

**SOMERVELL COUNTY WATER DISTRICT**

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FINANCIAL STATEMENTS  
and  
ANNUAL FINANCIAL AND COMPLIANCE REPORT

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YEAR ENDED SEPTEMBER 30, 2020

**SOMERVELL COUNTY WATER DISTRICT**

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## **INTRODUCTORY SECTION**

SOMERVELL COUNTY WATER DISTRICT  
Certificate of the Board of Directors  
September 30, 2020

SOMERVELL COUNTY WATER DISTRICT  
Name of Water District

SOMERVELL  
County

We, the undersigned, do hereby certify that the audit report of the above named Water District for the fiscal year ended September 30, 2020, as received by the Board of Directors on the 8th day of February. And was reviewed and approved at a meeting of the Board of Directors of the District held on the 8th day of February, 2021.

\_\_\_\_\_  
Signature of Board President

\_\_\_\_\_  
Signature of Board Secretary

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF SOMERVELL }

I, Ben Mieth of the  
(Name of Duly Authorized District Representative)

Somervell County Water District  
(Name of District)

Hereby, swear, or affirm, that the District named above has reviewed and approved at a meeting of the District's Board of Directors on the 8th day of February, 2021, its annual audit report for the fiscal year ended September 30, 2020, and that copies of the annual audit report have been filed in the District office, located at 2099 CR 301, Glen Rose, Texas, 76043.  
(Address of District)

The 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.

Date: February 8th, 2021 By: \_\_\_\_\_  
(Signature of District Representative)

Ben Mieth, President  
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this 8th day of February, 2021.

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

My commission expires on: \_\_\_\_\_, 20\_\_\_\_  
Notary Public in and for the State of Texas.

## **FINANCIAL SECTION**

# Merritt, McLane & Hamby, P.C.

401 Cypress Street, Suite 303  
Abilene, TX 79601

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Somervell County Water District**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund information of Somervell County Water District, as of and for the year ended September 30, 2020, 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 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 of 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 our 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 financial position of the governmental activities and each major fund of Somervell County Water District as of September 30, 2020, and the respective changes in financial position for the year then ended in conformity 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, the budgetary comparison information, and the TCDRS schedules on pages 5 through 9 and pages 33 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, are 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 District's basic financial statements. The introductory section and the Texas supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section and the Texas supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

The introductory section and the Texas Supplementary Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2021, on our consideration of Somervell County Water 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 Somervell County Water District's internal control over financial reporting and compliance.

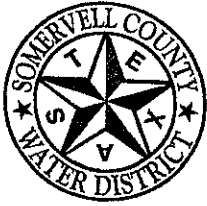


**MERRITT, MCLANE & HAMBY, P.C.**

Abilene, Texas  
January 7, 2021



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## SOMERVELL COUNTY WATER DISTRICT

2099 CR 301 ▪ P. O. Box 1386 ▪ Glen Rose, Texas 76043  
Office (254) 897-4141 ▪ Fax (254) 897-7461

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Somervell County Water District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended September 30, 2020. This information is presented in conjunction with the audited basic financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

- The District's total net position increased \$746,806 from prior year.
- During the year, the District's expenses were \$746,806 less than the \$3,787,226 generated in taxes and other revenues for governmental programs.
- The total cost of the District's programs was \$3,040,420.
- The general fund reported fund balance of \$9,251,607.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The District also includes in this report, required supplementary information (RSI), a section that presents additional information as required by the Texas Commission of Environment Quality (TCEQ), and required compliance reporting.

##### *Government-wide Financial Statements*

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the District-wide statement of financial position presenting information that includes all of the District's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of District infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinguish governmental activities of the District that are principally supported by taxes and intergovernmental revenues, such as grants. Governmental activities include program activities and a section titled business-type activities, which include activities for water and sewer and park and recreation.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The District has only governmental funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provides a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

### ***Notes to the Financial Statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The budgetary comparison schedule for the general fund can be found in required supplementary information. This statement demonstrates compliance with the District's adopted and final revised budget. The District amended their budget during the year for park improvements.

### **Financial Analysis of the District as a Whole**

**Net position.** As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

**Table 1**  
Condensed Statements of Net Position

	2020	2019	Dollar Change	Percent Change
Current assets	\$ 5,980,958	\$ 7,317,009	\$ (1,336,051)	-18%
Noncurrent assets	63,629,257	62,659,592	969,665	2%
<b>Total Assets</b>	<u>69,610,215</u>	<u>69,976,601</u>	<u>(366,386)</u>	-1%
Deferred outflows of resources	76,563	151,642	(75,079)	-50%
<b>Total Deferred Outflows of Resources</b>	<u>76,563</u>	<u>151,642</u>	<u>(75,079)</u>	
Current liabilities	75,060	213,667	(138,607)	-65%
Long-term liabilities	10,838,000	11,910,828	(1,072,828)	-9%
<b>Total Liabilities</b>	<u>10,913,060</u>	<u>12,124,495</u>	<u>(1,211,435)</u>	-10%
Deferred inflows of resources	77,346	54,182	23,164	43%
<b>Total Deferred Inflows of Resources</b>	<u>77,346</u>	<u>54,182</u>	<u>23,164</u>	
Net investment in capital assets	52,726,411	48,536,077	4,190,334	9%
Restricted	206,890	303,806	(96,916)	-32%
Unrestricted	5,763,071	9,109,683	(3,346,612)	-37%
<b>Total Net Position</b>	<u>\$ 58,696,372</u>	<u>\$ 57,949,566</u>	<u>\$ 746,806</u>	1%

As the above table indicates, total current assets decreased by \$1,336,051 during the fiscal year ended September 30, 2020. This decrease is due primarily to the change in the long-term maturities in investments. Noncurrent assets increased \$969,665 due to the change in the long-term maturity of investments, increases to fixed assets, offset by depreciation expense. Current liabilities decreased due to a decrease in accounts payable due to timing of payments on the construction project. The District has noncurrent liabilities due to bonds payable. The District's net position at fiscal year-end is \$58,696,372. This is a \$746,806 increase over last year's net position of \$57,949,566.

**Changes in net position.** The District's total revenues were \$3,787,226. Three-fourths (75%) of the District's revenue comes from taxes, and 20 cents of every dollar raised comes from charges for services.

**Table 2**  
Condensed Statements of Activities

	2020	2019	Dollar Change	Percent Change
Program revenues	\$ 757,914	\$ 671,244	\$ 86,670	13%
Total operating revenues	<u>757,914</u>	<u>671,244</u>	<u>86,670</u>	13%
Program activities	663,096	709,945	(46,849)	-7%
Business-type activities	2,377,324	2,337,373	39,951	2%
Total operating expenses	<u>3,040,420</u>	<u>3,047,318</u>	<u>(6,898)</u>	0%
Increase from operations	<u>(2,282,506)</u>	<u>(2,376,074)</u>	<u>93,568</u>	-4%

General revenues				
Ad valorem taxes	2,838,656	2,904,019	(65,363)	-2%
Investment earnings	196,221	242,168	(45,947)	-19%
Other	(5,565)	(9,114)	3,549	-39%
Total general revenues	<u>3,029,312</u>	<u>3,137,073</u>	<u>(107,761)</u>	-3%
Change in net position	746,806	760,999	(14,193)	-2%
Beginning Net Position	<u>57,949,566</u>	<u>57,188,567</u>	<u>760,999</u>	1%
Ending Net Position	<u>\$ 58,696,372</u>	<u>\$ 57,949,566</u>	<u>\$ 746,806</u>	1%

### Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The general fund and the debt service fund are the only funds of the District. The general fund reported ending fund balances of \$9,251,607, while the debt service fund reported an ending fund balance of \$162,791. The total ending fund balances of the general fund shows an increase of \$195,687 over the prior year. This increase is primarily the result of increases in property taxes, water sales and park revenue.

### General Fund Budgetary Highlights

The District amended their budget once over the course of the year. The budget increase was to increase the park capital outlay line item by \$200,000. With this adjustment, actual expenses were \$164,556 under final budget amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets, net of accumulated depreciation, for governmental activities as of September 30, 2020, was \$60,022,512. The total change in net capital assets was a decrease of less than 1%. Major capital additions include a mower, a golf cart, water line extension and park improvement construction. See Table A-3 for additional information about changes in capital assets during the fiscal year.

