

Lee-Fayette Counties Cummins Creek
Water Control & Improvement District No. 1

Financial Statements
September 30, 2017

Lee-Fayette Counties Cummins Creek
Water Control & Improvement District No. 1
For the year ending September 30, 2017

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Medack & Oltmann, LLP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Lee-Fayette Counties Cummins Creek Water Control and Improvement District No. 1

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Lee-Fayette Counties Cummins Creek Water Control and Improvement District No. 1, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 misstatements 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, and each major fund, of Lee-Fayette Counties Cummins Creek Water Control and Improvement District No. 1, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of American require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 18 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 Lee-Fayette Counties Cummins Creek Water Control and Improvement District No. 1's financial statements. The supplementary information as required by the Texas Commission on Environmental Quality is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Medack & Oltmann, LLP
Giddings, Texas
October 25, 2017

Lee-Fayette Counties Cummins Creek Water Control and Improvement District No. 1

MANAGEMENT DISCUSSION AND ANALYSIS

This Section of the annual financial report of Lee-Fayette Counties Cummins Creek Water Control and Improvement District No. 1 presents our discussion and analysis of the District's financial matters for the Fiscal Year ended September 30, 2017. Please read this general discussion in conjunction with the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$ 456,501, an increase of \$55,264.
- The general fund reported a fund balance of \$452,799, an increase of \$55,264.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. GASB provides that for governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. The District presents the governmental funds in the first column. The next column is an adjustments column, reconciling the amounts reported in the governmental funds to show how each would change when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements. For governmental activities, this last column tells how these services were financed in the short term as well as what remains for future spending.

REPORT ON THE DISTRICT AS A WHOLE

One of the questions that can be asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities present information about the District as a whole and its activities in a way that helps answer this question. These statements (as reported in the last column of each of the statements) include all of the District's assets and liabilities, utilizing 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 columns report the District's net assets and changes in them. The difference between assets and liabilities, net assets, are one way to measure the District's financial health. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other non-financial factors such as changes in the District's property tax base must also be considered in an assessment of the overall financial health of the District.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

REPORTING THE DISTRICT'S GOVERNMENTAL FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare that information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The District maintains only one governmental fund – the General Fund.

Notes to the financial statements. The notes provide additional information that is necessary and helpful to full understanding of the data provided in the statements of this annual report.

THE DISTRICT AS A WHOLE

Comparatively, the District's finances and operations remained substantially the same as in prior years. Its net assets are in cash deposits and it does not have any long term debts in the form of bonded indebtedness or bank borrowings either short term or long term. Revenues show a small increase due to increases in appraised values of land and mineral properties. These taxable values have increased sufficiently to offset the decline in value of improvements and personal properties and show a nominal increase in the total appraised taxable value.

Governmental activities increased the District's net position by \$55,264. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) of the District's governmental activities:

**Table 1
Governmental Activities
Net Position**

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets	\$ 456,501	\$ 401,419
Deferred Outflows of Resources	\$ -0-	\$ -0-
Deferred Inflows of Resources	\$ -0-	\$ -0-
Liabilities		
Current Liabilities	\$ -0-	\$ -0-
Net Position		
Net Investment in Capital Assets	-0-	-0-
Restricted	100,262	73,447
Unrestricted	<u>356,239</u>	<u>327,972</u>
Total Net Position	\$ 456,501	\$ 401,419

**Table 2
Changes in Net Position**

	<u>2017</u>	<u>2016</u>
Revenues:		
Property Taxes	\$ 119,912	\$ 111,657
Interest Earnings	3,106	2,679
Grant Revenue	<u>0</u>	<u>13,389</u>
Total General Revenues	\$ 123,018	\$ 127,725
Expenses:		
Facilities Maintenance	\$ 15,031	\$ 15,998
Dam Site Inspection	7,406	7,803
Election Costs	0	281
Board of Directors Expenditures	15,099	12,613
Board of Directors Fees	5,850	4,350
Bonds & Insurance	175	175
Legal & Professional	14,246	3,500
Office Rent	1,200	1,200
Secretarial	4,331	3,070
Meetings	-991-	-0-
Tax Collection Expenditures	<u>3,425</u>	<u>3,114</u>
Total Expenses	\$ 67,754	\$ 52,104
Changes in Net Position	\$ 55,264	\$ 75,621
Net Position – Beginning	<u>401,237</u>	<u>325,798</u>
Net Position – Ending	\$ 456,501	\$ 401,419

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

Most of the District’s funds come from Ad Valorem taxes (97.2% in 2017 and 87.4% in 2016). The remaining minor revenues come from sources such as interest on deposited funds and, occasionally, miscellaneous revenues, such as the grant reimbursement for the fiscal years ending September 30, 2017, and 2016.

