

# Midland County Utility District

## Financial Statements September 30, 2018 and 2017



**JOHNSON, MILLER & CO. CPA's PC**  
*Certified Public Accountants A Professional Corporation*  
*An Independent Member of BDO Alliance USA*

# Midland County Utility District

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }  
COUNTY OF Midland }

I, Shelton Viney of the Midland County Utility District (the "District") hereby swear, or affirm, that the District has reviewed and approved at a meeting of the District's Board of Directors on 13<sup>th</sup> day of December 2018, its annual audit report for the fiscal period ended September 30, 2018 and that copies of the annual audit report have been filed with the District's office, located at 110 W. Louisiana, Suite 312, Midland, Texas 79701-6530.

The filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality to satisfy of the annual filling of Texas Water Code Section 49.194.

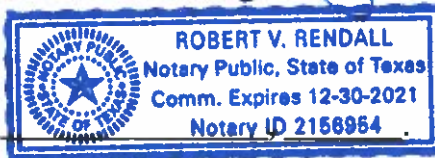
Date: December 18, 2018

By: Shelton Viney

Shelton Viney, President  
(Typed Name & Title of District Representative)

Sworn to and subscribed to before me this 13 day of December, 2018.

[Signature]  
(Signature of Notary)



My Commission Expires On: \_\_\_\_\_

Notary Public in the State of Texas



## **Independent Auditors' Report**

To the Board of Directors Midland County Utility District  
Midland, Texas

We have audited the accompanying financial statements of the enterprise fund of the Midland County Utility District (the "District"), as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the enterprise fund of the District as of September 30, 2018 and 2017, and the changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7-10 and the Budgetary Comparison Schedule on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, were required by the Governmental Accounting Standards Board, who considers them 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 audits were conducted for the purpose of forming an opinion on the District's basic financial statements. The Texas Supplementary Information listed in the table of contents is required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management. The accompanying supplemental information, excluding the portion marked "Unaudited" has been derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information (other than information marked as "Unaudited"), is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information marked "Unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

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

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2018, 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 District's internal control over financial reporting and compliance.

*Johnson, Miller & Co., CPA's PC*

Midland, Texas  
December 13, 2018

## **MIDLAND COUNTY UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of the Midland County Utility District (the "District") provides this narrative discussion and analysis of the basic financial statements as an overview of the District's financial position and results of operations for the years ended September 30, 2018 and 2017. Included in this section are:

- District overview
- Financial highlights
- Overview of the accompanying basic financial statements

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited financial statements, which can be found in the section following the MD&A.

### **DISTRICT OVERVIEW**

The District includes approximately 53,280 acres of land in Midland County, Texas. A portion of the District's land is within the extraterritorial jurisdiction of the City of Midland, Texas. The general purpose of the District is to provide water for the citizens within the District's boundaries.

For the fiscal year ended September 30, 2018, the District completed its fifth full year of activity after the first election held within the District in May of 2013. With this election, the citizens within the District confirmed the creation of the government entity as well as approved an ad valorem tax rate not to exceed \$0.03 to fund the current activities of the District. During fiscal year 2017-2018, the ad-valorem taxes assessed were \$0.02761 for every \$100 of assessed value.

In order to accomplish the purpose of providing water to the citizens, the District hired a general manager to provide services such as:

- (1) planning which involves providing leadership and vision to the district by assisting the Board with a strategic plan to bring water to the District's residents,
- (2) general management by collaborating with the District's Board President and the District's attorney to plan all Board meetings and development of agendas,
- (3) general financial management which involves developing tools and systems to provide critical financial and operational information to the Board,
- (4) community relationships by serving as spokesperson and assisting the Board in representing the District in the community and region, and
- (5) providing programmatic effectiveness to oversee design, delivery and quality of programs and projects.

The District also has entered into agreements for legal counsel, bookkeeping/accounting services, engineering services and tax calculation and collection services.

The focus of the District's activities this fiscal year was to secure a water source capable of providing a long-term water supply to the District. This effort will continue into fiscal year 2019.

# MIDLAND COUNTY UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS

- \* The assets of the District exceeded its liabilities at the close of the years ended September 30, 2018 and 2017 by \$1,741,381 and \$1,230,550, respectively.
- \* The District's total net position was \$1,741,381 and \$1,230,550 at the close of the years ended September 30, 2018 and 2017, respectively.
- \* The District's ending total assets for the years ended September 30, 2018 and 2017 equaled \$1,800,179 and \$1,289,880, respectively which consists of cash and receivables.