**Table 3**  
District's Capital Assets

	2020	2019	Dollar Change	Percent Change
Land	\$ 2,636,598	\$ 2,636,598		
Construction in progress	307,592	257,705	49,887	100.0%
Building	483,814	483,814		
Equipment	1,035,353	1,032,703	2,650	0.3%
Office equipment	44,082	44,082		
Land improvements	255,620	252,620	3,000	1.2%
Park	1,204,695	1,162,115	42,580	3.7%
Distribution system	<u>64,789,858</u>	<u>63,845,183</u>	<u>944,675</u>	1.5%
Total at historical cost	70,757,612	69,714,820	1,042,792	1.5%
Accumulated depreciation	<u>10,735,100</u>	<u>9,311,743</u>	<u>1,423,357</u>	15.3%
Net Capital Assets	<u>\$ 60,022,512</u>	<u>\$ 60,403,077</u>	<u>\$ (380,565)</u>	-0.6%

### Debt

At year-end, the District had \$10,838,000 in bonds payable for the governmental activities, as shown in the following table.

**Table 4**  
Long Term Debt

	<u>2020</u>		<u>2019</u>		<u>Change</u>	<u>% Change</u>
Refunding Bond Series 2009A	\$ 670,000	\$	737,000	\$	(67,000)	-9%
Revenue Bond Series 2009B	4,744,000		5,219,000		(475,000)	-9%
Refunding Bond Series 2009C	5,044,000		5,491,000		(447,000)	-8%
Refunding Bond Series 2012	380,000		420,000		(40,000)	-10%
	<u>\$ 10,838,000</u>	\$	<u>11,867,000</u>	\$	<u>(1,029,000)</u>	

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS**

The District’s Board approved a tax rate of \$0.081 for maintenance and operations and \$0.048 for interest and sinking for a total of \$0.129.

The District’s 2020-2021 fiscal budget for the general fund anticipates \$2,600,710 in tax, water, park, and other revenues and expenditures of \$2,600,710 for operating and administrative costs. If these estimates are realized, the District’s budgetary general fund fund balance is expected to remain consistent with the prior year.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

The District’s financial report is designed to present users (citizens, taxpayers, investors, and creditors) with a general overview of the District’s finances and to demonstrate the district’s accountability. If you have questions about this report or need additional financial information, contact the Somervell County Water District, P.O. Box 1386, 2099 CR 301, Glen Rose Texas 76043.

## **BASIC FINANCIAL STATEMENTS**

**SOMERVELL COUNTY WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
 SEPTEMBER 30, 2020

	<u>Primary Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 1,607,978
Investments	4,065,623
Restricted	
Cash	206,890
Receivables	
Property tax	67,513
Allowance for uncollectible tax	(10,814)
Accounts receivable	34,890
Other receivables	1,954
Accrued interest receivable	6,924
Total current assets	<u>5,980,958</u>
Non-current Assets	
Investments	3,553,549
Net pension asset	53,196
Capital assets:	
Land	2,636,598
Construction in progress	307,592
Building, net	308,659
Equipment, net	87,954
Office equipment, net	2,109
Land improvements, net	140,854
Park, net	619,127
Distribution system, net	55,919,619
Total non-current assets	<u>63,629,257</u>
Total Assets	<u>69,610,215</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	76,563
Total Deferred Outflows of Resources	<u>76,563</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	2,732
Payroll liabilities	15,792
Accrued interest	11,650
Security deposits	44,886
Total current liabilities	<u>75,060</u>
Noncurrent liabilities	
Due within one year	1,036,000
Due in more than one year	9,802,000
Total noncurrent liabilities	<u>10,838,000</u>
Total Liabilities	<u>10,913,060</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	77,346
Total Deferred Inflows of Resources	<u>77,346</u>
<b>NET POSITION</b>	
Net investment in capital assets	52,726,411
Restricted	206,890
Unrestricted	5,763,071
Total Net Position	<u>\$ 58,696,372</u>

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



**SOMERVELL COUNTY WATER DISTRICT**

STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for</u>	<u>Operating</u>	<u>and Changes in Net Position</u>
		<u>Services</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Activities</u>
<b>Primary Government</b>				
Program activities:				
Professional fees	\$ 42,612	\$	\$	(42,612)
Contracted services	97,969			(97,969)
Repair and maintenance	28,148			(28,148)
Administration	279,119			(279,119)
Interest	132,926			(132,926)
Depreciation	82,322			(82,322)
Total governmental activities	<u>663,096</u>			<u>(663,096)</u>
<b>Business-type activities</b>				
Water and sewer	2,229,324	589,002		(1,640,322)
Park and recreation	148,000	168,912		20,912
Total business-type activities	<u>2,377,324</u>	<u>757,914</u>		<u>(1,619,410)</u>
Total Primary Government	<u>\$ 3,040,420</u>	<u>\$ 757,914</u>	<u>\$</u>	<u>(2,282,506)</u>
General Revenues:				
Taxes:				
				2,838,656
				196,221
				(5,565)
				<u>3,029,312</u>
				<b>Change in Net Position</b>
				746,806
				<u>Net Position - Beginning</u>
				57,949,566
				<u>Net Position - Ending</u>
				<u>\$ 58,696,372</u>

The accompanying notes are an integral part of this statement.

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**SOMERVELL COUNTY WATER DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2020

	<u>General</u>	<u>Debt</u>	<u>Total</u>
	<u>Fund</u>	<u>Service</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Funds</u>
<b>ASSETS:</b>			
Current:			
Cash	\$ 1,607,978	\$	\$ 1,607,978
Investments	7,619,172		7,619,172
Restricted			
Cash	44,886	162,004	206,890
Receivables			
Property tax	49,281	18,232	67,513
Allowance for uncollectible tax	(7,894)	(2,920)	(10,814)
Accounts receivable	34,890		34,890
Other receivables	1,167	787	1,954
Accrued interest receivable	6,924		6,924
Total Assets	\$ <u>9,356,404</u>	\$ <u>178,103</u>	\$ <u>9,534,507</u>
<b>LIABILITIES:</b>			
Current Liabilities			
Accounts payable	\$ 2,732	\$	\$ 2,732
Payroll liabilities	15,792		15,792
Security deposits	44,886		44,886
Total Liabilities	<u>63,410</u>		<u>63,410</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue - property taxes	<u>41,387</u>	<u>15,312</u>	<u>56,699</u>
Total Deferred Inflows of Resources	<u>41,387</u>	<u>15,312</u>	<u>56,699</u>
<b>FUND BALANCE:</b>			
Restricted:			
Debt service		162,791	162,791
Assigned	7,098,187		7,098,187
Unassigned	<u>2,153,420</u>		<u>2,153,420</u>
Total Fund Balance	<u>9,251,607</u>	<u>162,791</u>	<u>9,414,398</u>
Total Liabilities, Deferred Inflows, and Fund Balances	\$ <u>9,356,404</u>	\$ <u>178,103</u>	\$ <u>9,534,507</u>

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

**SOMERVELL COUNTY WATER DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

Total fund balances - governmental funds balance sheet	\$ 9,414,398
Amounts reported for governmental activities in the statement of net position (SNP) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$69,714,820 and the accumulated depreciation was \$9,311,743.	60,403,077
Capital assets are recorded as capital outlay (expenditure) in the fund financial statements, but are recorded as an increase in capital assets in the government-wide statements.	1,049,092
Capital asset disposals decrease capital assets in the government-wide statements.	(5,565)
Depreciation expense decreases net position in SNP.	(1,424,092)
Long-term debt is not recorded in governmental funds. The beginning balance of long-term debt, included bonds of \$11,867,000.	(11,867,000)
Long-term debt principal payments are expenditures in the fund financial statements, but are shown as decreases in liabilities in the statement of net position.	1,029,000
Interest payable decreases the net position in the government-wide statements.	(11,650)
Included in the noncurrent assets is the recognition of the District's net pension asset required by GASB No. 68 in the amount of \$53,196, a deferred resource inflow in the amount of \$77,346, and a deferred resource outflow in the amount of \$76,563. This resulted in an increase in net position.	52,413
Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.	<u>56,699</u>
Net position of governmental activities - statement of net position	\$ <u><u>58,696,372</u></u>