BUDGETARY HIGHLIGHTS

The actual charges to appropriation (expenditures) were \$64,933 less than the original budget amounts. Resources available for appropriation were \$4,358 more than the original budgeted amount.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Lee-Fayette Counties Cummins Creek WCID #1 has recently retained the legal firm of Lloyd, Gosselink, Rochelle, and Townsend, PC to help us stay on top of constantly changing governmental entity requirements. They have been working on updating our investment policy, records retention policy, and District bylaws. This would help explain the higher than average legal expenses showing in fiscal year 2017. The District should have these policies in place in the coming months.

Heavy rains and flooding occurred in April/May of 2016, and additional heavy rains and flooding occurred in August of 2017 from Hurricane Harvey. All of this, along with some flooding events in 2015, have resulted in substantial damage to several flood control sites within the Lee-Fayette

Counties Cummins Creek WCID #1 territory. This damage has been estimated at \$1.5 million dollars. This is only an estimate, as actual costs to repair the damage could go substantially higher as we begin to undertake the repairs. Site 30 has sustained the most detrimental damage to the emergency spillway, and we are in the process of going out for bids to repair this site, prioritizing it as a HIGHEST PRIORITY site to be repaired. We will be using EWP (Emergency Watershed Protection) funds, that have already been approved in the form of a grant, from the Federal Government for \$1,500,905 to help pay for these repairs. There are a total of 6 sites that sustained significant damage from the flooding events.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Kevin Ullrich, President
Lee-Fayette Counties Cummins Creek
Water Control and Improvement District No. 1
P. O. Box 1026
La Grange, Texas 78945

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF POSITION
SEPTEMBER 30, 2017

	<u>General Fund</u>	<u>Adjustments (Note 7)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash:			
Checking	\$ 6,770	\$ -	\$ 6,770
Certificate of Deposit	202,625	-	202,625
Money Market Account	141,942	-	141,942
Taxes Receivable	3,702	-	3,702
Prepaid Expenses	1,200	-	1,200
Restricted Cash:			
Certificate of Deposit	100,262		100,262
Total Assets	<u>\$ 456,501</u>	<u>\$ -</u>	<u>\$ 456,501</u>
DEFERRED OUTFLOWS OF RESOURCES		<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES -			
Deferred Revenue - Property Taxes	<u>3,702</u>	<u>(3,702)</u>	<u>\$ -</u>
FUND BALANCES / NET POSITION			
Fund Balances:			
Nonspendable	\$ 1,200	(1,200)	\$ -
Restricted	100,262	(100,262)	-
Committed	-		-
Assigned	-		-
Unassigned	351,337	(351,337)	-
Total fund balances	<u>452,799</u>	<u>(452,799)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 456,501</u>		
Net Position:			
Net Investment in Capital Assets		\$ -	\$ -
Unrestricted		356,239	356,239
Restricted		100,262	100,262
Total Net Position		<u>456,501</u>	<u>\$ 456,501</u>

The accompanying notes are an integral part of the financial statements

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES AND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Adjustments (Note 7)	Statement of Activities
EXPENDITURES/EXPENSES			
Facilities Maintenance	\$ 15,031	\$ -	\$ 15,031
Dam Site Inspection	7,406	-	7,406
General Board of Directors Expenditures	15,099	-	15,099
General Board of Directors Fees	5,850	-	5,850
Bonds and Insurance	175	-	175
Legal and Professional	14,246	-	14,246
Office Rent	1,200	-	1,200
Secretarial	4,331	-	4,331
Meetings	991	-	991
Tax Collection Expenditures	3,425	-	3,425
Total Expenditures/Expenses	<u>67,754</u>	<u>-</u>	<u>67,754</u>
PROGRAM REVENUES			
Net Program Expense			<u>67,754</u>
GENERAL REVENUES			
Property Taxes	119,912	-	119,912
Interest Earnings	3,106	-	3,106
Total General Revenues	<u>123,018</u>	<u>-</u>	<u>123,018</u>
Excess (deficiency) of revenues over expenditures	55,264	(55,264)	-
Change in net position	-	55,264	55,264
Fund balance/net position:			
Beginning of the year	397,535	3,702	401,237
End of the year	<u>\$ 452,799</u>	<u>\$ 3,702</u>	<u>\$ 456,501</u>

