



ARMSTRONG BACKUS & CO., LLP

Certified Public Accountants

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Financial Statements

For the Years Ended December 31, 2017 and 2016

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Financial Statements

For the Years Ended December 31, 2017 and 2016

TABLE OF CONTENTS

Financial Section:

Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-6

Basic Financial Statements:

Statements of Net Position – Enterprise Fund	8
Statements of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Fund	9
Statements of Cash Flows – Enterprise Fund	10
Notes to the Basic Financial Statements	11-15

Required Supplemental Schedule:

Budgetary Comparison Schedule	17
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Texas Supplementary Information:

Texas Supplementary Information Required by Texas Commission on Environmental Quality	19
Schedule of Services and Rates	20
Schedule of Enterprise Fund Expenses	21
Schedule of Temporary Investments	22
Comparative Schedule of Revenues and Expenses – Enterprise Fund – Five Years	23
Board Members, Key Personnel, and Consultants	24



ARMSTRONG, BACKUS & CO., LLP
Certified Public Accountants

Board of Directors
Tom Green County Fresh
Water Supply District Number Three,
A Municipal Utility District
San Angelo, Texas

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Tom Green County Fresh Water Supply District Number Three, a Municipal Utility District, (the "District") as of and for the years ended December 31, 2017 and 2016, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Tom Green County Fresh Water Supply District Number Three, a Municipal Utility District as of December 31, 2017 and 2016, and the changes in financial position and cash flows thereof for the years 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, as listed in the Table of Contents, 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 an opinion on the financial statements that comprise the Tom Green County Fresh Water Supply District Number Three, a Municipal Utility District basic financial statements. The other supplementary information and the required Texas supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Armstrong, Backus & Co., L.L.P.

San Angelo, Texas
May 8, 2018



**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Management’s Discussion and Analysis

As management of the Tom Green County Fresh Water Supply District Number Three, a Municipal Utility District (the “District”), we offer readers this narrative overview and analysis of the financial activities of the District for the years ended December 31, 2017 and 2016. The Management’s Discussion and Analysis should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements are comprised of four components: 1) Statement of Net Position – Enterprise Fund, 2) Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Fund, 3) Statement of Cash Flows – Enterprise Fund, and 4) Notes to the Basic Financial Statements. Also included are Required Supplementary Schedule and Texas Supplementary Information.

Financial Analysis of the District’s 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. The District has a proprietary fund.

Proprietary Fund

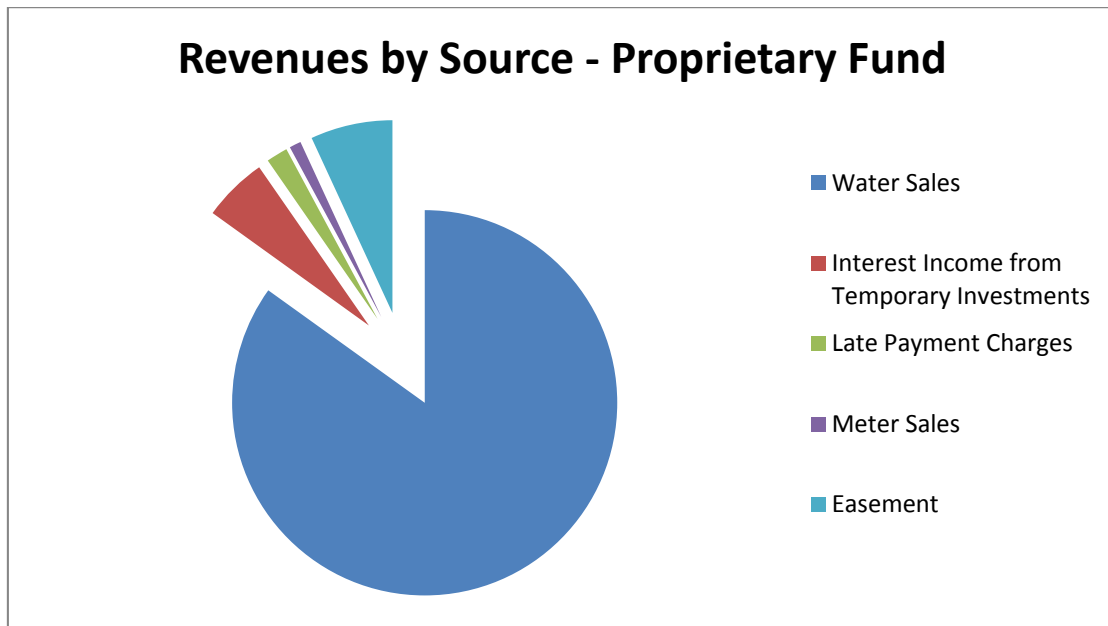
The District’s proprietary fund, specifically an enterprise fund, reported unrestricted net position of \$1,162,370, a net increase of \$1,672 or .1% in comparison with the prior year. The net increase is due to the District’s increase in net position for the year less an increase in Net Investment in Capital Assets related to the replacement of a water main.