More information about the overall analysis of the District's financial position and results of operations is provided in the following sections.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements are comprised of two components: (1) district-wide financial statements, and (2) notes to the financial statements.

**District-Wide Financial Statements** – The district-wide financial statements report information about the District, as a whole, using accounting methods similar to those used by private-sector businesses. The reports that the District has prepared are in accordance with the requirements of GASB Statement No. 34 as “business-type activities.” Activities such as the District's utility services are considered “business-type” not solely because they resemble those performed by the private-sector, but because there is an exchange involved between the receiver and the provider of the service. For business-type activities, there is frequently a direct relationship between the charge for the service and the service itself. This exchange relationship causes users of the financial information to focus on the costs of providing the service, the revenues obtained from the service, and the difference between the two.

**Proprietary Fund Financial Statements** – The District's intent is to charge customers for the services it provides through service delivery agreements to outside customers or through customer agreements within the District. These services will be reporting proprietary funds. The district-wide financial statements are can be found on pages 11 through 13 of this report.

The District maintains one propriety fund. The District's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

The statements of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statements of revenues, expenses, and changes in net position shows the revenue sources, expense classifications, and reflects the change in net position for the year.

The statements of cash flows reconciles the beginning and ending cash and cash equivalents, as well as demonstrates the sources and uses of funds received and expended.



**MIDLAND COUNTY UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND  
ANALYSIS**

**Notes to the Financial Statements** – The notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 14 through 17 of this report.

**Supplementary Information** – This report also includes other supplementary information. The other supplementary information consists of schedules that have been included to comply with the Texas Commission on Environmental Quality (TCEQ) requirements.

**FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, total asset exceeded liabilities by \$1,741,381 and \$1,230,550 at the close of the years ended September 30, 2018 and 2017, respectively.

At September 30, 2018 and 2017, the District had unrestricted cash balances of \$1,794,692 and \$1,286,055 and unrestricted net position of \$1,741,381 and \$1,230,550, respectively.

Elements of these amounts are reflected in Table 1 and Table 2 on the following pages.

**Table 1**

District Net Position

<b>At September 30,</b>		<b>2018</b>	2017
Unrestricted Assets	\$	<b>1,800,179</b>	1,289,880
<hr/>			
Total Assets	\$	<b>1,800,179</b>	1,289,880
<hr/>			
Unrestricted current liabilities	\$	<b>3,720</b>	4,252
Long-term liabilities		<b>55,078</b>	55,078
<hr/>			
Total liabilities	\$	<b>58,798</b>	59,330
<hr/>			
Net position			
Unrestricted Net position	\$	<b>1,741,381</b>	1,230,550
<hr/>			
Total net position	\$	<b>1,741,381</b>	1,230,550
<hr/>			

**MIDLAND COUNTY UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND  
ANALYSIS**

**FINANCIAL ANALYSIS (CONTINUED)**

**Table 2**

District Changes in Net Position

<b>Years Ended September 30,</b>	<b>2018</b>	<b>2017</b>
Operating Revenues		
Ad valorem tax revenue	\$ 556,837	517,086
Penalties and interest	12,841	10,796
Total operating revenues	<b>569,678</b>	527,882
Operating Expenses		
Professional fees	61,209	108,911
Insurance and fiscal charges	1,921	520
Total operating expenses	<b>63,130</b>	109,431
Excess operating revenues over expenditures	<b>506,548</b>	418,451
Non-operating revenues		
Interest earned	4,283	2,415
Total non-operating revenue	<b>4,283</b>	2,415
Increase in net position	<b>\$ 510,831</b>	420,866

**ECONOMIC OUTLOOK FOR THE FUTURE**

The District has adopted an overall budget for fiscal year 2019 which includes costs associated with the management of the District; as well as preliminary planning expenses to bring a water source to the District and to provide a waterworks system to distribute water within the District's boundaries.

The annual costs outlined in the budget of the District will be covered by revenue generated through approved ad valorem taxes.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Midland County Utility District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jay Edwards, Project Manager, Midland County Utility District, 110 W. Louisiana, Suite 312, Midland, Texas 79701-6530.