The accompanying notes are an integral part of the financial statements

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Creation of District

The Lee-Fayette Counties Cummins Creek Water Control and Improvement District Number One was created under Section 59 Article XVI of the Texas Constitution and Chapter 3A, Title 128, R.C.S. 1925 as amended. The District is operating under a July 16, 1962, agreement with the Natural Resources Conservation Service of the United States Department of Agriculture. The facility maintenance operations are supervised by the Natural Resource Conservation Service, an agency of the U.S. Department of Agriculture. The Texas Commission on Environmental Quality supervises financial reporting obligations. The District is a separate reporting entity and is not a component unit.

Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The basic – but not the only – criterion for including a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units appear to exist.

Basis of Presentation

The financial statements for the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

GASB set forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses or either fund category or governmental and enterprise combined. Due to the fund structure of the District, all funds

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

have been classified as major funds. As a part of this Statement, there is a reporting requirement regarding the local government's infrastructure (road, bridges, etc.) The District does not own any infrastructure assets and therefore is unaffected by this requirement.

The financial transactions of the District are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. For the fiscal year ending September 30, 2017, there is only one fund of the District – the General Fund (as described later).

The District uses only one fund type – the Governmental Fund. The focus of Governmental Fund measurement (in the Fund Financial Statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The General Fund (in the Governmental Fund type) is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

Basic Financial Statements

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. This reporting model focus is on either the District as a whole or major individual funds (within the fund financial statements). In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporated long-term assets and receivables as well as long-term debt and obligations. The District does not have any business-type activities.

The government-wide Statement of Activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. For the fiscal year ending September 30, 2017, there were no program revenues.

The net cost by function is normally covered by general revenues (intergovernmental revenues, interest income, etc). Historically, the previous model did not summarize or present net cost by function or activity. The District does not currently employ indirect cost allocation systems.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District’s actual experience conforms to the budget or fiscal plan.

GASB provides that for governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. The District presents the general fund in the first column. The next column is an adjustments column. It reconciles the amounts reported in the governmental funds to show how each

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

would change when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements.

Budgeting

The budget is not officially adopted annually by the Board of Directors for the General Fund. The annual budget is prepared using the cash basis of accounting. The original and final budgets are presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual. All annual appropriations lapse at fiscal year end.

Use of Estimates

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

Net Position

The government-wide Financial Statement utilizes a net position presentation. Net Position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – is intended to reflect the portion of net position which are associated with non-liquid, capital assets.

Restricted Assets – are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted Assets – represent unrestricted liquid assets.

Deferred Outflows and Inflows of Resources

The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District complies with GASB No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reports as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Fair Value Measurements

The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

NOTE 2: TAX ASSESSMENT

The District has contracted with the County Tax Assessor Collectors of Lee and Fayette Counties to bill and collect its property tax. The District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the roll as of January 1, 2016, upon which the 2016 levy was based, was \$98,514,535 (Lee) and \$474,661,374 (Fayette) as certified by the Central Appraisal District of the respective counties.

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2: TAX ASSESSMENT (continued)

Taxes are due by January 31 following the October 1 levy date. On February 1 of each year, a tax lien attaches to the property. The total 2016 levy was \$20,786 (Lee) and \$100,154 (Fayette) and the tax rate was \$.0211 per \$ 100 assessed valuation. Tax collections for the year ended September 30, 2017, were 99% of the 2016 tax levy.

Property taxes receivable are considered fully collectible, and therefore, no allowance for uncollectible taxes is provided.

NOTE 3: CASH AND TEMPORARY INVESTMENTS

The District's deposits are with one depository bank, Round Top State Bank. As of year-end, deposits exceeded FDIC coverage. Therefore, in accordance with the depository contract, the bank has pledged additional collateral. This collateral consisted of Municipal Securities, having a market value of \$456,331 (Category 2). At September 30, 2017, the carrying amount of the District's deposits was \$451,599. The bank balance was \$453,355.

The collateral pledged is represented by specific identifiable investment securities and classified as to credit risk by the three categories described below:

Category 1	Insured by FDIC or collateralized with securities held by the District or by its agent in its name.
Category 2	Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
Category 3	Uncollateralized.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At September 30, 2017, the District was not exposed to custodial credit risk.

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3: CASH AND TEMPORARY INVESTMENTS (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. Government. At September 30, 2017, 100% of the District's investments were certificates of deposit.