	2017		2016
ASSETS:			
Current and Other Assets	\$ 692,534	\$	670,408
Capital Assets	676,958		613,069
Total Assets	\$ 1,369,492	\$	1,283,477
LIABILITIES:			
Current Liabilities	\$ 22,994	\$	10,470
Total Liabilities	\$ 22,994	\$	10,470
NET POSITION:			
Net Investment in Capital Assets	\$ 184,128	\$	112,309
Unrestricted	1,162,370		1,160,698
Total Net Position	\$ 1,346,498	\$	1,273,007

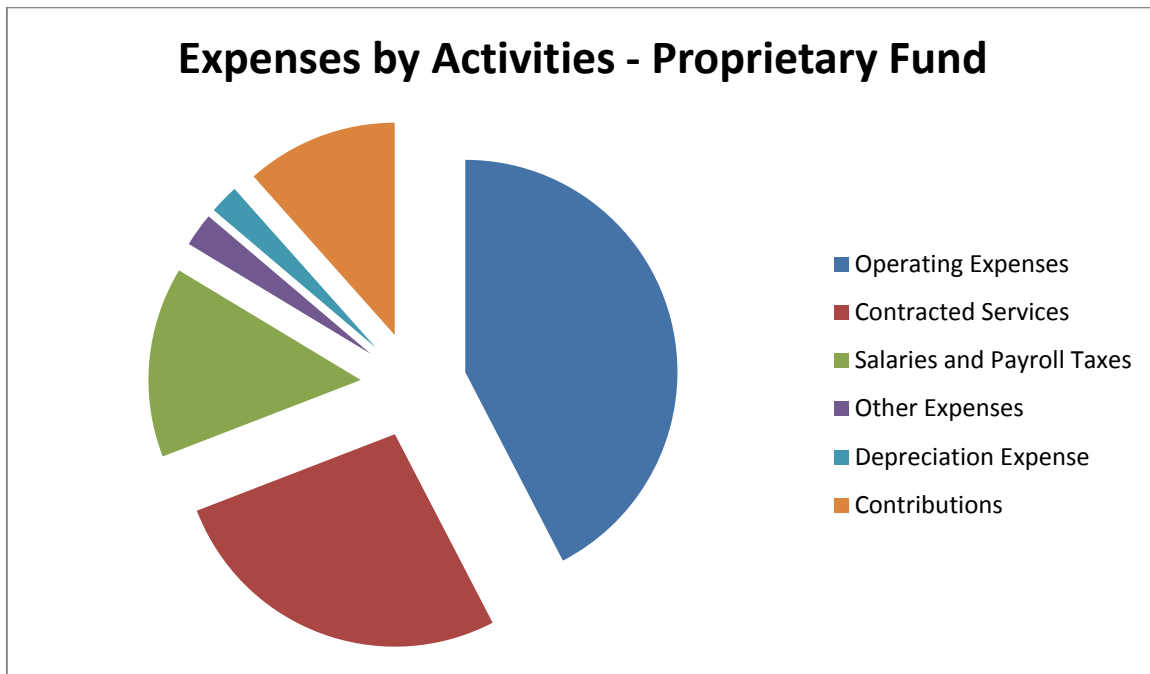
The District's total net position increased by \$73,491 and \$94,043 for the fiscal years ended in December 31, 2017 and 2016, respectively. The decrease in total net position is due to increased expenses related to repairs and maintenance and professional fees.

