

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT

*FOR*

*FISCAL YEAR ENDED*

*March 31, 2016*

General Manager  
Bill Goheen

## FINANCIAL SECTION





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June 16, 2016

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
East Cedar Creek Fresh Water Supply District  
P.O. Box 309  
Mabank, TX 75147-0309

Board of Directors:

We have audited the accompanying financial statements of the business-type activities for East Cedar Creek Fresh Water Supply District ("District") as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

**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 from material misstatement whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the East Cedar Creek Fresh Water Supply District as of March 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedule of functional expenses comparison to budget, on pages 5 - 11 and page 31, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 East Cedar Creek Fresh Water Supply District's financial statements. The introductory section, supplemental schedules required by the Texas Commission on Environmental Quality and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, supplementary information required by the Texas Commission on Environmental Quality and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2016, on our consideration of the 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 the District's internal control over financial reporting and compliance.

Respectfully submitted,

**CONWAY COMPANY CPAs, P.C.**

*Conway Company CPAs, P.C.*

# EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

MARCH 31, 2016

Within this section of the East Cedar Creek Fresh Water Supply District's ("District") annual financial report, management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2016. Financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following the section.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$12,258,176 (net position). The portion of net position that can be used to meet the District's on-going obligations to citizens and creditors, unrestricted net position, is \$920,514, or 8% of total net position.
- The District's total net position increased by \$533,242. This increase is due, in large part, to the increase in charge for services of \$324,278, or 6%, compared to the prior year.
- Net investments in capital assets totaled \$9,771,372. This amount includes property, equipment and infrastructure less related accumulated depreciation, less outstanding debt used to purchase the capital assets, plus unspent bond proceeds.
- The District's total debt increased by \$1,970,031, or 17%, during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of two components; 1) fund financial statements, and 2) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
MARCH 31, 2016**

The financial statements are designed to provide readers with an overview of the District's finances, in a manner similar to a typical, private-sector business.

The District operates as a proprietary fund type and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting. The District's basic financial statements include:

Proprietary Fund Type – Statement of Net Position  
Statement of Revenues, Expenses, and Changes in Net Position  
Statement of Cash Flows  
Notes to the Basic Financial Statements

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

Net investment in capital assets  
Restricted  
Unrestricted

**Overview of the Financial Statements**

The District operates as a proprietary fund type. All proprietary fund types are accounted for on a flow of economic resources measurement focus. Under the measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

All proprietary fund types utilize the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized at the time the related liabilities are incurred, regardless of when paid.

Notes to the Financial Statements – The accompanying notes to the financial statements provide information that is essential to a complete understanding of the data provided in the basic financial statements. The notes to the financial statements begin immediately following the basic financial statements.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
MARCH 31, 2016**

**Schedule of Net Position**

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 7,126,733	\$ 4,002,836
Capital assets	20,404,840	20,822,171
Total assets	<u>27,531,573</u>	<u>24,825,007</u>
Other liabilities	1,520,324	1,338,525
Long-term liabilities	<u>13,753,073</u>	<u>11,761,548</u>
Total liabilities	<u>15,273,397</u>	<u>13,100,073</u>
Net position:		
Net investment in capital assets	9,771,372	9,291,769
Restricted	1,566,290	1,378,063
Unrestricted	920,514	1,055,102
Total net position	<u>\$ 12,258,176</u>	<u>\$ 11,724,934</u>

As noted earlier, net position may serve over time as one useful indicator of the District's financial condition. The net position of the District exceeded liabilities by \$12,258,176 as of March 31, 2016. The District's net position increased by \$533,242 or 5%.

*Net investment in capital assets*

The largest portion, \$9,771,372 or 80%, reflects the District's investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure) less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these

*Restricted net position*

The restricted net position of \$1,566,290 or 13%, of total net position represents resources that are subject to external restriction on their use, or by enabling legislation. Restricted net position of the District is for debt obligations.

*Unrestricted net position*

Unrestricted net position of \$920,514 or 8%, of total net position is available to fund the District's programs to its customers and creditors.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
MARCH 31, 2016**