# **Financial Statements**



# Midland County Utility District

## Statements of Net Position

<i>September 30,</i>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,794,692	1,286,055
Ad valorem tax receivables, net of allowance of \$16,482 and \$18,831	3,312	2,114
Penalties and interest receivables	879	518
Prepaid expenses	1,296	1,193
<b>Total assets</b>	<b>1,800,179</b>	<b>1,289,880</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities</b>		
Accounts payable	\$ 3,720	4,252
<b>Total current liabilities</b>	<b>3,720</b>	<b>4,252</b>
Advance from related party	55,078	55,078
<b>Total long-term liabilities</b>	<b>55,078</b>	<b>55,078</b>
<b>Total liabilities</b>	<b>58,798</b>	<b>59,330</b>
<b>Net Position</b>		
Unrestricted	1,741,381	1,230,550
<b>Total net position</b>	<b>1,741,381</b>	<b>1,230,550</b>
<b>Total liabilities and net position</b>	<b>\$ 1,800,179</b>	<b>1,289,880</b>

*See accompanying Independent Auditors' Report and notes to financial statements.*

# Midland County Utility District

## Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended September 30,</i>	<b>2018</b>	2017
<b>Governmental Activities:</b>		
Ad valorem tax revenue	\$ 556,837	517,086
Penalties and interest	12,841	10,796
<b>Total operating income</b>	<b>569,678</b>	527,882
Operating Expenses		
Engineering	-	28,647
Management fees	3,286	14,701
Legal	21,232	31,347
Bookkeeping	18,000	18,000
Audit fees	13,609	13,133
Appraisal and collection services	5,082	3,083
Insurance	1,693	520
Office supplies	228	-
<b>Total operating expenses</b>	<b>63,130</b>	109,431
Excess operating revenues over expenditures	506,548	418,451
Non-operating income		
Interest earned	4,283	2,415
<b>CHANGE IN NET POSITION</b>	<b>510,831</b>	420,866
Net position at beginning of year	1,230,550	809,684
<b>Net position at end of year</b>	<b>\$ 1,741,381</b>	1,230,550

*See accompanying Independent Auditors' Report and notes to financial statements.*

# Midland County Utility District

## Statements of Cash Flows

<i>Years Ended September 30,</i>	<b>2018</b>	2017
<b>Cash Flows from Operating Activities:</b>		
Cash received from ad valorem taxes		
Midland Central Appraisal District taxes	\$ 555,639	516,999
Midland Central Appraisal District-penalties and interest	12,480	10,278
Cash received from operating activities	<b>568,119</b>	527,277
Cash paid for engineering	-	(32,862)
Cash paid for legal services	(21,580)	(30,789)
Cash paid for management services	(3,470)	(14,517)
Cash paid for bookkeeping services	(18,000)	(18,000)
Cash paid for audits	(13,609)	(13,133)
Cash paid for tax appraisal and collection services	(5,082)	(3,083)
Cash paid for insurance expense	(1,796)	(1,713)
Cash paid for office supplies	(228)	-
Cash paid for operating expenses	<b>(63,765)</b>	(114,097)
Net cash provided by operating activities	<b>504,354</b>	413,180
<b>Cash Flows from Investing Activities:</b>		
Interest earned	4,283	2,415
Net cash provided by investing activities	<b>4,283</b>	2,415
Net increase in cash and cash equivalent	<b>508,637</b>	415,595
Cash and cash equivalents, beginning of year	<b>1,286,055</b>	870,460
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,794,692</b>	1,286,055
Reconciliation of operating excess to net cash provided by operating activities:		
Excess operating revenues over expenditures	\$ 506,548	418,451
Adjustments to reconcile operating excess to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable-Ad valorem taxes	(1,198)	(87)
Accounts receivable –penalties and interest	(361)	(518)
Accounts payable	(532)	(3,473)
Prepays	(103)	(1,193)
<b>Net cash provided by operating activities</b>	<b>\$ 504,354</b>	413,180

*See accompanying Independent Auditors' Report and notes to financial statements.*

# Midland County Utility District

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

Midland County Utility District (the “District”) was created effective June 17, 2011 by House Bill No. 3111 under Subtitle I, title 6 by Special District Local Law Code, Section 59 of the Constitution of the State of Texas and the Texas Water Code Chapters 49 and 53. The District operates under the Statue of Texas and under the direction of a Board of Directors. The District was created for the purpose of the supply of water for municipal, domestic, commercial and other beneficial uses; the collection, transportation, treatment and disposal of waste; and the gathering, conducting, diverting and controlling of local storm water or other harmful excesses of water in the District.