	2017		2016	
REVENUE:				
Operating Revenue	\$	173,774	\$	166,950
Nonoperating Revenue		9,956		7,457
Total Revenue	\$	183,730	\$	174,407
EXPENSES:				
Operating Expenses	\$	110,239	\$	80,364
Total Expenses	\$	110,239	\$	80,364
Change in Net Position	\$	73,491	\$	94,043
Net Position, Beginning		1,273,007		1,169,995
Restatement of Beginning Net Position		-0-		8,969
Net Position, Ending	\$	1,346,498	\$	1,273,007

Revenues for the District are categorized in the chart below. Of the District's \$183,730 total revenue, \$156,039 or 85% represents water sales revenue. \$9,956 or 5% represents interest income from the temporary investments, and 12,660 or 7% represents income from an easement agreement. The remaining \$5,075 or 3% was received from meter sales, late payment fees, and other miscellaneous charges.



Expenses for the District are categorized in the following graph. Of the District's \$110,239 total operating expenses, \$29,485 or 27% relates to contracted services for the District, \$15,995 or 14% relates to salaries and payroll taxes for the District's employees, and additionally, \$46,729 or 43% represents operating expenses including materials, supplies, office expenses, insurance, and utilities. \$2,453 or 2% represents current year depreciation on the District's capital assets, \$12,760 or 12% represents contribution expense, and the remaining \$2,817 or 2% represents other expenses incurred during the current year including meals, travel, and deposit return expenses.



The District has total assets of \$1,369,492 which includes net capital assets of \$184,128. This is an increase in total assets of \$86,015 which includes an increase in capital assets of \$71,819 from the prior year. The increase is due to the replacement of a water main.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplemental Schedules* concerning the original and amended budgetary schedules. This report also presents *Texas Supplementary Information* concerning information required by the Texas Commission on Environmental Quality ("TCEQ").

Budget

The District's Board of Directors approved an amended budget on August 9, 2017. Operating revenues were less than budgeted by \$13,226. Additionally, the District's operating expenses were less than budgeted by \$74,260.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Tom Green County Fresh Water Supply District Number Three, a Municipal Utility District, 11191 Northcross Lane, San Angelo, TX 76904.

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Statements of Net Position - Enterprise Fund

For The Years Ended December 31, 2017 and 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash	\$ 32,484	\$ 164,668
Certificates of Deposit - Current	637,749	487,110
Accounts Receivable	20,529	17,138
Allowance for Uncollectible Accounts	(852)	(852)
Accrued Interest Receivable	1,047	767
Prepaid Expenses	1,577	1,577
	<hr/>	<hr/>
Total Current Assets	\$ 692,534	\$ 670,408
	<hr/>	<hr/>
Noncurrent Assets:		
Certificates of Deposit - Noncurrent	\$ 492,830	\$ 500,760
Land	95,003	95,003
Property, Plant, and Equipment	1,330,440	1,256,168
Accumulated Depreciation	(1,241,315)	(1,238,862)
	<hr/>	<hr/>
Total Noncurrent Assets	\$ 676,958	\$ 613,069
	<hr/>	<hr/>
Total Assets	\$ 1,369,492	\$ 1,283,477
	<hr/> <hr/>	<hr/> <hr/>

	<u>LIABILITIES</u>	
Current Liabilities:		
Accounts Payable	\$ 16,806	\$ 5,657
Regulatory Assessment Payable	2,445	1,670
Employment Taxes Payable	543	543
Refundable Deposits	3,200	2,600
	<hr/>	<hr/>
Total Liabilities	\$ 22,994	\$ 10,470
	<hr/> <hr/>	<hr/> <hr/>

	<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 184,128	\$ 112,309
Unrestricted	1,162,370	1,160,698
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Total Net Position	\$ 1,346,498	\$ 1,273,007
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The accompanying notes are an integral part of these statements.