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

**SOMERVELL COUNTY WATER DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUNDS  
 YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Property taxes	\$ 1,778,457	\$ 1,054,301	\$ 2,832,758
Water sales	589,002		589,002
Park revenue	168,912		168,912
Interest	190,591	5,630	196,221
Total Revenues	<u>2,726,962</u>	<u>1,059,931</u>	<u>3,786,893</u>
<b>EXPENDITURES</b>			
Operations			
Professional fees	42,612		42,612
Contracted services	97,969		97,969
Repair and maintenance	28,148		28,148
Administration	278,632		278,632
Distribution	395,645		395,645
Production	552,944		552,944
Park and recreation	86,233		86,233
Capital outlay	1,049,092		1,049,092
Debt service			
Principal		1,029,000	1,029,000
Interest		132,926	132,926
Total Expenditures	<u>2,531,275</u>	<u>1,161,926</u>	<u>3,693,201</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	195,687	(101,995)	93,692
Fund Balance - Beginning	<u>9,055,920</u>	<u>264,786</u>	<u>9,320,706</u>
Fund Balance - Ending	<u>\$ 9,251,607</u>	<u>\$ 162,791</u>	<u>\$ 9,414,398</u>

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

**SOMERVELL COUNTY WATER DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2020**

Total change in fund balances - total governmental funds	\$	93,692
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>		
Capital assets are recorded as capital outlay (expenditure) in the fund financial statements, but are recorded as an increase in capital assets in the government-wide statements.		1,049,092
Capital asset disposals decrease capital assets in the government-wide statements.		(5,565)
Depreciation expense decreases net position in SNP.		(1,424,092)
Long-term debt principal payments are expenditures in the fund financial statements, but are shown as decreases in liabilities in the statement of net position.		1,029,000
The implementation of GASB No. 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of December 31, 2019 caused the change in the ending net position to increase \$47,346. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$42,584. The District's reported TCDRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$5,981. The result of these changes is to decrease the change in net position.		(1,219)
Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.		<u>5,898</u>
Total change in net position of governmental activities - statement of activities	\$	<u><u>746,806</u></u>

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

## SOMERVELL COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 1: NATURE OF OPERATIONS**

Somervell County Water District (the District) was created by an act of the Texas Legislature in 1985 and encompasses all of Somervell County, Texas. Voters of the District confirmed the creation of the District by a majority vote on August 6, 1985 and elected a Board of Directors. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water. The District began supplying water services to customers in Somervell County, Texas in November 2011.

As a political subdivision of the State of Texas, the District is exempt from federal income taxes, state and local sales and use taxes, and local real and personal property taxes. The voters gave the District the authority to levy real and personal property taxes for maintenance and operations and for debt service.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The accounting and reporting framework and the more significant accounting principles and practices of the Somervell County Water District (District) are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal year ended September 30, 2020.

##### Basis of Presentation

The financial statements of the District are prepared in conformity with accounting principals generally accepted in the United States of America (GAAP) as applied to governmental units. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

##### Government-wide and Fund Financial Statements

###### *Government-wide financial statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole. The primary government is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and District general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to uses of the District's services; and (2) operating grants and contributions which finance annual operating activities. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

###### *Fund financial statements*

Fund financial statements are provided for governmental funds.

## SOMERVELL COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued**

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: property taxes, water sales, park revenue, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

##### Fund Types and Major Funds

###### *Governmental funds*

The District reports the following major governmental fund:

General Fund – reports as the primary fund of the District. This fund is used to account for all financial resources.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

##### Assets, Liabilities, and Net Position or Equity

###### *Cash*

The District maintains and controls several cash accounts. Some of these accounts are interest-bearing accounts but none are considered to be investments nor need to be considered cash equivalents.

###### *Investments*

Investments are reported at fair value (generally based on quoted market prices).

###### *Inventory*

The costs of inventory are recorded as expenditures when purchased (purchase method).



**SOMERVELL COUNTY WATER DISTRICT**

NOTES TO FINANCIAL STATEMENTS

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued**

*Capital assets, depreciation, and amortization*

The District adopted a formal capitalization policy whereby the District capitalizes assets with a cost greater than \$5,000 and a useful life greater than one year. The District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Building and land improvements	10 - 25 years
Office furniture and equipment	3 - 5 years
Machinery and equipment	7 years
Wheeler Branch Park	10 - 30 years
Water system	50 years

*Long-term debt*

In the government-wide financial statements, outstanding debt is reported as liabilities.

*Deferred Outflows/Inflows of Resources*

Deferred outflows of resources refer to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets. The District has no amounts recorded as deferred outflows of resources in the governmental fund financial statements and \$76,563 of deferred outflows related to TCDRS in the government-wide financial statements.

Deferred inflows of resources refer to the acquisition of net assets that applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Specifically, for the current period, the difference in delinquent taxes receivable and the associated allowance for uncollectible taxes of \$56,699 is considered a deferred inflow of resources in the governmental fund financial statements, while \$77,346 of deferred inflows related to TCDRS is considered deferred inflow of resources in the government-wide financial statements.

*Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas County & District Retirement System (the "TCDRS") and additions to/deductions from TCDRS' Fiduciary Net Position have been determined on the same basis as they are reported to TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Investments are reported at fair value.

*Fund balance classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

## SOMERVELL COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued**

Nonspendable – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) are legally or contractually required to be maintained intact. The District had no nonspendable funds at September 30, 2020.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation. The District had \$162,791 restricted for debt service at September 30, 2020.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District had no committed funds at September 30, 2020.

Assigned – This classification includes amounts that are constrained by the Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the District Council or through the Council delegating this responsibility to the General Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has \$7,098,187 for capital maintenance and improvements at September 30, 2020.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

#### *Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. As such, actual results could differ from those estimates.

## SOMERVELL COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

##### Budgetary Information

###### *Budget policy and practice*

The District's budget is based upon estimated revenues and expenditures on the modified accrual basis for which the Board of Directors uses as a guideline for operations during the year. The Board adopts the budget in a public meeting.

#### **NOTE 4: DEPOSITS AND INVESTMENTS**

*Custodial Credit Risk for Deposits* – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

##### Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District has an investment policy and therefore, is in compliance with this requirement.

Additional policies and contractual provisions governing deposits and investments for the District are as follows:

*Credit Risk* – To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District only has checking accounts, money market accounts, and certificates of deposit.

*Custodial Credit Risk for Investments* – To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the District's deposits are secured by FDIC and pledged securities.

**SOMERVELL COUNTY WATER DISTRICT**

NOTES TO FINANCIAL STATEMENTS

**NOTE 4: DEPOSITS AND INVESTMENTS - continued**

*Concentration of Credit Risk* – The District’s cash and investments consist of checking accounts, money market accounts, and certificates of deposits at their depository bank and several other financial institutions and were fully collateralized by FDIC and pledged securities.

*Interest Rate Risk* – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District monitors the interest rate of the money market accounts and certificates of deposit.

The District’s investments at September 30, 2020, were as follows:

Investment Type:	Market Value	Weighted Average Maturity (Days)
Certificates of deposit	\$ <u>7,619,172</u>	<u>459</u>
	\$ <u><u>7,619,172</u></u>	

**NOTE 5: RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS**

Water Receivables

Significant receivables include amounts due from customers primarily for water services. These receivables are due within one year. The District expects to collect substantially all of the receivables and, therefore, no allowance for uncollectable is recorded.

Receivables at September 30, 2020 are as follows:

Water services	\$ 34,890
----------------	-----------

Property Taxes Receivable and Property Tax Calendar

The District’s property tax is levied each October 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> for all real property located in Somervell County, Texas. Appraised values are established by the Somervell Central Appraisal District at 100% of estimated market value and certified by the Appraisal Review Board. Tax statements are mailed as soon as possible after October 1<sup>st</sup> and the taxes are due immediately upon receipt of the tax statement by the taxpayer. Property taxes are attached as an enforceable lien as of January 1<sup>st</sup> following the tax levy date. Taxes are considered delinquent if the taxes are still unpaid after the following January 31<sup>st</sup>. Property taxes are recorded as receivables and deferred revenue at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes become available. Property taxes available include amounts collected during the year. Delinquent taxes are considered only partially collectible and are, therefore, reduced by a percentage factor for the expected uncollectible amounts.