The accounting policies of the District, as reflected in the accompanying financial statements, conform to accounting principles generally accepted in the United States of America for local government units as prescribed by the Governmental Accounting Standards Board (“GASB”).

#### *Financial Reporting Entity*

In evaluating how to define a government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*. These criteria are financial accountability, appointment of board members, imposition of will, financial burden on or benefit to the primary government, dependency, and accuracy and completeness of the reporting entity’s financial statements. There were no potential component units which met the criteria for inclusion in the financial reporting entity.

The District is governed by a Board of Directors consisting of five voting members. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards (Codification)*, since the Board members have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

#### *Measurement Focus*

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

# Midland County Utility District

## Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

*Basis of Accounting*

All funds are accounted for using the modified accrual basis of accounting. Under this method of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collect within the current period or expected to be collected within 60 days after year-end and to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measurable.

*Basis of Presentation*

The District presents its financial statements in accordance with GASB Statement No. 34 *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* which provides guidance for governments engaged in business-type activities. Accordingly, the financial statements and Required Supplementary Information (RSI) of the District consist of management’s discussion and analysis, statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows and notes to the financial statements. The District prepares its financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB).

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the basic financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

*Capital Assets*

Capital Assets, when purchased or constructed, are recorded at costs or estimated historical cost based on the corresponding asset class. The District did not have any depreciable fixed assets at September 30, 2018 and 2017.



# Midland County Utility District

## Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

*Net Position*

Net position represents the difference between assets and liabilities. Net position is categorized as follows: Net position is reported as (1) net investment in capital assets; (2) restricted and; (3) unrestricted.

Restricted net position represent resources that are restricted for specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, laws/regulations of other governments or constitutional provisions, or (b) resources resulting from enabling legislation. There was no restricted net position as of September 30, 2018 and 2017.

Unrestricted net position represents resources that have not been restricted by the constraints mentioned above.

**2. Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents are considered to be cash on hand, demand deposits, money market funds, and investments with a maturity of 90 days or less from the date of acquisition.

At September 30, 2018 and 2017, the carrying amount of the District's cash in banks, including funds deposited in the Demand Deposit Marketplace™ Program provided by the primary depository institution, was \$1,794,692 and \$1,286,055, respectively, all of which was unrestricted. At year end, the District's deposits does not exceed FDIC insurance limits.

**3. Revenue Recognition-Property Taxes**

Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

For fund financial statement, property tax revenues are recognized when they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. This is no longer than sixty days after year-end.

The combined tax rates of the 2017 and 2016 tax roll for the 2018 and 2017 fiscal years was 0.02761 for both years per \$100 assessed valuation, resulting in a tax levy of \$554,488 and \$522,960, respectively on an assessed valuation of \$2,008,287,830 and \$1,894,096,575, respectively.

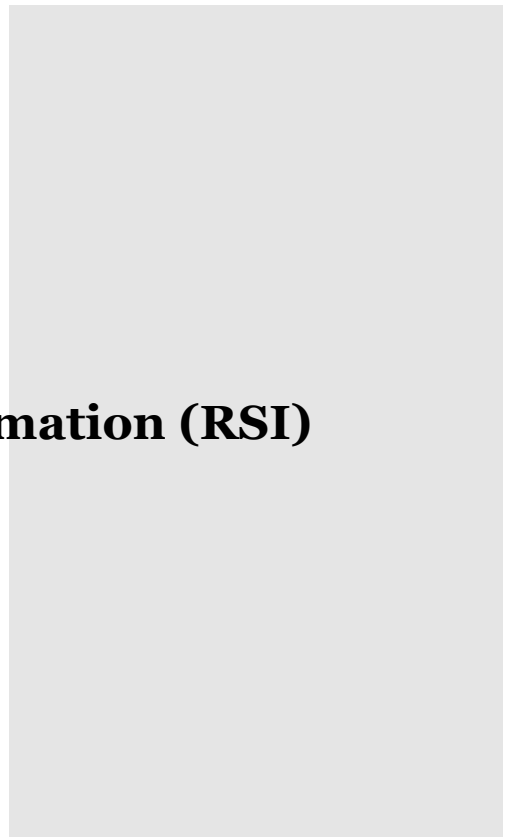
The District levies ad valorem taxes to pay for its costs of operations and maintenance. The District has entered into an agreement for the Midland Central Appraisal District to perform tax calculation and collection services for the District.