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

**Statements of Revenues, Expenses, and Changes in Fund Net Position -
Enterprise Fund**

For The Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Charges for Water Service	\$ 156,039	\$ 160,345
Other Fees	5,075	6,605
Easement Income	12,660	-0-
Total Operating Revenues	<u>\$ 173,774</u>	<u>\$ 166,950</u>
 OPERATING EXPENSES:		
Administrative	\$ 6,702	\$ 7,719
Contracted Services	29,485	26,580
Depreciation	2,453	482
Easement Contributions	12,760	-0-
Other	2,817	6,880
Personnel	15,995	14,444
Professional Fees	12,500	4,666
Repairs and Maintenance	14,561	7,170
Utilities	12,966	12,423
Total Operating Expenses	<u>\$ 110,239</u>	<u>\$ 80,364</u>
 OPERATING INCOME	 <u>\$ 63,535</u>	 <u>\$ 86,586</u>
 NONOPERATING REVENUES:		
Investment Earnings	\$ 9,956	\$ 7,457
Total Nonoperating Revenues	<u>\$ 9,956</u>	<u>\$ 7,457</u>
 Change in Net Position	 \$ 73,491	 \$ 94,043
 Net Position - Beginning	 1,273,007	 1,169,995
Restatement of Beginning Net Position (See Note 7)	-0-	8,969
Net Position - Ending	<u>\$ 1,346,498</u>	<u>\$ 1,273,007</u>

The accompanying notes are an integral part of these statements.

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Statements of Cash Flows - Enterprise Fund

For The Years Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	2017	2016
Cash Collected from Customers	\$ 158,323	\$ 161,276
Cash Paid to Suppliers of Goods and Services	(67,208)	(57,770)
Cash Paid for Salaries and Benefits	(15,995)	(14,444)
Net Cash Provided by Operating Activities	<u>\$ 75,120</u>	<u>\$ 89,061</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Paid for Property, Plant, and Equipment	(\$ 74,272)	(\$ 17,787)
Net Cash Used by Capital and Related Financing Activities	<u>(\$ 74,272)</u>	<u>(\$ 17,787)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Collected from Interest	\$ 9,677	\$ 6,870
Additions to Certificates of Deposit	(142,709)	26,276
Net Cash Provided (Used) by Investing Activities	<u>(\$ 133,032)</u>	<u>\$ 33,146</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(\$ 132,184)	\$ 104,420
Cash and Cash Equivalents - Beginning	<u>164,668</u>	<u>60,247</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 32,484</u></u>	<u><u>\$ 164,667</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 63,535	\$ 86,586
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	2,453	482
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable	(3,391)	(5,273)
Increase in Accounts Payable	11,148	5,657
Increase in Regulatory Assessment Payable	775	810
Increase in Refundable Deposits	600	800
Total Adjustments	<u>\$ 11,585</u>	<u>\$ 2,476</u>
Net Cash Provided by Operating Activities	<u><u>\$ 75,120</u></u>	<u><u>\$ 89,061</u></u>

The accompanying notes are an integral part of these statements.

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tom Green County Fresh Water Supply District Number Three, a Municipal Utility District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments.

Reporting Entity

The Tom Green County Fresh Water Supply District Number Three, a Municipal Utility District (the primary government) was created, organized, and exists under and pursuant to Chapter 53 of the Texas Water Code. The District was established September 8, 1980. On July 25, 1985, the District was officially converted to a municipal utility district and exists under and pursuant to Chapter 54 of the Texas Water Code. The District was established for the purpose of providing water utility services to its customers. The District is governed by a five-member Board of Directors who are elected by its citizens to serve four year terms. The District has no component units.

The District is a single program government engaged in only business-type activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

The activities of the District are accounted for within a single proprietary fund type, specifically an enterprise fund. The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The accounting and financial reporting used by the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus and utilize the accrual method of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the period in which they are incurred and become measurable.

Use of Estimates

Management of the District has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Budgetary Data

The District adopted its budget on December 14, 2016 for the January 1, 2017 to December 31, 2017 fiscal year. The budget is adopted on the accrual basis of accounting and is adopted for the purpose of management control.