**SOMERVELL COUNTY WATER DISTRICT**

NOTES TO FINANCIAL STATEMENTS

**NOTE 6: CAPITAL ASSETS**

The following schedule provides a summary of changes in capital assets:

	<u>Balance at</u> <u>9/30/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>9/30/20</u>
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 2,636,598	\$	\$	\$ 2,636,598
Construction in progress	<u>257,705</u>	<u>49,887</u>		<u>307,592</u>
Total non-depreciable assets	<u>2,894,303</u>	<u>49,887</u>		<u>2,944,190</u>
Depreciable Assets:				
Building	483,814			483,814
Equipment	1,032,703	8,950	6,300	1,035,353
Office equipment	44,082			44,082
Land improvements	252,620	3,000		255,620
Park	1,162,115	42,580		1,204,695
Distribution system	<u>63,845,183</u>	<u>944,675</u>		<u>64,789,858</u>
Total depreciable assets	<u>66,820,517</u>	<u>999,205</u>	<u>6,300</u>	<u>67,813,422</u>
Less accumulated depreciation				
Building	158,873	16,282		175,155
Equipment	896,118	52,016	735	947,399
Office equipment	41,130	843		41,973
Land improvements	101,585	13,181		114,766
Park	523,823	61,745		585,568
Distribution system	<u>7,590,214</u>	<u>1,280,025</u>		<u>8,870,239</u>
Total accumulated depreciation	<u>9,311,743</u>	<u>1,424,092</u>	<u>735</u>	<u>10,735,100</u>
Total Governmental Activities, net:	\$ <u>60,403,077</u>	\$ <u>(375,000)</u>	\$ <u>5,565</u>	\$ <u>60,022,512</u>

Depreciation expense is allocated as follows:

Water and sewer	\$ 1,280,025
Park and recreation	61,745
Unallocated	<u>82,322</u>
	\$ <u>1,424,092</u>

**NOTE 7: LONG-TERM DEBT**

2009A General Obligation Bonds (EDAP at 0%), due in annual installments beginning September 1, 2011 through September 1, 2030.

2009B General Obligation Bonds (WIF Rural Loan at 0%), due in annual installments beginning September 1, 2011 through September 1, 2030.

2009C General Obligation Bonds (WIF), due in annual installments beginning September 1, 2011 through September 1, 2030, having an interest rate ranging from .854% in 2017 to 2.822% in 2030.

2012 General Obligation Bonds (DEAP at 0%), due in annual installments beginning March 14, 2013 through March 14, 2030.

**SOMERVELL COUNTY WATER DISTRICT**

NOTES TO FINANCIAL STATEMENTS

**NOTE 7: LONG-TERM DEBT - continued**

Change in Long-term Debt

	Balance at <u>9/30/19</u>	<u>Increases</u>	<u>Decreases</u>	Balance at <u>9/30/20</u>	Due in <u>One Year</u>
GO Bonds Series 2009A	\$ 737,000	\$	\$ 67,000	\$ 670,000	\$ 67,000
GO Bonds Series 2009B	5,219,000		475,000	4,744,000	475,000
GO Bonds Series 2009C	5,491,000		447,000	5,044,000	454,000
GO Bonds Series 2012	<u>420,000</u>		<u>40,000</u>	<u>380,000</u>	<u>40,000</u>
Total Bonds	<u>11,867,000</u>		<u>1,029,000</u>	<u>10,838,000</u>	<u>1,036,000</u>
Pension Liability (Asset)	\$ <u>43,828</u>	\$ <u>200,088</u>	\$ <u>297,112</u>	\$ <u>(53,196)</u>	
	\$ <u>43,828</u>	\$ <u>200,088</u>	\$ <u>297,112</u>	\$ <u>(53,196)</u>	

Debt service for long-term notes is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,036,000	\$ 125,566	\$ 1,161,566
2022	1,045,000	116,726	1,161,726
2023	1,055,000	106,860	1,161,860
2024	1,066,000	96,076	1,162,076
2025	1,076,000	84,696	1,160,696
2026-2030	<u>5,560,000</u>	<u>224,680</u>	<u>5,784,680</u>
	\$ <u>10,838,000</u>	\$ <u>754,604</u>	\$ <u>11,592,604</u>

**NOTE 8: RISK MANAGEMENT – CLAIMS AND JUDGEMENTS**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

**NOTE 9: UNFAVORABLE BUDGET VARIANCES**

During the Year Ended September 30, 2020, the District had the following unfavorable budget variances:

Distribution \$ 130,345

All expenditures were approved by the District, and total expenditures were \$164,556 less than budget.

## SOMERVELL COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 10: HEALTH CARE COVERAGE**

During the year ended September 30, 2020, the District covered the cost of a health insurance plan (the Plan) through TML. The District paid premiums of \$311 to \$444 per month per employee for health insurance. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The District set aside \$650 per employee for health benefits. Depending on the health plan the employee selects, the remainder between the health benefits and \$640 is deposited into a health savings account for the employee.

#### **NOTE 11: RETIREMENT PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**

##### Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional, defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer, public-employee retirement system. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

##### Pension Plan Fiduciary Net Pension

Detailed information about TCDRS' fiduciary net position (in the aggregate) is available in a separately-issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. The CAFR can be found at the following link: [www.tcdrs.org](http://www.tcdrs.org).

Under state law governing TCDRS since 1991, the District has had the option of selecting the plan of benefits to provide in the future, while at the same time considering the level of the employer-contribution rate required to adequately finance the plan. Effective January 1, 2003, the District adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 30-year amortization period which began January 1, 2003 using the entry age actuarial cost method. Monthly contributions by the District are based on the covered payroll and the employer contribution rate in effect. The employer contribution rate for calendar year 2020 is 11.66% and for calendar year 2019 was 11.11%.

The plan provisions are adopted by the Board of Directors of the District, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 8 or more years of service, with 20 years regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by the District.

##### Benefits Provided

TCDRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of the District.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Board of Directors, within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11: RETIREMENT PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM - continued

commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Contributions

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements fund each employer’s plan: employee deposits, employer contributions, and investment income.

The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. The District contributed using actuarially determined rate of 11.11% for the months of the calendar year in 2019 and 11.66% for the months of the calendar year in 2020.

The contribution rate payable by the employee members for 2020 and 2019 is the rate of 7.0% as adopted by the District’s Board of Directors. The employee contribution rate and the employer contribution rate may be changed by the Board of Directors, within the options available in the TCDRS Act.

<u>Contribution rates</u>	<u>2019</u>	<u>2020</u>
Employer	11.11%	11.66%
Member	7.00%	7.00%

At September 30, 2020, there were nine active employees contributing to the plan. Additionally, there were two inactive employee receiving benefits and one inactive employee entitled to but not receiving benefits.

Annual Pension Costs

For the District’s accounting year ending September 30, 2020, the annual pension cost for the TCDRS plan was \$61,709.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with GASB Statement No. 68, Accounting for Pensions by State and Local Governmental Employees, parameters based on the actuarial valuations as of December 31, 2018 and December 31, 2019, the basis for determining the contribution rates for calendar years 2019 and 2020. The most recent valuation is as of December 31, 2019.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate by adopting an elected rate of making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.



**SOMERVELL COUNTY WATER DISTRICT**

NOTES TO FINANCIAL STATEMENTS

**NOTE 11: RETIREMENT PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM - continued**

Change in Net Pension Liability/Asset

	Increase (Decrease)		
		Plan Fiduciary	Net Pension
	Total Pension Liability (a)	Net Position (b)	Liability (a)-(b)
Balance at 12/31/18	\$ 1,274,403	\$ 1,230,575	\$ 43,828
Changes for the year:			
Service Cost	87,340		87,340
Interest	108,994		108,994
Change in benefit terms			-
Difference between expected/actual experience			-
Changes of assumptions	2,616		2,616
Contributions - employer		56,948	(56,948)
Contributions - employee		35,881	(35,881)
Net investment income		202,024	(202,024)
Benefit payments, including refunds of employee contributions	(32,925)	(32,925)	-
Administrative expenses		(1,138)	1,138
Other charges		2,259	(2,259)
Net changes	166,025	263,049	(97,024)
Balance at 12/31/19	<u>\$ 1,440,428</u>	<u>\$ 1,493,624</u>	<u>\$ (53,196)</u>

Oversight

The Board has established review policies to ensure that actuarial assumptions are appropriate and that the methodology for determining employer contribution rates is being correctly applied.

An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary’s analysis, conclusions and recommendations for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and a full replication audit of the investigation of experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary’s methods and assumptions for reasonableness and internal consistency.

In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation’s raw results.