# Midland County Utility District

## Notes to Financial Statements

- 4. Stewardship, Compliance and Accountability**
- Annual Budget*
- The Board of Directors approves an annual budget each fiscal year, which estimates the amount of funds available from all sources for expenditure by the District during the fiscal year. The annual budget serves as a control device in executing the programs approved therein.
- Surplus Net Position Balance*
- The District had a positive net position balance on September 30, 2018 and 2017, in the amount of \$1,741,381 and \$1,230,550, respectively. The positive net position balance was due to the Districts not having significant expenditures related to the development of the utilities. The District began collecting revenue in October 2013.
- 5. Advance from Related Party**
- The District has advances from a related party in the amount of \$55,078 at September 30, 2018 and 2017. Advances are for startup costs associated with the creation of the District.
- 6. General Management Contract**
- On September 4, 2013, the District entered into a contract with a general manager to provide the District with overall general management services such as: (1) planning which involves providing leadership and vision to the District by assisting the board with a strategic plan to bring water to the District's residents, (2) general management by collaborating with the District's Board President and the District attorney to plan all Board meetings and development of agendas, (3) general financial management which involves developing tools and systems to provide critical financial and operational information to the Board, (4) community relationships by serving as spokesperson and assisting the board in representing the District in the community and region, and (5) providing programmatic effectiveness to oversee design, delivery and quality of programs and projects.
- 7. Subsequent Events**
- The District has evaluated subsequent events through December 13, 2018 the date the financial statements were available to be issued.

**Required Supplementary Information (RSI)**



# Midland County Utility District

## Budgetary Comparison Schedule

<i>Year ended September 30, 2018</i>	Actual	Original Budget	Variance Positive (Negative)
<b>Revenue:</b>			
Midland Co. Appraisal District-Ad valorem taxes	\$ 556,837	554,000	2,837
Midland Co. Appraisal District-penalties and interest	12,841	-	12,841
<b>Total Revenues</b>	<b>569,678</b>	<b>554,000</b>	<b>15,678</b>
<b>Expenditures/Expense:</b>			
Engineering	-	378,000	378,000
Management Fees	3,286	36,000	32,714
Legal	21,232	90,000	68,768
Bookkeeping	18,000	18,000	-
Audit	13,609	15,000	1,391
Appraisal and collection services	5,082	5,000	(82)
Insurance	1,693	1,000	(693)
Office Supplies	228	1,000	772
Election Costs	-	10,000	10,000
<b>Total Expense</b>	<b>63,130</b>	<b>554,000</b>	<b>490,870</b>
Excess operating revenues over expenditures	506,548	-	506,548
Non-operating income			
Interest earned	4,283	-	4,283
<b>Total non-operating income</b>	<b>4,283</b>	<b>-</b>	<b>4,283</b>
<b>Fund Balance:</b>			
Excess of Revenues Over Expenditures	510,831	-	510,831
Beginning of Year	1,230,550	809,684	420,866
Ending of Year	\$ 1,741,381	809,684	931,697

# **Texas Supplementary Information**



# Midland County Utility District

## TSI-2 Enterprise Fund Expenditures (Unaudited)

<i>Years Ended September 30,</i>		<b>2018</b>	2017
<b>Operating Expenses</b>			
Professional services	\$	<b>61,209</b>	108,911
Insurance and fiscal charges		<b>1,921</b>	520
Total expenses	\$	<b>63,130</b>	109,431

# Midland County Utility District

## TSI-4 Taxes Levied and Receivable (Unaudited)

<i>Years Ended September 30,</i>		<b>2018</b>	2017
Taxes receivable, beginning of year	\$	<b>20,945</b>	14,984
original tax levy, less abatements		<b>554,488</b>	522,960
Total to be accounted for		<b>575,433</b>	537,944
Tax collections:			
Current year		<b>538,817</b>	502,154
Prior year		<b>16,823</b>	14,845
Total Current Year Collections		<b>555,639</b>	516,999
Taxes receivable		<b>19,794</b>	20,945
Allowance for doubtful accounts		<b>16,482</b>	18,831
Taxes receivable, net of allowance		<b>3,312</b>	2,114
Taxes receivable by year			
2017		<b>2,414</b>	1,572
2016		<b>508</b>	361
2015		<b>265</b>	138
2014		<b>125</b>	43
Taxes receivable at year end		<b>3,312</b>	2,114