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

Cash and Cash Equivalents – Enterprise Funds

For purposes of the statement of cash flows for enterprise fund types, the District considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

Accounts Receivable

Accounts Receivable are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. The District has elected to capitalize all assets with a cost greater than \$1,000 and a useful life greater than a year. Where cost could not be determined from the available records, estimated history costs were used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Depreciation of exhaustible fixed assets is charged as an expense against operations, and accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the useful lives using the straight-line method of depreciation. The useful lives by type of asset are as follows:

Furniture and Fixtures	5 – 10 years
Waterworks System	15 – 25 years
Building and Equipment	5 – 25 years

NOTE 2: CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, cash and cash equivalents include all cash on hand, demand deposits, and short-term investments with original maturities of three months or less when acquired.

NOTE 3: CONCENTRATIONS OF CREDIT RISK

The District maintains interest-bearing cash accounts and certificates of deposit at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2017 and 2016, the cash accounts and certificates of deposit held by the District are not fully covered by Federal Deposit Insurance Corporation coverage by \$235,935 and \$246,037, respectively.

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 4: PROPERTY, PLANT, AND EQUIPMENT

Changes in fixed assets for the year ended December 31, 2017 are summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Assets Not Being Depreciated:</u>				
Land	\$ 95,003	\$ -0-	\$ -0-	\$ 95,003
Total Non-Depreciable	\$ 95,003	\$ -0-	\$ -0-	\$ 95,003
<u>Assets Being Depreciated:</u>				
Waterworks System	\$ 994,749	\$ 74,272	\$ -0-	\$ 1,069,021
Building and Equipment	252,202	-0-	-0-	252,202
Furniture and Fixtures	9,217	-0-	-0-	9,217
Total Depreciable	\$ 1,256,168	\$ 74,272	\$ -0-	\$ 1,330,440
<u>Less: Accumulated Depreciation:</u>				
Waterworks System	\$ 981,256	\$ 1,655	\$ -0-	\$ 982,911
Building and Equipment	248,389	798	-0-	249,187
Furniture and Fixtures	9,217	-0-	-0-	9,217
Total Accumulated Depreciation	\$ 1,238,862	\$ 2,453	\$ -0-	\$ 1,241,315
Assets Being Depreciated - Net	\$ 17,306	\$ 71,819	\$ -0-	\$ 89,125
Total Property, Plant, and Equipment	\$ 112,309	\$ 71,819	\$ -0-	\$ 184,128

Changes in fixed assets for the year ended December 31, 2016 are summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Assets Not Being Depreciated:</u>				
Land	\$ 95,003	\$ -0-	\$ -0-	\$ 95,003
Total Non-Depreciable	\$ 95,003	\$ -0-	\$ -0-	\$ 95,003
<u>Assets Being Depreciated:</u>				
Waterworks System	\$ 980,949	\$ 13,800	\$ -0-	\$ 994,749
Building and Equipment	248,214	3,988	-0-	252,202
Furniture and Fixtures	9,217	-0-	-0-	9,217
Total Depreciable	\$ 1,238,380	\$ 17,788	\$ -0-	\$ 1,256,168
<u>Less: Accumulated Depreciation:</u>				
Waterworks System	\$ 980,949	\$ 307	\$ -0-	\$ 981,256
Building and Equipment	248,214	175	-0-	248,389
Furniture and Fixtures	9,217	-0-	-0-	9,217
Total Accumulated Depreciation	\$ 1,238,380	\$ 482	\$ -0-	\$ 1,238,862
Assets Being Depreciated - Net	\$ -0-	\$ 17,306	\$ -0-	\$ 17,306
Total Property, Plant, and Equipment	\$ 95,003	\$ 17,306	\$ -0-	\$ 112,309

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 5: LEASES

The District leases land and radio tower for the use of radio communications equipment to a third-party company. The lease commenced on October 1, 2016 for three years through September 31, 2019. The rental fee is \$100 payable monthly. Total rent received for the years ended December 31, 2017 and 2016 was \$1,200 and \$-0-, respectively. Dove Creek Volunteer Fire Department receives the benefit of the rental income. Due to the immateriality of the amount, lease income and grant expense were not recorded for the year ended December 31, 2017 and 2016.