Discount Rate

The discount rate used to measure the total pension liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate

**SOMERVELL COUNTY WATER DISTRICT**

NOTES TO FINANCIAL STATEMENTS

**NOTE 11: RETIREMENT PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM –  
continued**

of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 8.1%. The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown below are based on January 2019 information for a 7 to 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2019. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (2)
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Developed Markets	MSCI World Ex USA (net) Index	7.00%	5.20%
International Equities - Emerging Markets	MSCI EM Standard (net) Index	7.00%	5.70%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index (4)	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%
Total		<u>100.00%</u>	

**SOMERVELL COUNTY WATER DISTRICT**

NOTES TO FINANCIAL STATEMENTS

**NOTE 11: RETIREMENT PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM –  
continued**

- (1) Target asset allocation adopted at the June 2020 TCDRS Board meeting.
- (2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.
- (3) Includes vintage years 2006 - present of Quarter Pooled Horizon IRRs.
- (4) Includes vintage years 2005 - present of Quarter Pooled Horizon IRRs.
- (5) Includes vintage years 2007 - present of Quarter Pooled Horizon IRRs.

Discount Rate Sensitivity Analysis

The following shows the net pension liability calculated using the discount rate of 8.1%, as well as what the District's net pension asset would be if it were calculated using a discount rate that is 1 percent point lower (7.1%) or 1 percent point higher (9.1%) than the current rate.

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
District's net pension liability (asset)	135,109	(53,196)	(212,642)

Pension expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2020, the District reported an asset of \$53,196 for its net pension asset. The net pension was measured as of September 30 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that time.

There was no change of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affect measurement of the total pension liability during the measurement period.

At September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 26,651	\$ 43,958
Changes in actuarial assumptions	\$ 2,566	\$ 2,080
Differences between projected and actual investment earnings (net of current year amortization)		\$ 31,308
Contributions subsequent to the measurement date	\$ 47,346	
<b>Total</b>	<b>\$ 76,563</b>	<b>\$ 77,346</b>

**SOMERVELL COUNTY WATER DISTRICT**

NOTES TO FINANCIAL STATEMENTS

**NOTE 11: RETIREMENT PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM - continued**

The net amount of the District’s balances of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2021	\$ (10,473)
2022	\$ (11,929)
2023	\$ 563
2024	\$ (23,489)
2025	\$ (3,505)
Thereafter	\$ 704

**NOTE 12: COMMITMENTS AND CONTINGENCIES**

In March 2009, the District and the City of Glen Rose entered into an agreement for the City to purchase water from the District. The District agreed to sell and deliver water to the City to serve the City’s water distribution system up to, but not to exceed a total of 225 million gallons per year. The City will pay, monthly, at a rate of \$1.75 per thousand gallons. The initial rate will be reviewed annually. The rate may not increase or decrease more than fifteen percent (15%) of the preceding fiscal year’s gallonage rate. The contract expired in March 2019. On February 10, 2020, the City and the District negotiated terms and conditions of an addendum to the contract. The District agreed to sell and deliver the the City an amount not to exceed a total of 225 million gallons in any calendar year. The City agreed not to resell any such water delivered for uses outside of its service area and the District agrees to provide facilities which will be capable of delivering water at a rate which, if continued for twenty-four hours, would, in total, equal 1.5 MGD to the City’s points of delivery.

**NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS**

In June 2017, the GASB issued Statement No. 87 *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring 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 foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease 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. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. GASB No. 95 postponed the effective date 18 months. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

## SOMERVELL COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS – continued**

In June 2018, the GASB issued Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. GASB No. 95 postponed the effective date one year. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In August 2018, the GASB issued Statement No. 90 *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. GASB No. 95 postponed the effective date one year. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2019, the GASB issued Statement No. 91 *Conduit debt obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021 due to GASB No. 95. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92 *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021. GASB No. 95 postponed the effective date for one year. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

## SOMERVELL COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS – continued**

In March 2020, the GASB issued Statement No. 93 *Replacement of Interbank Offered Rates*. The objective of the Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for reporting periods ending after December 15, 2021. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2022. GASB No. 95 postponed the implementation by one year. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018. And later. The following statements are postponed by one year: 83, 84, 88, 89, 90, 91, 92 and 93. The following statement is postponed by 18 months: No. 87. The requirements of this Statement are effective immediately.

In May 2020, the GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement is effective for years beginning after June 15, 2022. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

## SOMERVELL COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS – continued**

In June 2020, the GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements Nos. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

**REQUIRED SUPPLEMENTARY INFORMATION**



**SOMERVELL COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,783,331	\$ 1,783,331	\$ 1,778,457	\$ (4,874)
Water sales	550,000	550,000	589,002	39,002
Park revenue	162,500	162,500	168,912	6,412
Interest		-	190,591	190,591
Total Revenues	<u>2,495,831</u>	<u>2,495,831</u>	<u>2,726,962</u>	<u>231,131</u>
<b>EXPENDITURES</b>				
Operations				
Professional fees	50,000	50,000	42,612	7,388
Contracted services	101,500	101,500	97,969	3,531
Repair and maintenance	30,000	30,000	28,148	1,852
Administration	320,500	320,500	278,632	41,868
Distribution	265,300	265,300	395,645	(130,345)
Production	616,500	616,500	552,944	63,556
Park and recreation	116,000	116,000	86,233	29,767
Capital outlay	996,031	1,196,031	1,049,092	146,939
Total Expenditures	<u>2,495,831</u>	<u>2,695,831</u>	<u>2,531,275</u>	<u>164,556</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures		(200,000)	195,687	395,687
Fund Balance - Beginning	<u>9,055,920</u>	<u>9,055,920</u>	<u>9,055,920</u>	
Fund Balance - Ending	<u>\$ 9,055,920</u>	<u>\$ 8,855,920</u>	<u>\$ 9,251,607</u>	<u>\$ 395,687</u>

**SOMERVELL COUNTY WATER DISTRICT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TCDRS PENSION**

Last 10 Years (will ultimately be displayed)

	Plan Year Ended			
	2019	2018	2017	2016
<b>Total pension liability</b>				
Service cost	\$ 87,340	\$ 87,734	\$ 83,406	\$ 74,163
Interest (on the total pension liability)	108,994	96,370	84,850	74,597
Changes in benefit terms		2,775		
Difference between expected and actual experience			(2,971)	
Change of assumptions	2,616	2,119	5,204	(26,012)
Benefit payments, including refunds of employee contributions	(32,925)	(32,598)	(32,598)	(53,408)
Net Change in Total Pension Liability	166,025	156,400	137,891	69,340
Total Pension Liability - Beginning	1,274,403	1,118,003	980,112	910,772
Total Pension Liability - Ending	\$ 1,440,428	\$ 1,274,403	\$ 1,118,003	\$ 980,112
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 56,948	\$ 59,584	\$ 58,794	\$ 56,547
Contributions - employee	35,881	35,030	34,469	32,129
Net investment income	202,024	(21,459)	144,574	65,138
Benefit payments, including refunds of employee contributions	(32,925)	(32,599)	(32,599)	(53,408)
Administrative expense	(1,138)	(988)	(791)	(708)
Other	2,259	1,967	805	13,553
Net Change in Plan Fiduciary Net Position	263,049	41,535	205,252	113,251
Plan Fiduciary Net Position - Beginning	1,230,575	1,189,040	983,788	870,537
Plan Fiduciary Net Position - Ending	\$ 1,493,624	\$ 1,230,575	\$ 1,189,040	\$ 983,788
Net Pension Liability - Ending	\$ (53,196)	\$ 43,828	\$ (71,037)	\$ (3,676)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.69%	96.56%	106.35%	100.38%
Covered Employee Payroll	\$ 512,581	\$ 500,430	\$ 492,410	\$ 458,982
Net Pension Liability as a Percentage of Covered Employee Payroll	-10.38%	8.76%	-14.43%	-0.80%

	<u>2015</u>	<u>2014</u>
\$	71,966	\$ 80,751
	70,503	57,821
	(9,824)	
	5,131	
	(54,812)	37,864
	<u>(18,866)</u>	<u>(7,861)</u>
	64,098	168,575
	<u>846,674</u>	<u>678,099</u>
\$	<u><u>910,772</u></u>	<u><u>846,674</u></u>

\$	59,574	\$ 58,410
	33,228	31,993
	(11,937)	45,582
	(18,866)	(7,861)
	(609)	(575)
	3,059	451
	<u>64,449</u>	<u>128,000</u>
	<u>806,088</u>	<u>678,088</u>
\$	<u><u>870,537</u></u>	<u><u>806,088</u></u>

\$	40,235	\$ 40,586
----	--------	-----------

	95.58%	95.21%
--	--------	--------

\$	474,691	\$ 457,043
----	---------	------------

	8.48%	8.88%
--	-------	-------

**SOMERVELL COUNTY WATER DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - TCDRS PENSION**

Last 10 Fiscal Years (will ultimately be displayed)

	Fiscal Year Ended			
	2020	2019	2018	2017
Actuarially Determined Contribution	\$ 61,709	\$ 56,499	\$ 58,794	\$ 56,547
Contributions in relation to the actuarially determined contribution	(61,709)	(56,499)	(58,794)	(56,547)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 535,337	\$ 500,430	\$ 492,410	\$ 458,982
Contribution as a percentage of covered employee payroll	11.53%	11.29%	11.94%	12.32%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	13.2 Years (based on contribution rate calculated at 12/31/19 valuation)
Asset Valuation Method	5 Year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation
Investment Rate of Return	8.0%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age a service retirement for recent retirees is 61.