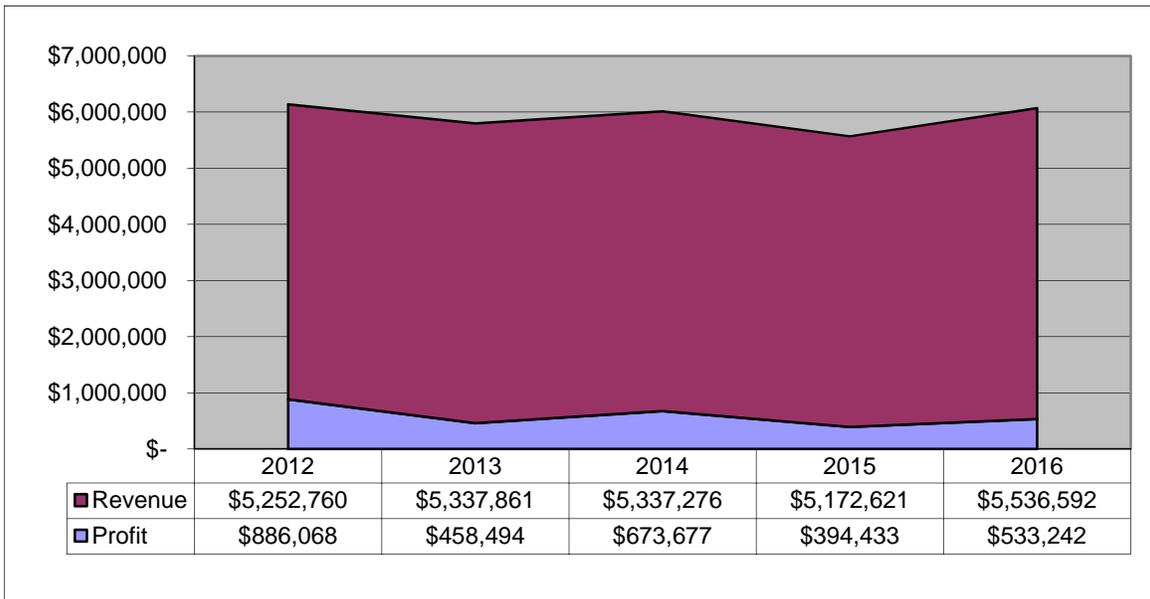
**Changes in Net Position**

	Business-type		Total % Change
	Activities		
	2016	2015	
Revenues:			
Program Revenues:			
Charges for Services	\$ 5,386,347	\$ 5,062,069	6.41%
General Revenues:			
Investment Income	9,829	7,988	23.05%
Miscellaneous	140,416	102,564	36.91%
<b>Total Revenues</b>	<b>5,536,592</b>	<b>5,172,621</b>	<b>7.04%</b>
Expenses:			
Program Expenses:			
Bulk Water Purchases	439,056	451,688	-2.80%
Personnel Costs	1,467,521	1,419,110	3.41%
Professional Fees	17,498	15,986	9.46%
Printing and Office Supplies	16,238	17,543	-7.44%
Vehicle Expense	48,963	48,818	0.30%
Chemicals	190,479	197,310	-3.46%
Machinery & Equipment Expense	30,677	27,114	13.14%
Operating Material & Supplies	643,011	503,537	27.70%
Sludge Control	38,220	58,676	-34.86%
Postage	40,060	44,268	-9.51%
Utilities	280,792	384,251	-26.92%
Insurance & Bond	15,615	15,389	1.47%
Other Operating Expenses	151,252	133,820	13.03%
Engineering Fees	6,911	3,614	91.23%
Testing	31,340	29,595	5.90%
Depreciation & Amortization	1,026,349	978,250	4.92%
<b>Total Expenses</b>	<b>4,443,982</b>	<b>4,328,969</b>	<b>2.66%</b>
Excess of Revenues over Expenses	1,092,610	843,652	29.51%
Interest on Long-Term Debt	(441,038)	(446,377)	-1.20%
Gain(loss) on disposal of assets	1,670	(2,842)	158.76%
Bond Issuance Costs	(120,000)	-	-100.00%
Increase in Net Position	533,242	394,433	35.19%
<b>Net Position, April 1</b>	<b>11,724,934</b>	<b>11,330,501</b>	<b>3.48%</b>
<b>Net Position, March 31</b>	<b>\$ 12,258,176</b>	<b>\$ 11,724,934</b>	<b>4.55%</b>

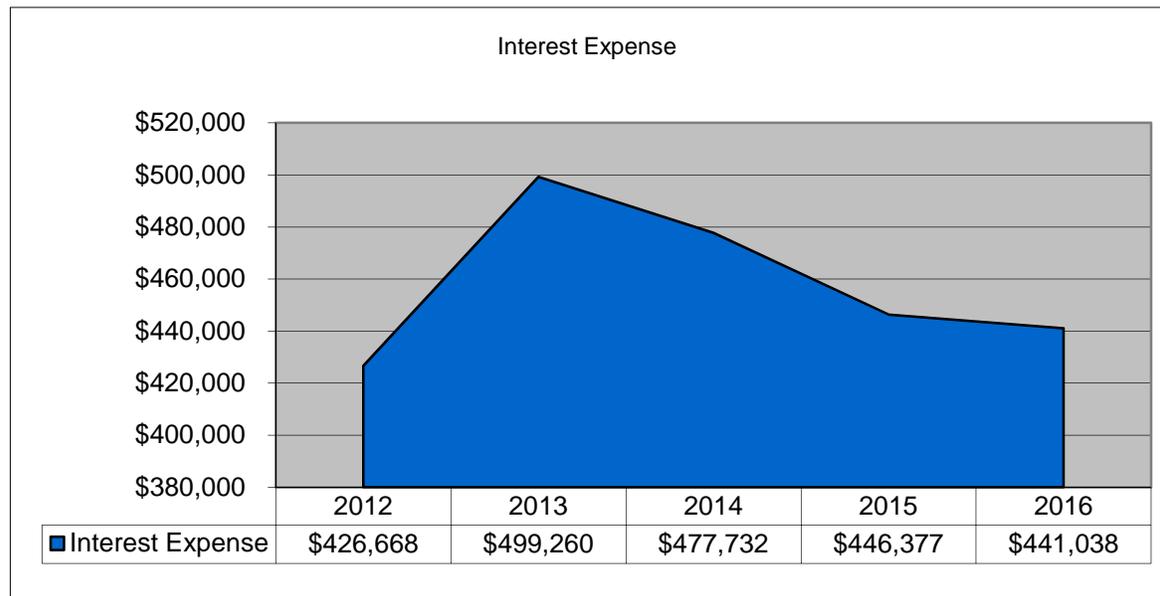
The District as a whole is primarily reliant on charges for services. Activities were 97% supported by charges for service and 3% of revenues were derived from other sources.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
 FOR THE YEARS ENDED MARCH 31, 2012 - 2016**