NOTE 6: RELATED PARTY TRANSACTIONS

The District received grant funding to drill a new water well in 2016. The well is located on property owned by a Board member. The District has sought and received confirmation from the United States Department of Agriculture that applicable guidelines regarding related-party transactions have been met by the District.

NOTE 7: RESTATEMENT OF BEGINNING NET POSITION

The accompanying beginning net position for the year ended December 31, 2016 has been restated to correct an error made in years prior to 2016 in the accounting for refundable customer deposits as well as adjust for deposits improperly recorded to the cash account. The effect of the restatement was to decrease refundable deposits by \$11,860, decrease cash by \$2,891, and to increase net position by the net effect of \$8,969.

NOTE 8: NEW PRONOUNCEMENTS

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the District's consideration of the impact of these pronouncements are described below:

GASB Statement No. 83, Certain Asset Retirement Obligations – GASB 83 was issued in November 2016 and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. This Statement also requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. Additionally, this Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. It also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. At this time, the impact to the District is unknown.

Statement No. 87, Leases – GASB No. 87 was issued in June 2017, and will require recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2017 and 2016

financial statements for fiscal years beginning after December 15, 2019. The District has not yet determined the impact that implementation of GASB 87 will have on its net position.

NOTE 9: SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through May 8, 2018, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTAL INFORMATION

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Budgetary Comparison Schedule

For the Year Ended December 31, 2017

	Budget		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
OPERATING REVENUES:				
Charges for Water Service	\$ 175,000	\$ 175,000	\$ 156,039	(\$ 18,961)
Other Fees	12,000	12,000	5,075	(6,925)
Easement Income	-0-	-0-	12,660	12,660
Total Operating Revenues	<u>\$ 187,000</u>	<u>\$ 187,000</u>	<u>\$ 173,774</u>	<u>(\$ 13,226)</u>
OPERATING EXPENSES:				
Contract Labor	\$ 16,000	\$ 16,000	\$ 15,760	\$ 240
Automobile - Gas Allowance	7,000	7,000	6,875	125
Office Manager's Pay and Payroll Taxes	14,000	14,000	15,995	(1,995)
Professional Fees	5,500	5,500	12,500	(7,000)
Utilities and Telephone	14,000	14,000	12,966	1,034
Repairs and Maintenance	15,000	66,000	2,499	63,501
Capital/Infrastructure Improvements	10,000	10,000	12,760	(2,760)
Supplies and Materials	5,000	24,000	9,470	14,530
Computer Service	6,000	6,000	6,628	(628)
Insurance	2,000	2,000	1,891	109
Depreciation	10,000	10,000	2,453	7,547
Regulatory Assessment/Fees	1,500	1,500	1,572	(72)
Office Supplies and Postage	2,000	2,000	1,808	192
Water Sampling	2,500	2,500	4,377	(1,877)
Bad Debt	1,000	1,000	-0-	1,000
Other	3,000	3,000	2,686	314
Total Operating Expenses	<u>\$ 114,500</u>	<u>\$ 184,500</u>	<u>\$ 110,239</u>	<u>\$ 74,260</u>
Operating Income	<u>\$ 72,500</u>	<u>\$ 2,500</u>	<u>\$ 63,535</u>	<u>\$ 61,035</u>
NONOPERATING REVENUES:				
Investment Earnings	\$ 8,000	\$ 8,000	\$ 9,956	\$ 1,956
Total Nonoperating Revenues	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 9,956</u>	<u>\$ 1,956</u>
Change in Net Position	\$ 80,500	\$ 10,500	\$ 73,491	\$ 62,991
Net Position - Beginning	1,273,007	1,273,007	1,273,007	-0-
Net Position - Ending	<u>\$ 1,353,507</u>	<u>\$ 1,283,507</u>	<u>\$ 1,346,498</u>	<u>\$ 62,991</u>

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

**Texas Supplementary Information Required by
Texas Commission on Environmental Quality**

For the Year Ended December 31, 2017

	<u>Yes</u>	<u>N/A</u>
1. Schedule of Services and Rates	X	
2. Schedule of Enterprise Fund Expenses	X	
3. Schedule of Temporary Investments	X	
4. Schedule of Taxes Levied and Receivable		X
5. Long-Term Debt Service Requirements by Years		X
6. Schedule of Changes in Long-Term Debt		X
7. Comparative Schedule of Revenues and Expenses - Enterprise Fund - Five Years	X	
8. Board Members, Key Personnel, and Consultants	X	