Mortality 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

**Other Information:**

Changes in Assumptions and Methods Reflected in Schedule of Employer Contributions\* 2015: New inflation, mortality and other assumptions were reflected.  
2017: New mortality assumptions were reflected.

Changes in Plan Provisions Reflected in the Schedule of Employer Contributions\* 2015: No changes in plan provisions were reflected in the Schedule  
2016: No changes in plan provisions were reflected in the Schedule.  
2017: New Annuity Purchase Rates were reflected for the benefits after 2017.

2018: No changes in plan provisions were reflected in the Schedule.

2019: Employer contributions reflect that a 1% flat COLA was adopted.

\* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule

	2016		2015
\$	59,574	\$	58,410
	(59,574)		(58,410)
\$	-	\$	-
\$	474,691	\$	457,043
	12.55%		12.78%

**TEXAS SUPPLEMENTARY INFORMATION**

**SOMERVELL COUNTY WATER DISTRICT**

TSI-1. SERVICES AND RATES - UNAUDITED  
YEAR ENDED SEPTEMBER 30, 2020

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

- |                                                                                                                                        |                                                     |                                     |
|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------|
| <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 Service Providers**

(You may omit this information if your district does not provide retail services)

**a. Retail Rates for a 5/8" meter (or equivalent):**

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum Use	Usage Levels
WATER:	\$	0	N	\$ 2.00	0-15,000
Residential				\$ 2.50	15,001-25,000
5/8"	15.00			\$ 3.00	25,001-100,000
1"	30.00			\$ 3.25	> 100,000
Commercial	\$	0	N	\$ 2.25	0-20,000
1"	37.50			\$ 2.50	20,001-50,000
2"	75.00			\$ 3.00	50,001-100,000
6"	200.00			\$ 3.25	> 100,000
WASTEWATER:	\$ n/a			\$	
				\$	
SURCHARGE:	\$ 0.005			\$	

District employs winter averaging for wastewater usage? Yes  No

Total charges per 10,000 gallons usage: Water: Wastewater: \$

**b. Water and Wastewater Retail Connections:**

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
5/8"	805	805	x 1.0	805
3/4"			x 1.0	0
1"	34	34	x 2.5	85
1 1/2"		0	x 5.0	0
2"	7	7	x 8.0	56
3"		0	x 16.0	0
4"			x 25.0	0
6"	1	1	x 50.0	50
8"			x 80.0	0
Total Water	847	847		996
Total Wastewater			x 1.0	

**SOMERVELL COUNTY WATER DISTRICT**

**TSI-1. SERVICES AND RATES - UNAUDITED (CONTINUED)**  
YEAR ENDED SEPTEMBER 30, 2020

3. **Total Water Consumption during the Fiscal Year** (rounded to the nearest thousand):

Gallons pumped into system:  
215,334,456

Water Accountability Ratio:  
(Gallons billed / Gallons pumped)  
0.84528

Gallons billed to customers:  
182,017,000

4. **Standby Fees** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees:                      Yes                                          No   

If yes, Date of the most recent Commission Order:

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

If yes, Date of the most recent Commission Order:

5. **Location of District** (required for first audit year or when information changes,

County(ies) in which the District is located:                      Somervell

Is the District located entirely in one county?                      Yes                                          No   

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

City(ies) in which the District is located:    Glen Rose

Is the District located within a city's extra territorial jurisdiction (ETJ)?  
Entirely                                          Partly        Not at all   

ETJs in which the District is located:

Are the Board members appointed by an office outside the district:                      Yes                                          No   

If Yes, by whom?



**SOMERVELL COUNTY WATER DISTRICT**

TSI-2. GENERAL FUND EXPENSES - UNAUDITED  
YEAR ENDED SEPTEMBER 30, 2020

**Professional Fees:**

Auditing	\$ 13,000
Bookkeeper	14,500
Miscellaneous other	15,112

**Contracted Services:**

Tax collector	50,145
Insurance	39,058
Communications and telephone	4,842
Utilities	3,924

**Repairs and Maintenance**

Customer notification	5,711
Repair and maintenance	13,221
Other	9,216

**Administrative Expenses:**

Personnel salaries and wages	201,397
Employee benefits and payroll taxes	41,274
Health insurance	16,019
Transportation and mileage	12,000
Other	7,942

**Distribution:**

Personnel salaries and wages	161,191
Employee benefits and payroll taxes	26,221
Health insurance	26,260
Fuel	15,768
Repair and maintenance	156,173
Tools	2,128
Other	7,904

**Production:**

Personnel salaries and wages	146,525
Employee benefits and payroll taxes	32,905
Health insurance	19,041
Chemicals	52,429
Lab supplies	12,118
Repair and maintenance	116,535
State fees	11,183
Tools	876
Utilities	144,539
Other	16,793

**Park and Recreation:**

Personnel salaries and wages	9,695
Employee benefits and payroll taxes	1,624
Health insurance	1,988
Community relations	20,740
Contract labor	36,502
Fish purchases	2,800
Repair and maintenance	8,648
Other	4,236

**Capital Outlay:**

Capitalized Assets	<u>1,049,092</u>
--------------------	------------------

**TOTAL EXPENSES** **\$ 2,531,275**

Number of persons employed by the District: 9 Full-time 1 Part-time

**SOMERVELL COUNTY WATER DISTRICT**

TSI-3. TEMPORARY INVESTMENTS - UNAUDITED  
YEAR ENDED SEPTEMBER 30, 2020

	<u>I.D. or Cert No</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
General Fund					
Certificate of Deposit	8238	2.77%	3/1/2021	\$ 1,772,410	\$ 3,901
Certificate of Deposit	249	1.71%	9/6/2022	1,869,879	2,278
Certificate of Deposit	28	0.50%	9/6/2022	1,683,670	600
Certificate of Deposit	8385	2.74%	3/8/2021	542,781	145
Certificate of Deposit	9450	1.84%	9/27/2021	<u>1,750,432</u>	<u>          </u>
				\$ <u>7,619,172</u>	\$ <u>6,924</u>

**SOMERVELL COUNTY WATER DISTRICT**

TSI-4. TAXES LEVIED AND RECEIVABLE

YEAR ENDED SEPTEMBER 30, 2020

	Maintenance Taxes*	Debt Service Taxes*	Total Taxes*
Taxes receivable, beginning of year	\$ 46,763	\$ 15,194	\$ 61,957
2019 original tax levy	1,778,394	1,053,863	2,832,257
Adjustments	<u>(2,380)</u>	<u>(1,244)</u>	<u>(3,624)</u>
Total to be accounted for	<u>1,776,014</u>	<u>1,052,619</u>	<u>2,828,633</u>
Tax collections			
Current year	(1,764,206)	(1,045,455)	(2,809,661)
Prior years	<u>(9,290)</u>	<u>(4,126)</u>	<u>(13,416)</u>
Total collections	<u>(1,773,496)</u>	<u>(1,049,581)</u>	<u>(2,823,077)</u>
Taxes receivable, end of year	\$ <u>49,281</u>	\$ <u>18,232</u>	\$ <u>67,513</u>
Taxes receivable, by years			
Prior years			
2010	\$ 5,122	\$	\$ 5,122
2011	1,499		1,499
2012	1,637	272	1,909
2013	1,970	563	2,533
2014	2,485	619	3,104
2015	3,446	821	4,267
2016	3,877	1,107	4,984
2017	8,283	1,803	10,086
2018	5,965	4,160	10,125
2019	14,997	8,887	23,884
Total taxes receivable, by year	\$ <u>49,281</u>	\$ <u>18,232</u>	\$ <u>67,513</u>