**REVENUES AND CHANGES IN NET POSITION**



**CHANGE IN INTEREST EXPENSE**



**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
MARCH 31, 2016**

**Capital assets** - The District's investment in capital assets for its business-type activities as of March 31, 2016 totals \$20,404,840, net of accumulated depreciation. This investment in capital assets includes buildings, system infrastructure, land, machinery and equipment. The total decrease in investment in capital assets for the current fiscal year was (2%).

Major capital improvements on-going during the fiscal year:  
 Completion of improvements to Lift Station #3, #29, and #61  
 Brookshire sludge transfer piping improvement completed  
 Trailer mounted generator project completed

**Capital Assets  
(net of accumulated depreciation)**

	<b>Business-type Activities</b>	
	<b>2016</b>	<b>2015</b>
Land & Improvements	\$ 482,051	\$ 482,051
Machinery & Equipment	423,769	428,548
Buildings	212,722	207,585
Infrastructure	18,913,045	19,356,187
Construction in Progress	373,253	347,800
<b>Total</b>	<b>\$ 20,404,840</b>	<b>\$ 20,822,171</b>

More detailed information about the District's capital assets is presented in Note E to the financial statements.

**Long-term Debt** - As of March 31, 2016, the District had long-term debt outstanding of \$13,679,354. During the fiscal year, total debt increased \$1,970,031, or 17% due to the issuance of the 2015 Bonds.

**Outstanding Debt  
as of March 31**

	<b>Business-type Activities</b>	
	<b>2016</b>	<b>2015</b>
Utility System Revenue Bonds	<b>\$ 13,679,354</b>	<b>\$ 11,709,323</b>

More detailed information about the District's long-term liabilities is presented in Note G to the financial statements.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
MARCH 31, 2016**

**Economic Factors and Next Year's Budgets and Rates**

Although the economy is the primary factor, the District's elected officials considered many factors when setting the fiscal year 2016 budget and fees that will be charged for the business-type activities. The budgeted expenditures increased by 3%. The budgeted revenues were increased by 2%.

At the close of the 2016 fiscal year, unrestricted fund balance decreased to \$1,040,923. The District has budgeted \$5,944,149 of forecasted revenues for spending in the fiscal year 2017 budget.

**Requests for Information**

This report is designed to provide an overview of the District's finances for those with an interest in the District's finances. Questions concerning the information found in this report or requests for additional financial information should be addressed to East Cedar Creek Fresh Water Supply District, P.O. Box 309, Mabank, TX 75147-0309.



## BASIC FINANCIAL STATEMENTS



**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
STATEMENT OF NET POSITION  
MARCH 31, 2016**

	<b>Proprietary Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 1,313,739
Restricted cash and cash equivalents	5,116,876
Receivables (net of allowance for uncollectibles)	401,018
Inventory	284,841
Prepaid expenses	80
Total Current Assets	<u>7,116,554</u>
Noncurrent Assets:	
Organization costs, net of amortization	10,179
Capital Assets (net of accumulated depreciation):	
Land	482,051
Buildings & improvements	446,834
Infrastructure	33,997,062
Machinery & equipment	951,117
Construction In progress	373,253
Less accumulated depreciation	<u>(15,845,477)</u>
Total Noncurrent Assets	<u>20,415,019</u>
<b>Total Assets</b>	<u><u>27,531,573</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	642,150
Payroll liabilities	25,972
Customer deposits-restricted assets	671,076
Accrued interest payable	116,992
Other liabilities	64,134
Total Current Liabilities	<u>1,520,324</u>
Noncurrent Liabilities:	
Due within one year:	
Compensated absences	3,149
Revenue bonds payable	1,135,000
Due in more than one year:	
Compensated absences	70,570
Revenue bonds payable	<u>12,544,354</u>
Total Noncurrent Liabilities	<u>13,753,073</u>
<b>Total Liabilities</b>	<u><u>15,273,397</u></u>
<b>NET POSITION</b>	
Net investment in capital assets	9,771,372
Restricted for:	
Debt	1,566,290
Unrestricted	<u>920,514</u>
<b>Total Net Position</b>	<u><u>\$ 12,258,176</u></u>