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Schedule of Services and Rates

For the Year Ended December 31, 2017

1 Services Provided by the District during the Fiscal Year:

- Retail Water ___ Wholesale Water ___ Drainage
 ___ Retail Wastewater ___ Wholesale Wastewater ___ Irrigation
 ___ Parks/Recreation ___ Fire Protection ___ Security
 ___ Solid Waste/Garbage ___ Flood Control ___ Roads
 ___ Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect)
 ___ Other (Specify): _____

2 Retail Service Providers

a. Retail Rates for a 5/8" meter:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum Use	Usage Levels
Water: \$	28.00	0 - 2,000 Gallons	N	\$ 1.75	2,000 - 6,000
				1.75	6,001 - 10,000
				5.00	10,001 - 30,000
				7.50	30,001 - 50,000
				10.00	50,001 and Above

b. Water Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
5/8"	343	321	x 1.0	321

3 Total Water Consumption during the Fiscal Year:

Gallons Pumped into System	24,883,300
Gallons Billed to Customers:	24,096,200
Water Accountability Ratio:	0.97

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Schedule of Enterprise Fund Expenses

For the Year Ended December 31, 2017

Personnel (Including Benefits):		
Salaries	\$	13,215
Payroll Taxes		2,780
Professional Fees:		
Accounting		12,500
Contracted Services:		
Computer Billing		6,628
Gas Allowance		3,325
Vehicle Allowance		3,550
Contract Labor		15,760
Equipment Repairs		222
Utilities:		
Telephone		1,912
Electricity		11,054
Repairs and Maintenance:		
Repairs		114
Materials and Supplies		9,470
Mowing		600
Testing		4,377
Administrative:		
Office Expense		1,554
Property Insurance		1,891
Licenses, Fees, and Permits		1,597
Other:		
Chemicals		1,562
Travel		660
Easement Contributions		12,760
Other Expenses		2,255
		<hr/>
Total Expenses Excluding Depreciation	\$	<u>107,786</u>

Number of Persons Employed by the District :	<u>0</u>	Full-Time	<u>2</u>	Part-Time
(Does not include independent contractors or consultants)				

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Schedule of Temporary Investments

For the Year Ended December 31, 2017

	Identification Number	Interest Rate (%)	Maturity Date	Balance at End Of Year	Accrued Interest Receivable
ENTERPRISE FUND					
Certificates of Deposit, First National Bank, Sonora, Texas	1000058311	1.51	11/30/2018	\$ 80,105	\$ 100
	1000058337	1.51	12/1/2018	80,006	100
	1000058675	1.51	12/20/2018	33,596	42
Certificates of Deposit, Bank of San Angelo San Angelo, Texas	720917-21069	0.60	7/13/2018	33,854	17
	720917-20715	0.60	7/16/2018	35,586	18
	720917-20783	0.60	9/9/2018	29,492	15
Certificates of Deposit, BBVA Compass Bank San Angelo, Texas	6735980546	1.39	12/12/2019	102,003	118
Certificates of Deposit, Concho Educators Federal Credit Union San Angelo, Texas	221130-100	1.00	8/9/2019	77,094	64
	221130-101	0.60	8/14/2018	102,857	51
	221130-102	0.60	3/2/2019	100,499	50
Certificates of Deposit, 1st Community Federal Credit Union San Angelo, Texas	1363601-20	1.50	10/26/2019	133,106	166
	1363601-28	1.05	12/8/2018	104,623	92
	1363601-32	1.05	7/12/2018	35,624	31
	1363601-33	1.20	1/15/2019	54,133	54
	1363601-34	1.20	3/14/2019	33,234	33
	1363601-35	1.20	3/14/2019	94,767	96
Total				<u>\$ 1,130,579</u>	<u>\$ 1,047</u>

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Comparative Schedule of Revenues and Expenses - Enterprise Fund - Five Years