		<b>2018</b>	2017	2016	2015
Property Valuations:					
Real estate	\$	<b>1,295,075,335</b>	1,227,483,937	1,136,185,476	921,406,143
Personal property		<b>594,050,525</b>	551,454,729	643,844,694	382,030,445
Minerals		<b>119,161,970</b>	115,157,909	248,757,588	329,355,119
Total property valuations	\$	<b>2,008,287,830</b>	1,894,096,575	2,028,787,758	1,632,791,707
Tax rates per \$100 valuation:					
Maintenance tax rates	\$	<b>.02761</b>	0.02761	0.02761	0.0296
Total tax rates per \$100 valuation	\$	<b>554,488</b>	522,960	560,148	483,306
Original tax levy	\$	<b>554,488</b>	522,960	560,148	483,306
Percentage of taxes collected of taxes levied		<b>97.8%</b>	96.4%	96.5%	99.4%

\* Maximum tax rate approved by voters: \$0.03 on May 10, 2013.

# Midland County Utility District

## TSI-7c Comparative Schedule of Revenues and Expenses Enterprise Fund (Unaudited)

<i>For Years Ended September 30,</i>	<b>Amount 2018</b>	Amount 2017	Amount 2016	Amount 2015
<b>Operating Revenue:</b>				
Ad valorem taxes revenue	\$ 556,837	517,086	550,207	481,721
Penalties and interest	12,841	10,796	5,333	6,896
<b>Total operating revenues</b>	<b>569,678</b>	527,882	555,540	488,617
<b>Operating Expenses:</b>				
Engineering	-	28,647	74,983	203,890
Management fees	3,286	14,701	21,070	20,586
Legal	21,232	31,347	19,355	25,572
Bookkeeping	18,000	18,000	18,000	18,000
Audit fee	13,609	13,133	11,904	10,500
Appraisal and collection services	5,082	3,083	4,618	4,233
Insurance	1,693	520	1,047	1,005
Office supplies	228	-	-	-
Advertising	-	-	-	126
<b>Total operating expenses</b>	<b>63,130</b>	109,431	150,977	283,912
<b>Excess operating revenues over expenditures</b>	<b>\$ 506,548</b>	418,451	404,563	204,705
<b>Non-Operating Income/Expense</b>				
Interest earned	\$ 4,283	2,415	319	-
<b>Total non-operating income</b>	<b>4,283</b>	2,415	319	-
<b>Change in net position</b>	<b>\$ 510,831</b>	420,866	404,882	204,705

Five years of data is unavailable due to this being the fourth year of the District's activity. Additional year's information will be added as appropriate.



# Midland County Utility District

## TSI-7c Comparative Schedule of Revenues and Expenses Enterprise Fund (Unaudited) (Continued)

<i>For Years Ended September 30,</i>	<b>Percent of Fund Total Revenues 2018</b>	Percent of Fund Total Revenues 2017	Percent of Fund Total Revenues 2016	Percent of Fund Total Revenues 2015
<b>Operating Revenue:</b>				
Ad valorem taxes revenue	<b>98.0</b>	98.0	98.6	98.6
Penalties and interest	<b>2.0</b>	2.0	1.4	1.4
Total operating revenues	<b>100</b>	100	100	100
<b>Operating Expenses:</b>				
Engineering	-	5.4	13.5	41.7
Management fees	<b>0.6</b>	2.8	3.8	4.2
Legal	<b>3.7</b>	5.9	3.5	5.2
Bookkeeping	<b>3.2</b>	3.4	3.2	3.7
Audit fee	<b>2.4</b>	2.5	2.1	2.1
Appraisal and collection services	<b>0.9</b>	0.6	0.8	0.9
Insurance	<b>0.3</b>	0.1	0.2	0.2
Office supplies	-	-	-	-
Advertising	-	-	-	0.1
Total operating expenses	<b>11.1</b>	20.7	27.1	58.1
<b>Excess operating revenues over expenditures</b>	<b>88.9</b>	79.3	72.9	41.9
<b>Non-Operating Income/Expense</b>				
Interest earned	<b>0.7</b>	0.5	0.1	-
Start-up costs	-	-	-	-
Total non-operating income (expense)	<b>0.7</b>	0.5	0.1	-
Change in net position	<b>89.6</b>	79.8	73.0	41.9