The notes to the financial statements are an integral part of this financial statement.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION  
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Proprietary Fund</u>
<b>OPERATING REVENUES:</b>	
Charges for sales and services:	
Customer service fees	\$ 5,110,083
Other services related fees	136,071
Service charges & penalties	140,193
Other revenues	140,416
<b>Total Operating Revenues</b>	<u>5,526,763</u>
<b>OPERATING EXPENSES:</b>	
Bulk water purchases	439,056
Personnel costs	1,467,521
Professional fees	24,409
Printing and office supplies	16,238
Vehicle expenses	48,963
Chemicals	190,479
Machinery & equipment expense	30,677
Operating material & supplies	674,351
Sludge control	38,220
Postage	40,060
Utilities	280,792
Insurance	15,615
Other operating expenses	151,252
Depreciation and Amortization	1,026,349
<b>Total Operating Expenses</b>	<u>4,443,982</u>
<b>Operating Income (Loss)</b>	<u>1,082,781</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Investment income	9,829
Gain on disposal of asset	1,670
Interest expense	(441,038)
Debt issuance cost	(120,000)
<b>Total Non-operating Revenues (Expenses)</b>	<u>(549,539)</u>
<b>Change in Net Position</b>	533,242
<b>Net position - Beginning, April 1</b>	11,724,934
<b>Net position - Ending, March 31</b>	<u>\$ 12,258,176</u>

The notes to the financial statements are an integral part of this financial statement.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED MARCH 31, 2016**

	<b>Proprietary Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 5,368,102
Cash received from other sources	140,416
Cash paid to employees	(1,445,498)
Cash paid to suppliers	(1,858,549)
<b>Net Cash Provided by Operating Activities</b>	<u>2,204,471</u>
<b>Cash Flows from Non-capital Financing Activities</b>	
Amortization - organizational costs	(2,262)
<b>Net Cash Provided by Non-capital Financing Activities</b>	<u>(2,262)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Interest paid on capital debt	(441,038)
Issuance cost of debt	(120,000)
Debt proceeds	3,095,000
Principal payments of capital debt	(1,095,000)
Discount and premium on bonds	(29,969)
Gain(loss) on sale of assets	1,670
Acquisition and construction of capital assets	(604,781)
<b>Net Cash (Used) for Capital &amp; Related Financing Activities</b>	<u>805,882</u>
<b>Cash Flows from Investing Activities:</b>	
Interest income	9,829
<b>Net Cash Provided by Investing Activities</b>	<u>9,829</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	3,017,920
<b>Cash and Cash Equivalents at Beginning of Year</b>	3,412,695
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 6,430,615</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operation Activities:</b>	
Operating Income (Loss)	\$ 1,082,781
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and amortization	1,026,349
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Receivables	(30,586)
Inventories	(77,653)
Increase (Decrease) in Liabilities:	
Accounts payable	164,746
Accrued liabilities	529
Compensated absences	21,494
Customer deposits	12,341
Other liabilities	4,470
Total Adjustments	<u>1,121,690</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,204,471</u>

The notes to the financial statements are an integral part of this financial statement.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Board of Directors, a seven-member body elected by qualified voters of the District, is the governing body responsible over all activities of the East Cedar Creek Fresh Water Supply District ("District") located in Henderson County. The Directors serve four years, staggered terms, that expire in even number years. The District was created on June 25, 1977 by House Bill No. 2165 passed by the 65th Legislature, in 1977, as a conservation and reclamation district under Article XVI, Section 59, Texas Constitution, and has the powers of a municipal utility district under Chapter 54 of the Texas Water Code, as amended. As a municipal utility district, the District has the authority to levy ad valorem taxes to pay maintenance and operation expenses and payments under contracts, and to pay unlimited tax bonds, all subject to voter approval. The District has not voted to levy ad valorem taxes or issue bonds payable from ad valorem taxes. The District receives funding from various local, state, and federal sources and must comply with the requirements of these funding entities. The District and its operations are subject to regulatory control by the Texas Commission on Environmental Quality pursuant to various provisions of the Texas Water Code. The District covers approximately 20 square miles.

The accounting and reporting policies of the District relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments - Auditing and Accounting Guide* and the Financial Accounting Standards Board when applicable. The more significant accounting policies of the District are described below:

**1. Reporting Entity**

The District has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB 39, "Determining Whether Certain Organizations are Component Units" under GASB 14, component units are organizations for which the District is financially accountable and all other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As of March 31, 2016, the District does not have any component units.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

**2. Basis of Presentation, Basis of Accounting**

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, net position, revenue and expenses. The fund type utilized by the District is described below:

The *Proprietary Fund* is used to account for the operations of supplying water which is a self-supporting activity rendering services on a user-charge basis.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary fund include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

2. Basis of Presentation, Basis of Accounting (continued)

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 they are needed.

Proprietary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Proprietary fund financial statements follow the accounting set forth by GASB.

Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

The proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District presents their financial statement utilizing only the business-type fund. The District uses the accrual basis of accounting to prepare its financial statement. Revenues are recognized in the accounting period in which they are earned and expenses are recognized when incurred to generate those revenues. The District's only operating activity is the sale of water and to provide wastewater services to its residential and commercial customers who are all located in a limited geographical region. The statements, exhibits, and supporting schedules contained in the report were prepared on the accrual basis of accounting except for the statement of cash flows which is a cash basis statement.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

b. Receivables, Inventory, and Amortization

Trade receivables are shown net of an allowance for uncollectible.

