630,652)	(653,043)
Cost sharing contracts	<u>2,300,570</u>	<u>783,916</u>	<u>1,449,986</u>	<u>772,930</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>\$ 2,910,054</u>	<u>\$ 1,349,381</u>	<u>\$ 2,197,259</u>	<u>\$ 1,769,601</u>	<u>\$ 1,860,751</u>
Net income	<u><u>\$ 3,239,135</u></u>	<u><u>\$ 1,413,562</u></u>	<u><u>\$ 2,587,961</u></u>	<u><u>\$ 2,688,506</u></u>	<u><u>\$ 2,814,842</u></u>

WELLBORN SPECIAL UTILITY DISTRICT
 TSI-7 – COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES – ENTERPRISE FUND –
 FIVE YEARS
 For the Year Ended December 31, 2018

	<u>PERCENT OF FUND TOTAL REVENUES</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPERATING REVENUES					
Water/wastewater Service	<u>61.4%</u>	<u>73.8%</u>	<u>63.6%</u>	<u>66.5%</u>	<u>64.3%</u>
OPERATING EXPENSES					
Water purchased	9.4%	14.8%	8.3%	6.7%	6.0%
Professional fees	1.1%	3.2%	1.4%	1.6%	1.6%
Contracted services	0.1%	0.4%	0.1%	0.2%	0.0%
Payroll	13.5%	15.7%	15.4%	14.1%	12.6%
Utilities	3.7%	4.0%	4.3%	4.1%	4.4%
Materials and supplies	0.1%	0.1%	0.1%	0.1%	0.1%
Repairs and maintenance	4.4%	5.4%	4.9%	4.9%	4.0%
Depreciation and amortization	15.8%	18.2%	13.0%	13.1%	13.2%
Other operating expenses	<u>9.7%</u>	<u>11.1%</u>	<u>10.6%</u>	<u>9.0%</u>	<u>9.0%</u>
Total operating expenses	<u>57.8%</u>	<u>72.9%</u>	<u>58.0%</u>	<u>53.7%</u>	<u>50.8%</u>
Operating income	<u>3.6%</u>	<u>0.9%</u>	<u>5.6%</u>	<u>12.8%</u>	<u>13.5%</u>
NON-OPERATING REVENUES					
(EXPENSES)					
Impact fees	9.5%	11.4%	12.4%	16.7%	16.2%
Installation fees	2.1%	2.9%	3.8%	4.6%	4.0%
Investment income	1.0%	0.8%	0.8%	0.9%	0.8%
Gain on sale of fixed assets	0.0%	0.0%	0.1%	0.0%	14.2%
Miscellaneous income	0.5%	0.5%	0.5%	0.6%	0.5%
Interest expense	-6.3%	-8.0%	-7.9%	-9.0%	-9.0%
Cost sharing contracts	<u>25.5%</u>	<u>10.6%</u>	<u>18.8%</u>	<u>10.8%</u>	<u>0.0%</u>
Total non-operating					
revenues (expenses)	<u>32.3%</u>	<u>18.2%</u>	<u>28.5%</u>	<u>24.6%</u>	<u>26.7%</u>
Net income	<u>35.9%</u>	<u>19.1%</u>	<u>34.2%</u>	<u>37.4%</u>	<u>40.2%</u>

WELLBORN SPECIAL UTILITY DISTRICT
 TSI-8 - BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
 For the Year Ended December 31, 2018

<u>Names and Addresses:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Salary/ Fees FYE 12/31/18</u>	<u>Expense Reimbursements FYE 12/31/18</u>	<u>Title at Year End</u>	<u>Resident of District</u>
Board Members:					
George Faulkner 18819 Tallulah Trail College Station, TX 77845	5/16 - 5/19	None	None	President	Yes
Gary Lightsey 13412 Old Hearne Road Bryan, TX 77807	5/16 - 5/19	None	None	Vice-Pres.	Yes
Ronald Kay 4033 Stillforest Circle College Station, TX 77845	5/15 - 5/18	None	None	Treasurer	Yes
Gwendolyn Hattaway P. O. Box 118 Wellborn, TX 77881	5/17 - 5/20	None	None	Secretary	Yes
Paula Downie 1650 Harris Drive College Station, TX 77845	5/17 - 5/20	None	None	Director	Yes
Rick Young 5250 Hidden Acres College Station, TX 77845	5/17 - 5/20	None	None	Director	Yes
Charles Johnson 1204 Mariners Cove College Station, TX 77845	5/16 - 5/19	None	None	Director	Yes
Larry Michalcheck 4725 Stoney Brook College Station, TX 77845	5/15 - 5/18	None	None	Director	Yes
Travis Miller 18555 Anasazi Bluff College Station, TX 77845	5/18 - 5/21	None	None	Director	Yes

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

WELLBORN SPECIAL UTILITY DISTRICT
 TSI-8 - BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
 For the Year Ended December 31, 2018
 (Continued)

<u>Names and Addresses:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Salary/ Fees FYE 12/31/18</u>	<u>Expense Reimbursements FYE 12/31/18</u>	<u>Title at Year End</u>	<u>Resident of District</u>
Key Administrative Personnel:					
Stephen Cast 15613 Whites Creek Rd. College Station, TX 77845	1/94	\$ 129,919		General Manager	N/A
Consultants:					
Milberger, Nesbitt & Ask, L.L.P. 3833 S. Texas Ave., Suite 240 Bryan, TX 77802	5/99	14,430		Independent Auditor	N/A
CP&Y, Inc. 1733 Briarcrest Dr., Suite 104 Bryan TX 77802	3/12	274,641		Engineer	N/A
Watson Law Firm, L.L.P. 1450 Copperfield, Suite 300 College Station, TX 77845	2015	15,344		General Counsel	N/A
Jackson Walker, LLP 100 Congress Ave., Suite 1100 Austin, TX 78731	5/99	21,284		Attorney	N/A

ADDITIONAL REQUIRED REPORTS

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

Board of Directors
Wellborn Special Utility District
Wellborn, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wellborn Special Utility District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Wellborn Special Utility District's basic financial statements, and have issued our report thereon dated April 16, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wellborn Special Utility District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Bryan, Texas
April 16, 2019

MILBERGER, NESBITT & ASK, L.L.P.
Certified Public Accountants