NOTE 4: EMPLOYMENT RELATED COSTS

The District has no employees. All work is contracted out and, therefore, there are no employee-related costs.

NOTE 5: RESTRICTED FUND BALANCE/RESERVED FOR CONTINGENCIES

As stated in Note 1, the District does not own any infrastructure assets, but is under contract to maintain and operate the flood control structures. Therefore, under the 1962 Watershed Protection Operation and Maintenance Agreement between the Natural Resource Conservation Service (formerly known as the Soil and Conservation Service), United States Department of Agriculture and the District, the District was required to establish and maintain a permanent reserve fund of \$500 for each flood control structure. The total required permanent reserve is \$10,000. This permanent reserve fund has been reflected as "fund balance – reserved for contingencies" on the balance sheet and "restricted net position" on the statement of net position. The current balance is \$ 100,262. Funds used from the established permanent reserve fund for maintenance are required to be replenished at the rate of \$200 per year per structure so that the permanent reserve fund will be maintained at its required amount.

Interest earned on the restricted fund balance for the year ended September 30, 2017, was \$262.

NOTE 6: COMMITMENTS

The District has an operating lease for its office space in Fayette County. The lease term is for one year, with monthly payments of \$100.

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS

Differences between the Governmental Fund Balance Sheet and the Statement of Net Position:

The differences (as reflected in the adjustments column) primarily result from the long-term economic resources focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. However, taxes receivable are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Adjustment of deferred revenue	\$ <u>(3,702)</u>
--------------------------------	-------------------

NOTE 8: FUND BALANCE

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purpose pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board.

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8: FUND BALANCE (continued)

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

As of September 30, 2017, the District has not adopted a minimum fund balance policy.

NOTE 9: DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through the date of the auditor's report, the date the financial statements were available to be issued.

NOTE 10 GRANT AGREEMENT

On October 15, 2017, the District was awarded and accepted an Emergency Watershed Protection grant that is being administered by the Natural Resources Conservation Service. The grant is for \$1,500,905 and the purpose of the grant is to provide financial and/or technical assistance to implement recovery measures that if left undone, pose a risk to life and/or property.

Required Supplemental Information

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
REVENUES			
Property Taxes	\$ 115,500	\$ 115,500	\$ 119,912
Interest Earnings	3,160	3,160	3,106
Total revenues	<u>\$ 118,660</u>	<u>\$ 118,660</u>	<u>\$ 123,018</u>
EXPENDITURES			
Facilities Maintenance	\$ 92,650	\$ 92,650	\$ 15,031
Dam Site Inspection	7,137	7,137	7,406
General Board of Directors Expenditures	4,925	4,925	15,099
General Board of Directors Fees	6,000	6,000	5,850
Bonds and Insurance	175	175	175
Legal and Professional	14,200	14,200	14,246
Office Rent	1,200	1,200	1,200
Secretarial	2,800	2,800	4,331
Meetings	200	200	991
Tax Collection Expenditures	3,400	3,400	3,425
Total expenditures	<u>\$ 132,687</u>	<u>\$ 132,687</u>	<u>\$ 67,754</u>
Excess (deficiency) of revenues over expenditures	\$ (14,027)	\$ (14,027)	\$ 55,264
Fund balances - beginning			<u>397,535</u>
Fund balances - ending			<u>\$ 452,799</u>

Supplementary Information As Required
By Texas Commission on Environmental Quality

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
Texas Supplementary Information
SEPTEMBER 30, 2017

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—	TSI-5	Long-Term Debt Service Requirements by Years*	
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* Does not apply.

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

TSI-1. SERVICES AND RATES
September 30, 2017

1. **Services Provided by the District during the Fiscal Year:**

- | | | |
|---|---|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Sewer | <input type="checkbox"/> Wholesale Sewer | <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 checked="" 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 | | |

2. **Retail Service Providers** (Not applicable)

3. **Total water consumption during the fiscal year** (Not applicable)

4. **Standby Fees** (Not applicable)

5. **Location of District:**

- | | |
|---|--|
| County(ies) in which District is located. | <u>Lee & Fayette.</u> |
| Is the District located entirely within one county: | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| Is the District located within a city? | Entirely <input type="checkbox"/> Partly <input checked="" type="checkbox"/> Not at all <input type="checkbox"/> |
| City(ies) in which district is located | Fayetteville, Round Top,
Carmine, Giddings |
| Is the District located within a city's extra territorial jurisdiction (ETJ)? | Entirely <input type="checkbox"/> Partly <input checked="" type="checkbox"/> Not at all <input type="checkbox"/> |
| ETJ's in which district is located | Fayetteville, Round Top,
Carmine, Giddings |
| Are Board members appointed by an office outside the district? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| If Yes, by whom? | n/a |