Inventory is valued at cost using the first-in-first-out method. Inventory consists of expendable supplies held for consumption.

The costs incurred upon the creation of the District in 1977 are being amortized on a straight-line method over 40 years.

c. Restricted Assets

Certain proceeds of the proprietary fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

Customer deposits received for water and wastewater service are, by law, considered restricted assets.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2016**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

3. Financial Statement Amounts (continued)

d. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method.

e. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported at cost. The District defines capital assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed when found to be material. During the current fiscal year \$15,848 of interest expense was capitalized.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	40 years
Buildings	40 years
Vehicles and Machinery	5-15 years
Office Equipment	5-10 years
Computer Equipment	5-10 years

f. Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Regular full-time employees can accrue vacation as follows: 40 hours after one year of service, 80 hours after 2-4 years of service, 120 hours after 5-10 years and 160 hours after 10 or more years of service. Sick leave can be accumulated and carried over from year-to-year and 50% of a maximum 60 days is paid upon leaving the employment of the District.

g. Long-Term Obligations

Long-term debt consisting of bonds to be repaid from revenues of the system are included in these accounts. In all proprietary fund financial statements, outstanding debt is reported as a liability. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Management has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bond issuance costs are expensed during the year they are incurred.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

3. Financial Statement Amounts (continued)

h. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, less accumulated depreciation, less the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and plus any unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Unrestricted net position for the proprietary fund represent the net position available for future operations or distributions. The District has net position restricted by resolution for bond reserve and interest and sinking fund accumulations.

i. Budget

Prior to the start of the fiscal year, the governing board of the District adopts an operating budget for the upcoming fiscal year. The adopted budget and any subsequent amendments are approved by a resolution of the governing board and made a part of the governing board minutes. Budget amendments are required by the board only if events occur which prevent meaningful comparison of the budget to the actual results of operations. The adopted budget is not a spending limitation imposed by the Board. However, the governing board may adopt rules to limit the spending authority of the District's officers in relation to the budget. A comparison of the actual budget, as amended, is presented in the Required Supplemental Section of this financial report. The budget is adopted under a modified accrual basis which differs from with generally accepted accounting principals.

j. Comparative Data

Comparative total data for the current year to budget have been presented in the required supplementary section of the financial statement in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

k. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

l. Program Revenues

Certain revenues such as charges for services are included in program revenues.

m. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

**B. COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action taken</u>
None reported	Not applicable

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2016**

**B. COMPLIANCE AND ACCOUNTABILITY** (continued)

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount
None reported	Not applicable

**C. DEPOSITS AND INVESTMENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Statutes of the Texas Water Code. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect the District's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC").

*Cash Deposits*

At March 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments, petty cash) was \$6,430,615 and the bank balance was \$6,258,371. The District's cash deposits at the fiscal year end and during the fiscal year, were entirely covered by FDIC or by pledged securities.

<b>Restricted Cash</b>	
Debt	\$ 4,445,800
Customer Deposits	671,076
	<u>\$ 5,116,876</u>

Statutes authorize the District to invest in obligations of the United States, the State of Texas, certain state agencies, certificates of deposit of state or national banks or savings and loan associations within the State. The District had a total \$1,637,129 in certificates of deposit and \$188,679 in money market accounts.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at fiscal year-end and if so, the reporting of certain related disclosures:

*Interest Rate Risk*

In order to limit interest and market rate risk from changes in interest rates, the District's adopted Investment Policy sets a weighted average days to maturity to be less than 180 days and the maximum allowable maturity shall be one year.

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. All of the District's cash deposits were either fully insured with FDIC or pledged security at year end.

The District recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The District's Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on at least a monthly basis. In the opinion of management, the District was not exposed to a significant amount of credit risk at March 31, 2016.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016**

**D. RECEIVABLES**

Receivables as of year end for the Proprietary fund, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	
Fees & Services	\$ 420,839
Allowance for uncollectibles	<u>(19,821)</u>
Net Receivables	<u>\$ 401,018</u>

**E. CAPITAL ASSETS**

Capital asset activity for the period ended March 31, 2016 was as follows:

	Beginning Balances	Additions	Decreases	Ending Balances
<b>Business-type Activities</b>				
Capital assets, not being depreciated				
Land	\$ 482,051	\$ -	\$ -	\$ 482,051
Construction in progress	<u>347,800</u>	<u>224,797</u>	<u>(199,344)</u>	<u>373,253</u>
Total capital assets, not being depreciated	<u>829,851</u>	<u>224,797</u>	<u>(199,344)</u>	<u>855,304</u>
Capital assets, being depreciated				
Infrastructure	33,610,694	386,368	-	33,997,062
Buildings & Improvements	427,670	19,164	-	446,834
Machinery & Equipment	<u>777,321</u>	<u>183,451</u>	<u>(9,655)</u>	<u>951,117</u>
Total assets being depreciated	<u>34,815,685</u>	<u>588,983</u>	<u>(9,655)</u>	<u>35,395,013</u>
Less accumulated depreciation for:				
Infrastructure	(14,167,138)	(916,879)	-	(15,084,017)
Buildings & Improvements	(220,077)	(14,035)	-	(234,112)
Machinery & Equipment	<u>(443,830)</u>	<u>(93,173)</u>	<u>9,655</u>	<u>(527,348)</u>
Total accumulated depreciation	<u>(14,831,045)</u>	<u>(1,024,087)</u>	<u>9,655</u>	<u>(15,845,477)</u>
Total capital assets, being depreciated, net	<u>19,984,640</u>	<u>(435,104)</u>	<u>-</u>	<u>19,549,536</u>
Business-type activities capital assets, net	<u>\$ 20,814,491</u>	<u>\$ (210,307)</u>	<u>\$ (199,344)</u>	<u>\$ 20,404,840</u>