**SOMERVELL COUNTY WATER DISTRICT**

TSI-4. TAXES LEVIED AND RECEIVABLE - CONTINUED

YEAR ENDED SEPTEMBER 30, 2020

Property Valuations:

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Land	\$ 216,841,267	\$	224,774,315	\$	216,625,110	\$	211,777,230
Improvements	1,031,939,728		1,005,195,866		981,918,450		940,487,890
Personal property	318,688,348		367,837,099		322,946,850		291,205,930
Minerals	1,322,845,422		1,323,511,112		1,426,439,022		1,883,615,166
Less: exemptions	<u>(694,766,703) a</u>		<u>(679,576,532) b</u>		<u>(670,409,277) c</u>		<u>(769,939,442) d</u>
	<u>\$ 2,195,548,062</u>	\$	<u>2,241,741,860</u>	\$	<u>2,277,520,155</u>	\$	<u>2,557,146,774</u>

Tax Rates per \$100 Valuation

Maintenance tax rates	\$ 0.081	\$	0.076	\$	0.076	\$	0.076
Debt service tax rate	0.048		0.053		0.053		0.048
Total tax rate *	<u>\$ 0.129</u>	\$	<u>0.129</u>	\$	<u>0.129</u>	\$	<u>0.124</u>

Tax Levy	\$ 2,832,257	\$	2,891,847	\$	2,938,001	\$	3,170,862
----------	--------------	----	-----------	----	-----------	----	-----------

Percent of Taxes Collected  
to Taxes Levied

	<u>99.3%</u>		<u>99.4%</u>		<u>99.1%</u>		<u>99.4%</u>
--	--------------	--	--------------	--	--------------	--	--------------

\* Maximum tax rate approved by voters: \$0.25 on January 18, 1986

NOTE: Improvements include Ag of \$433,011,694 and timber of \$399,900.

a Includes productivity loss of \$424,644,161, homestead cap of \$90,815,517, and exemptions of \$197,868,087.

b Includes productivity loss of \$418,087,072, homestead cap of \$77,513,103, and exemptions of \$169,852,058.

c Includes productivity loss of \$419,401,370, homestead cap of \$72,134,774, and exemptions of \$165,206,789.

d Includes productivity loss of \$409,917,420 homestead cap of \$68,156,474, and exemptions of \$161,839,769.

**SOMERVELL COUNTY WATER DISTRICT**

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS  
(SERIES 2009A) - BY YEARS (UNAUDITED)  
 YEAR ENDED SEPTEMBER 30, 2020

Due During Fiscal Years Ending	SERIES 2009A		
	Principal Due	Interest Due	Total
2021	\$ 67,000	\$	\$ 67,000
2022	67,000		67,000
2023	67,000		67,000
2024	67,000		67,000
2025	67,000		67,000
2026	67,000		67,000
2027	67,000		67,000
2028	67,000		67,000
2029	67,000		67,000
2030	67,000		67,000
	<u>\$ 670,000</u>	<u>\$</u>	<u>\$ 670,000</u>

**SOMERVELL COUNTY WATER DISTRICT**

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - continued

(SERIES 2009B) - BY YEARS (UNAUDITED)

YEAR ENDED SEPTEMBER 30, 2020

Due During Fiscal Years Ending	SERIES 2009B		
	Principal Due	Interest Due	Total
2021	\$ 475,000	\$	\$ 475,000
2022	475,000		475,000
2023	475,000		475,000
2024	475,000		475,000
2025	474,000		474,000
2026	474,000		474,000
2027	474,000		474,000
2028	474,000		474,000
2029	474,000		474,000
2030	474,000		474,000
	<u>\$ 4,744,000</u>	<u>\$</u>	<u>\$ 4,744,000</u>

**SOMERVELL COUNTY WATER DISTRICT**

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - continued

(SERIES 2009C) - BY YEARS (UNAUDITED)

YEAR ENDED SEPTEMBER 30, 2020

Due During Fiscal Years Ending	SERIES 2009C		
	Principal Due	Interest Due	Total
2021	\$ 454,000	\$ 125,566	\$ 579,566
2022	463,000	116,726	579,726
2023	473,000	106,860	579,860
2024	484,000	96,076	580,076
2025	495,000	84,696	579,696
2026	508,000	72,162	580,162
2027	520,000	59,652	579,652
2028	534,000	45,580	579,580
2029	549,000	31,370	580,370
2030	564,000	15,916	579,916
	<u>\$ 5,044,000</u>	<u>\$ 754,604</u>	<u>\$ 5,798,604</u>

**SOMERVELL COUNTY WATER DISTRICT**

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - continued

(SERIES 2012) - BY YEARS (UNAUDITED)

YEAR ENDED SEPTEMBER 30, 2020

Due During Fiscal Years Ending	SERIES 2012		
	Principal Due	Interest Due	Total
2021	\$ 40,000	\$	\$ 40,000
2022	40,000		40,000
2023	40,000		40,000
2024	40,000		40,000
2025	40,000		40,000
2026	35,000		35,000
2027	35,000		35,000
2028	35,000		35,000
2029	35,000		35,000
2030	40,000		40,000
	<u>\$ 380,000</u>	<u>\$</u>	<u>\$ 380,000</u>



**SOMERVELL COUNTY WATER DISTRICT**

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - continued

(ALL BONDED DEBT SERIES) - BY YEARS (UNAUDITED)

YEAR ENDED SEPTEMBER 30, 2020

Due During Fiscal Years Ending	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Principal Due	Interest Due	Total
2021	\$ 1,036,000	\$ 125,566	\$ 1,161,566
2022	1,045,000	116,726	1,161,726
2023	1,055,000	106,860	1,161,860
2024	1,066,000	96,076	1,162,076
2025	1,076,000	84,696	1,160,696
2026	1,084,000	72,162	1,156,162
2027	1,096,000	59,652	1,155,652
2028	1,110,000	45,580	1,155,580
2029	1,125,000	31,370	1,156,370
2030	1,145,000	15,916	1,160,916
	<u>\$ 10,838,000</u>	<u>\$ 754,604</u>	<u>\$ 11,592,604</u>

**SOMERVELL COUNTY WATER DISTRICT**

TSI-6. CHANGES IN LONG-TERM BONDED DEBT (UNAUDITED)

YEAR ENDED SEPTEMBER 30, 2020

	Bond Issues				
	Series 2012	Series 2009C	Series 2009B	Series 2009A	Total
Interest Rate	0.0%	0.854 % -2.822%	0.0%	0.0%	
Dates Interest Payable	3/15; 9/15	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity Dates	3/14/2030	9/1/2030	9/1/2030	9/1/2030	
Beginning Bonds Outstanding	\$ 420,000	\$ 5,491,000	\$ 5,219,000	\$ 737,000	\$ 11,867,000
Bonds Sold During Fiscal Year					0
Bonds Retired During Fiscal Year	<u>40,000</u>	<u>447,000</u>	<u>475,000</u>	<u>67,000</u>	<u>1,029,000</u>
Ending Bonds Outstanding	<u>\$ 380,000</u>	<u>\$ 5,044,000</u>	<u>\$ 4,744,000</u>	<u>\$ 670,000</u>	<u>\$ 10,838,000</u>
Interest Paid During Fiscal Year	\$ 0	\$ 132,926	\$ 0	\$ 0	\$ 132,926
Paying Agents Name and City					
Series 2009A	Wells Fargo Corporate Trust Services Minneapolis, MN				
Series 2009B	Wells Fargo Corporate Trust Services Minneapolis, MN				
Series 2009C	Wells Fargo Corporate Trust Services Minneapolis, MN				
Series 2012	Wells Fargo Corporate Trust Services Minneapolis, MN				
Bond Authority					
	General Obligation	General Obligation	General Obligation	General Obligation	
Board of Directors Resolution	\$ 700,000	\$ 9,367,000	\$ 9,494,000	\$ 1,340,000	
Debt Service Fund cash and temporary investments					
Balances September 30, 2020	\$ 162,004				
Average annual debt service payment (principal and interest)					
for remaining term of all debt					
Series 2009A	\$ 67,000				
Series 2009B	474,400				
Series 2009C	579,860				
Series 2012	38,000				
	<u>\$ 1,159,260</u>				