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

TSI-2. SCHEDULE OF GENERAL FUND EXPENDITURES
September 30, 2017

Personnel Expenditures:	-0-
Professional Fees:	
Auditing	3,500
Legal	10,746
Engineering	-0-
Financial Advisor	-0-
Purchased Services for Resale	
Bulk Water & Wastewater Service Purchases	-0-
Contracted Services:	
Bookkeeping	-0-
General Manager	-0-
Appraisal District	-0-
Tax Collector	3,425
Other Contracted Services	4,331
Utilities	-0-
Repairs and Maintenance	15,031
Administrative Expenditures:	
Directors' Fees	18,380
Office Supplies	207
Insurance	175
Other Administrative Expenses	4,553
Capital Outlay:	
Capitalized Assets	-0-
Expenditures not Capitalized	-0-
Tap Connection Expenditures	-0-
Solid Waste Disposal	-0-
Fire Fighting	-0-
Parks and Recreation	-0-
Other Expenditures (Dam Inspection)	<u>7,406</u>
TOTAL EXPENDITURES	<u>\$ 67,754</u>

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

TSI-3. SCHEDULE OF TEMPORARY INVESTMENTS
September 30, 2017

Funds	Account Number	Interest Rate	Maturity Date	Balance at End of Year
<u>General Fund</u>				
Certificate of Deposit	76034628	1.05 %	04/10/18	\$ 102,290
Certificate of Deposit	76034912	0.80 %	10/09/17	\$ 100,335
Certificate of Deposit	76034913	1.05 %	04/10/18	<u>\$ 100,262</u>
Total				<u>\$ 302,887</u>

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

TSI-4. TAXES LEVIED AND RECEIVABLE
September 30, 2017

		<u>Maintenance Taxes</u>
Taxes Receivable, Beginning of Year		\$ 3,884
Original Tax Levy (less abatements)		120,940
Adjustments		<u>(6,177)</u>
Total to be accounted for		<u>118,647</u>
Tax Collections: Current Year		119,537
Prior Year		<u>(708)</u>
Total Collections		<u>118,829</u>
Taxes Receivable, End of Year		<u>\$ 3,702</u>
Taxes Receivable, By Years		
2013 and prior		\$ 1,362
2014		393
2015		581
2016		<u>1,366</u>
Taxes Receivable, End of Year		<u>\$ 3,702</u>

Property Valuations

	2016	2015	2014	2013
Land	93,942,873	64,711,445	62,498,442	57,194,736
Improvements	372,925,083	355,405,877	338,190,749	324,025,005
Minerals	17,038,090	36,344,430	49,766,890	58,388,450
Personal Property	<u>88,320,360</u>	<u>64,398,000</u>	<u>51,690,050</u>	<u>52,463,740</u>
Total Property Valuations	<u>\$ 572,226,406</u>	<u>\$ 520,859,752</u>	<u>\$ 502,146,131</u>	<u>\$ 492,071,931</u>
Rate per \$100				
Valuation	0.0211	0.0211	0.0211	0.0211
Original Tax Levy	<u>120,940</u>	<u>109,997</u>	<u>105,953</u>	<u>103,828</u>
Percent of Taxes Collected to Taxes Levied				
	99%	99%	99%	98%

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND
FOR THE FIVE YEARS ENDED SEPTEMBER 30, 2017

Revenues	2017	2016	2015	2014	2013
Tax Revenues	\$ 119,912	111,506	107,970	105,354	103,840
Interest on Investments	3,106	2,679	1,624	1,479	1,508
Miscellaneous	-	13,389	14,452	34,395	1,525
TOTAL REVENUES	\$ 123,018	127,574	124,046	141,228	106,873
Expenditures					
Facilities Maintenance	15,031	15,998	16,201	95,260	2,890
Dam Site Inspection	7,406	7,803	4,606	4,628	-
Election Costs	-	281	221	83	-
Board of Directors Expenditures	15,099	12,613	5,380	5,661	3,792
Board of Directors Fees	5,850	4,350	4,500	4,500	4,750
Bonds and Insurance	175	175	175	175	175
Legal and Professional	14,246	3,500	3,500	3,500	3,500
Office Rent	1,200	1,200	1,200	1,200	1,200
Secretarial	4,331	3,070	2,410	2,615	1,970
Meetings	991	-	-	-	-
Tax Collection Expenditures	3,425	3,114	2,721	2,676	3,092
TOTAL EXPENDITURES	\$ 67,754	52,104	40,914	120,298	21,369
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 55,264	75,470	83,132	20,930	85,504