**F. ORGANIZATION COSTS**

The District, in accordance with requirements of the Texas Water Commission, capitalizes and charges to organizational costs for the creation period, all costs incurred in the creation of the District allowed by the statute. The District amortizes its organizational costs on a straight-line basis over forty years.

	Fees	Prior Years Amortization Expense	Current Year Amortization Expense	3/31/2016 Balance
Organization Costs	<u>\$ 90,477</u>	<u>\$ (78,036)</u>	<u>\$ (2,262)</u>	<u>\$ 10,179</u>

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016**

**G. LONG-TERM OBLIGATIONS**

	Beginning 3/31/2015	Increase	Decrease	Ending 3/31/2016	Due Within One Year
<i>Business-type Activities</i>					
Water & Sewer					
Revenue Bonds	\$ 11,670,000	\$ 3,095,000	\$ (1,095,000)	\$ 13,670,000	\$ 1,135,000
Less: Discounts	(25,726)	(49,868)	1,428	(74,166)	-
Plus: Premiums	65,049	23,938	(5,467)	83,520	-
Total Bonds Payable	11,709,323	3,069,070	(1,099,039)	13,679,354	1,135,000
Compensated Absences	52,225	51,108	(29,614)	73,719	3,149
Business-type activity					
Long-term liabilities	<u>\$ 11,761,548</u>	<u>\$ 3,120,178</u>	<u>\$ (1,128,653)</u>	<u>\$ 13,753,073</u>	<u>\$ 1,138,149</u>

*Changes in Business-type Long-term Debt*

Revenue Bonds	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding March 31,			Amounts Outstanding March 31, 2016	Due Within One Year
			2015	Issued	Retired		
Series 2001	5.125%	\$ 5,970,000	\$ 105,000	\$ -	\$ -	\$ 105,000	\$ -
Series 2004	4.05%	5,175,000	2,515,000	-	(385,000)	2,130,000	410,000
Series 2004-A	3.05%	1,500,000	875,000	-	(75,000)	800,000	75,000
Series 2007	2.6%	730,000	535,000	-	(35,000)	500,000	35,000
Series 2011-A	2.0%	6,740,000	4,445,000	-	(600,000)	3,845,000	605,000
Series 2011-B	4.5%	1,760,000	1,760,000	-	-	1,760,000	10,000
Series 2013	3.0%	1,435,000	1,435,000	-	-	1,435,000	-
Series 2015	4.0%	3,095,000	-	3,095,000	-	3,095,000	-
Total Bonds Payable		26,405,000	11,670,000	3,095,000	(1,095,000)	13,670,000	1,135,000
Compensated Absences			52,225	51,108	(29,614)	73,719	3,149
Total Long-Term Obligations		<u>\$ 26,405,000</u>	<u>\$ 11,722,225</u>	<u>\$ 3,146,108</u>	<u>\$ (1,124,614)</u>	<u>\$ 13,743,719</u>	<u>\$ 1,138,149</u>

Debt service requirements are as follows:

Year Ending March 31:	Principal	Interest	Total Requirements
2017	\$ 1,135,000	\$ 492,944	\$ 1,627,944
2018	1,185,000	451,126	1,636,126
2019	1,230,000	405,687	1,635,687
2020	1,135,000	357,087	1,492,087
2021	1,160,000	314,497	1,474,497
2022-2026	4,250,000	971,650	5,221,650
2027-2031	2,360,000	427,035	2,787,035
2032-2035	1,215,000	90,989	1,305,989
Totals	<u>\$ 13,670,000</u>	<u>\$ 3,511,015</u>	<u>\$ 17,181,015</u>

A brief discussion of each bond issuance follows:

\$5,970,000 Utility System Revenue Bonds issued December 27, 2001 for the purpose of refunding Bond Series 1979 and Bond Series 1987.

\$5,175,000 Utility System Revenue Bonds issued July 15, 2004 for the purchase of refunding 1996 Bond Series.

\$1,500,000 Utility System Revenue Bonds issued November 9, 2004 for the purpose of improvements to the sewer system infrastructure.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016**

**G. LONG-TERM OBLIGATIONS** (continued)

\$730,000 Utility System Revenue Bonds issued March 27, 2007 for the purpose of improvements to the water system infrastructure.

\$6,740,000 Utility System Revenue Bonds issued January 15, 2011 for the purpose of refunding Bond Series 1994, 1999A, and a portion of Bond Series 2001.