# Midland County Utility District

## TSI-8 Board Members, Key Personnel and Consultants (Unaudited)

Complete District Mailing Address: 110 W. Louisiana, Suite 312 Midland, Texas 79701-6530

District Business Telephone Number: (432) 685-1433

Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): October 29, 2014

Limit on Fees of Office that a Director may receive during a  
fiscal period: \$ -0-

(Set by Board Resolution – TWC Section 49.060)

Board Members	Elected/ Appointed	Term of Office	Fees of Office Paid	Title at Year End
Shelton Viney	Elected	May 2018-May 2022	-	President
Alan L. Lang	Elected	May 2018-May 2022	-	Vice President
Joseph E. Patten, Jr	Elected	May 2016-May 2019	-	Secretary
Israel Rodriguez	Elected	May 2016-May 2019	-	Treasurer
Jackie Schneider	Elected	May 2018-May 2022	-	Director

# Midland County Utility District

## TSI-8 Board Members, Key Personnel and Consultants (Unaudited) (Continued)

<b>Consultants</b>	<b>Fees</b>	<b>Type</b>
Parkhill Smith & Cooper	\$ 3,286	Management Consultant
Rendall Sikes, PLLC	21,232	Legal Counsel
William R. Bain	18,000	Bookkeeping Services
Johnson, Miller & Co, CPA's PC	13,609	Audit Services
Midland Central Appraisal District	5,082	Property Appraisers
Victor O. Schinner and Company, Inc.	1,693	Insurance Providers



**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 of the Midland County Utility District  
Midland, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements the Midland County Utility District (the "District") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the 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 a 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 the District's financial statements are free from 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.

## **Other Matter**

We performed tests designed to verify the District's compliance with the requirements of the Texas Public Funds Investments Act. During the year ended September 30, 2018, one instance of noncompliance was found, see Finding 2018-01.

## **Purpose of this Report**

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

*Johnson, Miller & Co., CPA's PC*

Midland, Texas  
December 13, 2018

**Midland County Utility District**  
**SCHEDULE of FINDINGS AND RESPONSES**  
**For the Years Ended September 30, 2018 and 2017**

**Finding 2018-01**

**Criteria:**

In accordance with Government Code 2256.023,

- (a) not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.
- (b) The report must:
  - (1) describe in detail the investment position of the entity on the date of the report;
  - (2) be prepared jointly by all investment officers of the entity;
  - (3) be signed by each investment officer of the entity;
  - (4) contain a summary statement of each pooled fund group that states the:
    - (a) beginning market value for the reporting period;
    - (b) ending market value for the period; and
    - (c) fully accrued interest for the reporting period;
  - (5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
  - (6) state the maturity date of each separately invested asset that has a maturity date;
  - (7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and
  - (8) state the compliance of the investment portfolio of the state agency or local government as it relates to:
    - (a) the investment strategy expressed in the agency's or local government's investment policy; and
    - (b) relevant provisions of this chapter.
  - (c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.
  - (d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

**Condition:**

While performing our audit procedures to test compliance the Texas Public Fund Investment Act, we determined that the District is not submitting a sufficient quarterly investment report to the governing board.

**Midland County Utility District**  
**SCHEDULE of FINDINGS AND RESPONSES**  
**For the Years Ended September 30, 2018 and 2017**  
**(Continued)**

**Finding 2018-01 (Continued)**

**Cause:**

The investment officer was submitting reconciliations, but this did not meet all the stated criteria listed in the Government Code.

**Effect:**

The District was not in compliance with the Texas Public Fund Investment Act. For the following reasons: 1) Because the investment officer did not sign the reports presented to the board and 2) The investment officer did not address the portfolios compliance with entity policy and the provisions of Section 2256.003 of the Texas Public Funds Investment Act.

**Recommendation:**

We recommend that the District review the requirements of the Texas Public Investment Act, and implement policies and procedures to ensure that the District's compliance with the Texas Public Funds Investment Act.

**Managements Response:**

Management agrees and will implement policies and procedures to ensure compliance with the Texas Public Funds Investment Act.

**For the year ended September 30, 2017 there were no audit findings.**