**SOMERVELL COUNTY WATER DISTRICT**

**TSI-7a. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - GENERAL FUND - UNAUDITED**

Five Years Ended December 31, 2016, 2017, 2018, 2019, and 2020

	AMOUNTS				
	2020	2019	2018	2017	2016
Operating revenues:					
Property taxes	\$ 1,778,457	\$ 1,708,018	\$ 1,732,172	\$ 2,465,525	\$ 1,162,219
Water sales	589,002	573,916	627,652	503,501	481,070
Park revenue	168,912	97,328	86,145	75,765	76,614
Interest	190,591	220,728	143,052	95,180	62,136
Miscellaneous income		142	12,000	20,561	4,886
Total operating revenues	<u>2,726,962</u>	<u>2,600,132</u>	<u>2,601,021</u>	<u>3,160,532</u>	<u>1,786,925</u>
Operating expenses:					
Professional fees	42,612	36,356	14,422	14,562	16,510
Contracted services	97,969	95,541	112,566	114,856	145,837
Repair and maintenance	28,148	26,191	10,638	14,228	16,948
Administration	278,632	277,109	284,303	279,425	288,178
Distribution	395,645	375,580	338,220	348,947	340,574
Production	552,944	523,282	697,837	536,675	593,025
Park and recreation	86,233	100,033	94,352	89,685	86,428
Capital outlay	1,049,092	1,063,774	1,031,279	880,144	173,295
Total operating expenses	<u>2,531,275</u>	<u>2,497,866</u>	<u>2,583,617</u>	<u>2,278,522</u>	<u>1,660,795</u>
Other financing sources / (uses)					
Grant revenue			112,362	112,933	
Transfers in / (out)				277,326	(1,715,808)
Total other financing sources / (uses)			<u>112,362</u>	<u>390,259</u>	<u>(1,715,808)</u>
Net Income	\$ <u>195,687</u>	\$ <u>102,266</u>	\$ <u>129,766</u>	\$ <u>1,272,269</u>	\$ <u>(1,589,678)</u>

PERCENT OF FUND TOTAL REVENUE

2020	2019	2018	2017	2016
65.2%	65.7%	66.6%	78.0%	65.0%
21.6%	22.1%	24.1%	15.9%	26.9%
6.2%	3.7%	3.3%	2.4%	4.3%
7.0%	8.5%	5.5%	3.0%	3.5%
	0.0%	0.5%	0.7%	0.3%
100.0%	100.0%	100.0%	100.0%	100.0%
1.5%	1.5%	0.6%	0.5%	0.9%
3.6%	3.7%	4.3%	3.6%	8.2%
1.0%	1.0%	0.4%	0.5%	0.9%
10.2%	10.7%	10.9%	8.8%	16.1%
14.5%	14.4%	13.0%	11.0%	19.1%
20.3%	20.1%	26.8%	17.0%	33.2%
3.2%	3.8%	3.6%	2.8%	4.8%
38.5%	40.9%	39.6%	27.8%	9.7%
92.8%	96.1%	99.3%	72.1%	92.9%
		4.3%	3.6%	
			8.8%	-96.0%
		4.3%	12.3%	-96.0%
7.2%	3.9%	5.0%	40.3%	-89.0%

**SOMERVELL COUNTY WATER DISTRICT**

TSI-7a. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - DEBT SERVICE FUND - UNAUDITED

Five Years Ended December 31, 2016, 2017, 2018, 2019, and 2020

	AMOUNTS				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues:					
Property taxes	\$ 1,054,301	\$ 1,190,733	\$ 1,206,048	\$ 1,566,682	\$ 740,198
Interest	5,630	21,440	13,681	5,984	1,873
Total operating revenues	<u>1,059,931</u>	<u>1,212,173</u>	<u>1,219,729</u>	<u>1,572,666</u>	<u>742,071</u>
Debt service:					
Principal	1,029,000	1,023,000	1,018,000	1,015,000	1,012,000
Interest	132,926	138,956	143,595	147,293	150,062
Total operating expenses	<u>1,161,926</u>	<u>1,161,956</u>	<u>1,161,595</u>	<u>1,162,293</u>	<u>1,162,062</u>
Other financing sources / (uses)					
Grant revenue					
Transfers in / (out)	<u>                    </u>	<u>                    </u>	<u>                    </u>	(268,958)	268,958
Total other financing sources / (uses)	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>(268,958)</u>	<u>268,958</u>
Net Income	\$ <u><u>(101,995)</u></u>	\$ <u><u>50,217</u></u>	\$ <u><u>58,134</u></u>	\$ <u><u>141,415</u></u>	\$ <u><u>(151,033)</u></u>

PERCENT OF FUND TOTAL REVENUE

2020	2019	2018	2017	2016
99.5%	98.2%	98.9%	99.6%	99.7%
0.5%	1.8%	1.1%	0.4%	0.3%
100.0%	100.0%	100.0%	100.0%	100.0%
97.1%	84.4%	83.5%	64.5%	136.4%
12.5%	11.5%	11.8%	9.4%	20.2%
109.6%	95.9%	95.2%	73.9%	156.6%
			-17.1%	36.2%
			-17.1%	36.2%
-9.6%	4.1%	4.8%	9.0%	-20.4%

SOMERVELL COUNTY WATER DISTRICT

TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS - UNAUDITED  
YEAR ENDED SEPTEMBER 30, 2020

Complete District Mailing Address: 1100 P.O. Box 1386, Glen Rose, Texas 76043

District Business Telephone Number: (254) 897-4141

Submission Date of the most recent District Registration Form:  
(TWC Sections 36.054 and 49.054): None

Limit on Fees of Office that a Director may receive during a fiscal year: No limit imposed  
(Set by Board Resolution (TWC Section 49.060))

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid 9/30/2020	Expense Reimburse- ments 9/30/2020	Title at Year End
<b>Board Members:</b>				
Ben Mieth	(Elected) Place II 5/18 - 5/22	\$		President
Larry Fleming	(Elected) Place I 5/16 - 5/24			Director
Maurice English	(Elected) Place VI 5/18 - 5/22			Director
Lee Magee	(Elected) Place IV 5/16 - 5/24			Secretary/Treasurer
Karen Richardson	(Elected) Place III 11/17 - 5/24			Director
Nemo Britton	(Elected) Place VII 5/16 - 5/24			Vice President
Kevin Morgan	(Elected) Place V 5/16 - 5/24			Director
<b>Key Administrative Personnel:</b>				
Kevin Taylor		144,974		General Manager
John Flippen		79,293		Director of Operations
<b>Consultants:</b>				
Merritt, McLane & Hamby, P.C.		13,000		Auditor
Valley View Consulting		7,500		Financial advisor
Michael Cody, CPA, PC		8,500		Accounting services
Wheeler Branch Bookkeeping		6,000		Accounting services
Hilltop Securities		3,500		Financial advisor
Lloyd Gosselink Attorneys		3,454		Attorney
Other miscellaneous		658		

**OTHER INFORMATION REQUIRED BY GAO**



# Merritt, McLane & Hamby, P.C.

401 Cypress Street, Suite 303  
Abilene, TX 79601

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

To the Board of Directors  
Somervell County Water District

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 the governmental activities, and each major fund of Somervell County Water District, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Somervell County Water District's basic financial statements, and have issued our report thereon dated January 7, 2021.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Somervell County Water 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Somervell County Water 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of 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 Somervell County Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 Standard*.

**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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Merritt, McLane & Hamby, P.C.*

**MERRITT, MCLANE & HAMBY, P.C.**

Abilene, Texas  
January 7, 2021

**SOMERVELL COUNTY WATER DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES**

YEAR ENDED SEPTEMBER 30, 2020

**I. Summary of Auditor's Report**

- a. The type of report issued on the financial statements of Somervell County Water District was an unqualified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance not material to the financial statements of Somervell County Water District were disclosed during the audit.

**II. Findings Required to be Reported in Accordance with *Government Auditing Standards*.**

None

**SOMERVELL COUNTY WATER DISTRICT**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

YEAR ENDED SEPTEMBER 30, 2020

Findings/Noncompliance

None