\$1,760,000 Utility System Revenue Bonds issued October 1, 2011 for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending any districts works, improvements facilities, plants, equipment and appliances with respect to the District's Utility System, including the acquisition of land and rights-of-way and to pay the costs associated with the issuance of the Bonds.

\$1,435,000 Utility System Revenue Bonds issued February 20, 2013 for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending any District works, improvements, facilities, plants, equipment and appliances with respect to the District's Waterworks and Sewer System, including the acquisition of land and right-of-ways and to pay the costs associated with the issuance of the 2013 Series Bonds.

\$3,095,000 Utility System Revenue Bonds issued November 1, 2015 for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending any District works, improvements, facilities, plants, equipment and appliances with respect to the District's Waterworks and Sewer System, including the acquisition of land and right-of-ways and to pay the costs associated with the issuance of the 2015 Series Bonds.

**H. DEFERRED COMPENSATION PLAN**

Plans of deferred compensation described in IRC section 457 are available for certain state and local governments and non-governmental entities tax exempt under IRC 501. Plans eligible under 457b allow employees of sponsoring organizations to defer income taxation on retirement savings into future years.

The District implemented a 457 Deferred Compensation Plan for its employees. Under Section 457b of the Internal Revenue Code, an employee may generally defer a maximum of pre-deferred taxable income of \$18,000 per year. Effective January 1, 1997, the District may elect to make loans available to participants of the Plan. An employee becomes 100% vested after five years.

The employee may withdraw assets from his/her account either upon retirement, leaving employment or severe financial hardship. The employee must begin receiving benefit payments no later than April 1 of the calendar year end he/she reaches the age of 70 1/2 or the year in which he/she retires, if later.

Payments may be paid as follows:

1. Lump sum distribution
2. Periodic payments over a specified number of years
3. Periodic payments over the determined life expectancy
4. A periodic payment of a specified amount per month or year until the account is exhausted
5. Purchase a lifetime annuity

In the event of death, the designated beneficiary is eligible to withdraw the deferred compensation plan benefit.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2016**

**H. DEFERRED COMPENSATION PLAN** (continued)

The plan is administered by ICMA/RC Retirement Corporation ("RC"). RC is a not-for-profit, independent corporation founded by public sector employees in 1972 to provide retirement plans exclusively for state and local government employees.

The Plan summary is as follows:

	FYE 3/31/2015	FYE 3/31/2016
Beginning Fund Balance, April 1	\$ 542,587	\$ 587,544
Contributions	60,581	63,223
Earnings/(Loss)	40,979	(18,945)
Distributions & Fees	(56,603)	(71,390)
Ending Fund Balance, March 31	<u>\$ 587,544</u>	<u>\$ 560,432</u>

**I. HEALTH CARE COVERAGE**

During the year ended March 31, 2016, employees of the District were covered by a health insurance plan. The District pays 100% per month per employee, and 50% of the cost for dependent coverage. Employees, at their option authorized payroll withholdings to pay contributions for dependent coverage. All contributions were paid to Blue Cross Blue Shield. The Plan is authorized by article 3.51-2, Texas Insurance Code and documented by contractual agreement.

**J. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The District pays an annual premium to TML for its above coverage. The agreement for the formation of TML, provides that TML will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of acceptable risk levels; however each category of coverage has its own level of reinsurance. The District continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three years.

The District estimates that the amount of actual or potential claim against it as of March 31, 2016 will not materially affect the financial condition of the District. Therefore, the accompanying financial statements do not contain a provision for any such claims.

**K. LITIGATION**

The District is subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the District's financial position, results of operations, or cash flows.

**L. ENGINEERING REPORT**

There is no special provision of the bond resolutions regarding engineering reports. The engineer is available to review the operations and physical conditions of the system.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016**

**M. WATER AND WASTEWATER SERVICES**

*Waterworks System*

The District's utility system is comprised of two water treatment plants, water storage facilities and distribution lines and two wastewater treatment plants and related collection facilities. The District serves water and sewer customers within its boundaries and outside its boundaries in the areas designated in separate certificates of convenience and necessity issued by TCEQ.

The District's source of raw water is Cedar Creek Reservoir pursuant to separate contracts with Tarrant Regional Water District ("TRWD") and the City of Trinidad, Texas. The contract with TRWD does not limit the amount of water the District may buy. The contract with the City of Trinidad, Texas is limited to 700 acre/feet per year but at a lesser cost. Raw water is pumped from Cedar Creek Reservoir directly to the plants with screening in place to prevent debris from entering the plants.

The District operates two conventional water treatment plants. The McKay Water Treatment Plant ("McKay WTP") provides water to customers in the southern portion of the District and the Brookshire Water Treatment Plant ("Brookshire WTP") services customers in the northern section.

McKay WTP, located off Hwy 198 just prior to entering the Town of Enchanted Oaks, has been in operation for approximately 18 years. The McKay WTP has a water treatment capacity of 1.73 million gallons per day. Two ground storage tanks and one elevated water tower provide a treated water storage capacity of 637,000 gallons.