For the Year Ended December 31, 2017

	Amounts					Percent of Fund Total Revenues				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
REVENUES:										
Service Revenues	\$ 156,039	\$ 160,345	\$ 170,879	\$ 167,592	\$ 168,934	84.93	91.94	90.68	90.70	92.93
Other Revenues	1,775	3,375	5,247	6,046	4,630	0.97	1.94	2.78	3.27	2.55
Finance Charges	3,300	3,230	5,720	5,550	3,560	1.80	1.85	3.04	3.00	1.96
Easement Income	12,660	-0-	-0-	-0-	-0-	6.89	0.00	0.00	0.00	0.00
Interest	9,956	7,457	6,594	5,591	4,671	5.41	4.27	3.50	3.03	2.56
Total Revenues	\$ 183,730	\$ 174,407	\$ 188,440	\$ 184,779	\$ 181,795	100.00	100.00	100.00	100.00	100.00
EXPENSES:										
Personnel	\$ 15,995	\$ 14,444	\$ 12,909	\$ 10,100	\$ 9,482	8.71	8.28	6.85	5.47	5.22
Professional Fees	12,500	4,666	4,623	4,516	4,517	6.80	2.68	2.45	2.44	2.48
Contracted Services	29,485	26,580	25,662	25,578	23,294	16.05	15.24	13.62	13.84	12.81
Utilities	12,966	12,423	12,847	11,542	11,038	7.06	7.12	6.82	6.25	6.07
Repairs and Maintenance	14,561	7,170	15,271	18,642	10,511	7.93	4.11	8.10	10.09	5.78
Easement Contributions	12,760	-0-	-0-	-0-	-0-	6.94	0.00	0.00	0.00	0.00
Administrative	6,702	7,719	4,214	3,821	2,632	3.65	4.43	2.24	2.07	1.45
Other	2,817	6,880	2,869	5,862	4,401	1.53	3.95	1.52	3.17	2.42
Depreciation	2,453	482	3,765	36,916	56,104	1.33	0.27	2.00	19.98	30.87
Total Expenses	\$ 110,239	\$ 80,364	\$ 82,160	\$ 116,977	\$ 121,979	60.00	46.08	43.60	63.31	67.10
Excess Revenues Over Expenses	\$ 73,491	\$ 94,043	\$ 106,280	\$ 67,802	\$ 59,816	40.00	53.92	56.40	36.69	32.90

**TOM GREEN COUNTY FRESH WATER SUPPLY DISTRICT NUMBER THREE,
A MUNICIPAL UTILITY DISTRICT**

Board Members, Key Personnel, and Consultants

For the Year Ended December 31, 2017

Complete District Mailing Address:

Tom Green County Fresh Water Supply District Number Three
11191 Northcross Lane
San Angelo, TX 76904

District Business Telephone Number:

(325) 944-1862

Submission Date of the Most Recent District Registration Form:

November 9, 2016

Name	Term of Office (Elected or Appointed) or Date Hired	Fiscal Year Ended December 31, 2017		Title at Year End
		Fees	Expense Reimbursements	
<u>Board Members</u>				
Mike Nikolauk	(Elected) May 2017 - May 2021	\$ -0-	\$ -0-	President
Edward Brininstool	(Elected) May 2017 - May 2021	\$ -0-	\$ -0-	Vice-President and Investment Officer
Rodney Tucker	(Appointed) May 2017 - May 2021	\$ -0-	\$ -0-	Director
Jack Pool	(Elected) May 2017 - May 2021	\$ -0-	\$ -0-	Director
Bode Porter	(Appointed) May 2017 - May 2021	\$ -0-	\$ -0-	Secretary
<u>Key Administrative Personnel</u>				
Angela Roberts	February 1, 2008	\$ 10,145	\$ 660	Office Manager
Virginia Yell	February 1, 2015	\$ 2,549	\$ -0-	Alternate Office Manager
<u>Consultants</u>				
Concho Rural Water Corporation, Benjamin F. Wiese, IV, President	October 2008	\$ 54,836	\$ -0-	Operations
Benjamin F. Wiese, IV	October 2008	\$ 48,515	\$ -0-	Operator