PERCENT OF TOTAL REVENUES

2017	2016	2015	2014	2013
97.48%	87.40%	87.04%	74.60%	97.16%
2.52%	2.10%	1.31%	1.05%	1.41%
0.00%	10.50%	11.65%	24.35%	1.43%
100.00%	100.00%	100.00%	100.00%	100.00%
12.22%	12.54%	13.06%	67.45%	2.70%
6.02%	6.12%	3.71%	3.28%	0.00%
0.00%	0.22%	0.18%	0.06%	0.00%
12.27%	9.89%	4.34%	4.01%	3.55%
4.76%	3.41%	3.63%	3.19%	4.44%
0.14%	0.14%	0.14%	0.12%	0.16%
11.58%	2.74%	2.82%	2.48%	3.27%
0.98%	0.94%	0.97%	0.85%	1.12%
3.52%	2.41%	1.94%	1.85%	1.84%
0.81%	0.00%	0.00%	0.00%	0.00%
2.78%	2.44%	2.19%	1.89%	2.89%
55.08%	40.84%	32.98%	85.18%	19.99%
44.92%	59.16%	67.02%	14.82%	80.01%

LEE-FAYETTE COUNTIES CUMMINS CREEK
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
SEPTEMBER 30, 2017

Complete District mailing address: Lee-Fayette Counties Cummins Creek
Water Control and Improvement District No. 1
P.O. Box 1026
La Grange, Texas 78945-0080

District business telephone number: (979) 249-7593

Submission Date of the most recent District Registration Form:
(TWC Sections 36.054 and 49.054): June 4, 2002

Limit on Fees of Office that a Director may receive during a fiscal year (Set by
Board Resolution – TWC Section 49.060): \$ 7,200

Names and Addresses	Term of Office	Fees	Expense Reimbursement	Title	Year End	Resident
BOARD MEMBERS						
Kevin M. Ullrich 224 FM 954 Round Top, Texas 78954	2016-2020	\$ 5,200	\$ 1,308	President		Yes
Norris Fuchs 615 State Loop 458 Carmine, Texas 78932	2014-2018	\$ 2,750	\$ 981	Vice President		Yes
Max Baranowski, Jr. 4306 Markwardt Road Burton, Texas 77835	2016-2020	\$ 4,380	\$ 3,893	Secretary		Yes
John E. Stanley 5840 North FM 1291 Fayetteville, Texas 78940	2014-2018	\$ 1,050	\$ 926	Treasurer		Yes
Monty Mayer P.O. Box 232 Carmine, Texas 78932	2016-2020	\$ 3,950	\$ 3,078	Director		Yes
CONSULTANTS						
Lloyd Gosselink Rochelle & Townsend, P.C. 816 Congress Ave. #1900 Austin, Texas 78701		\$ 10,746	\$ -	Attorney		
Medack & Oltmann, LLP P.O. Box 237 Giddings, Texas 78942		\$ 3,500	\$ -	Auditor		
Jenifer Boening 4826 Old Plum Hwy La Grange, Texas 78945		\$ 4,331	\$ 966	Administrative Secretary		

mailed 01/25/18
to TC EQ

USPS Tracking

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS
COUNTY OF Fayette

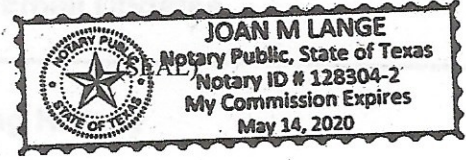
I, Kevin M. Ullrich of the
(Name of Duly Authorized District Representative)
Lee-Fayette Counties Cummins Creek Water Control & Improvement District #1
(Name of District)

nearby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 9th day of January, 2018, its annual audit report for the fiscal period ended September 30, 2017 and that copies of the annual audit report have been filed in the District's office, located at P.O. Box 1026, La Grange, Texas 78945
(Address of the District's Office)

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194 and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: JAN. 24, 2018 By: Kevin M. Ullrich
(Signature of District Representative)
Kevin M. Ullrich, Board President
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 24th day of January, 2018.



Joan M. Lange
(Signature of Notary)

My Commission Expires On: May 14, 2020
Notary Public in the State of Texas.