Brookshire WTP, located off Welch Lane in Gun Barrel City, is more than 20 years old. Brookshire WTP has a water treatment capacity of 4.0 million gallons per day. Two ground storage tanks and one elevated water tower provide a treated water storage capacity of 1,570,000 gallons.

*Wastewater System*

The District operates two wastewater treatment plants ("WWTP"). The south WWTP is located along the east side of Hwy 198 just north of the entrance to the Town of Enchanted Oaks, and serves the southern area of the District. The north WWTP is located in an unincorporated area on Hammer Road, just off Welch Lane in Gun Barrel City and serves the District's northern sector.

The south WWTP is approximately 20 years old with a permitted capacity of 197,000 gallons per day or 0.197 million gallons per day as stated within the permit. Less than one-third of the plant's capacity is used daily. This WWTP sits on a 178-acre tract with 1.38 acres dedicated toward water irrigation from the plant. Treated water effluent from the plant is processed to a large holding pond and then utilized as irrigation source water. The residual sludge is processed for disposal to a sanitary landfill.

The District has contracted out cutting, bailing, and selling of hay for the plant's irrigated acreage. The District received \$6,972 in hay sales during the current fiscal year.

The north WWTP was built in 1979 with a treatment capacity of 0.626 million gallons per day ("MGD") with a surge capacity of 1.3 MGD for a period not to exceed two hours. With upgrades over the years, the District is now permitted for a treatment capacity of 0.750 MGD which will satisfy District needs for approximately 10 years. The new permit imposes more challenges to the treatment process due to new and more stringent water quality discharge limits. The major portion of the latest upgrades was due to the need to construct a 1-MGD tertiary clarifier to treat and reduce phosphorous limits to a 1 part per million or less prior to discharging effluent from the treatment facility directly to Cedar Creek Lake.

*Additional Services*

The District collects water and sewer franchise fees for the City of Gun Barrel, Town of Enchanted Oaks, and Payne Springs. These monies are paid to the three entities once a year - City of Gun Barrel is paid in August of each year and Town of Enchanted Oaks and Payne Springs are paid in January of each year. The District does not charge an administrative fee for this service.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2016**

**N. CONSTRUCTION COMMITMENTS**

The District has several active construction projects as of March 31, 2016. The projects include water and sewer infrastructure improvements. These commitments are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Lift station upgrades	\$ 189,466	\$ 200,000
North side water infrastructure projects	127,981	2,874,250
Tamarack sewer line relocation	25,402	100,000
Accounting software upgrade	29,161	42,000
Manhole rehab	1,243	100,000
Total	<u>\$ 373,253</u>	<u>\$ 3,316,250</u>

**O. SUBSEQUENT EVENTS**

The District has evaluated all events or transactions that occurred after March 31, 2016 through June 16, 2016, the date the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.

## REQUIRED SUPPLEMENTARY INFORMATION



**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT  
 PROPRIETARY FUND  
 SCHEDULE OF FUNCTIONAL EXPENSES COMPARISON TO BUDGET  
 FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><u>Administration</u></b>			
Payroll Costs	\$ 365,000	\$ 364,209	\$ 791
Supplies	15,000	14,020	980
Professional Services	26,200	27,745	(1,545)
Maintenance	1,600	1,056	544
Utilities	8,700	7,384	1,316
Vehicle	2,600	2,293	307
Other	109,200	101,591	7,609
<b>Total Administration Expenses</b>	<u>528,300</u>	<u>518,298</u>	<u>10,002</u>
<b><u>Operations</u></b>			
Payroll Costs	448,600	368,388	80,212
Water Purchases	517,400	439,056	78,344
Operation	769,000	838,459	(69,459)
Contract Services	34,900	37,480	(2,580)
Maintenance	23,700	27,666	(3,966)
Sludge	48,800	38,220	10,580
Utilities	283,700	269,575	14,125
Vehicle	12,700	12,331	369
Interest and issuance costs	1,603,228	561,038	1,042,190
Sundry	27,100	51,535	(24,435)
<b>Total Operations Expenses</b>	<u>3,769,128</u>	<u>2,643,748</u>	<u>1,125,380</u>
<b><u>Field</u></b>			
Payroll Costs	737,700	734,924	2,776
Utilities	3,100	3,834	(734)
Contract Services	6,400	6,140	260
Maintenance	2,000	1,955	45
Vehicle	22,500	34,339	(11,839)
Sundry	47,300	35,433	11,867
<b>Total Field Expenses</b>	<u>819,000</u>	<u>816,625</u>	<u>2,375</u>
<b>Total Expenses</b>	<u>\$ 5,116,428</u>	<u>\$ 3,978,671</u>	<u>\$ 1,137,757</u>

Note: The District prepares the Proprietary Fund annual budget on a basis (modified accrual basis) which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the District's method (modified accrual basis) in the above schedule to provide a meaningful comparison of actual results with the budget.

Adjustments necessary to convert the Proprietary Fund's expenses on the modified accrual basis to a GAAP basis are provided below:

Expenses - Modified Accrual Basis	\$ 3,978,671
Expenses recognized for GAAP:	
Depreciation and Amortization	1,026,349
Operating Expenses - GAAP Basis	<u>\$ 5,005,020</u>