



An Audit Report on  
**The Engelman Irrigation District**

December 9, 2016

Members of the Legislative Audit Committee:

The Engelman Irrigation District (District) has not implemented sufficient controls to ensure that it can meet its financial obligations. A decrease in water sales revenue, coupled with no change in water sales rates since the District's fiscal year 2012 and the discontinuation of the District's maintenance tax as of that fiscal year, have increased the risk that the District may not be able to meet its financial obligations.

**Issues Rating:**  
**Priority <sup>1</sup>**

As of May 31, 2016, the District had a total of \$477,783 available for operational and capital expenditures and a potential liability from a legal judgment that could total \$2,499,683<sup>2</sup> (see text box for additional details). The District had not made any financial arrangements to address that potential liability. In addition, the District's expenditures exceeded total revenue for fiscal years 2014 through 2016.

**Background Information**

The Engelman Irrigation District (District) is an irrigation district under Texas Water Code, Chapter 58. As of May 31, 2016, the District served 6,951.88 irrigation acres in Hidalgo County. According to Texas Water Code, Section 58.071, the District's board shall consist of five elected members.

In 1995, a state district court entered a judgement against the District for breach of contract for failing to deliver water. As of May 31, 2016, a pending legal judgement may present the District with a \$2,499,683 liability.

Sources: The Engelman Irrigation District and the State Auditor's Office.

The District also did not comply with certain requirements of Texas Water Code, Chapters 49 and 58; Title 30, Texas Administrative Code, Chapter 293; the Commission on Environmental Quality's *Water District Financial Management Guide*; and the District's policies. For example, it did not (1) determine what percentage of the District's maintenance and operating expenses should be covered by its various rates, (2) develop written policies and procedures in most key business areas, (3) approve budgets in a timely manner, and (4) sufficiently bond its board members. Auditors communicated other, less significant issues separately in writing to District management.

<sup>1</sup> The audit issues are rated Priority because the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity. See the attachment to this letter for more information about the issue rating classifications and descriptions.

<sup>2</sup> The legal case was scheduled for oral arguments on December 7, 2016.

SAO Report No. 17-017

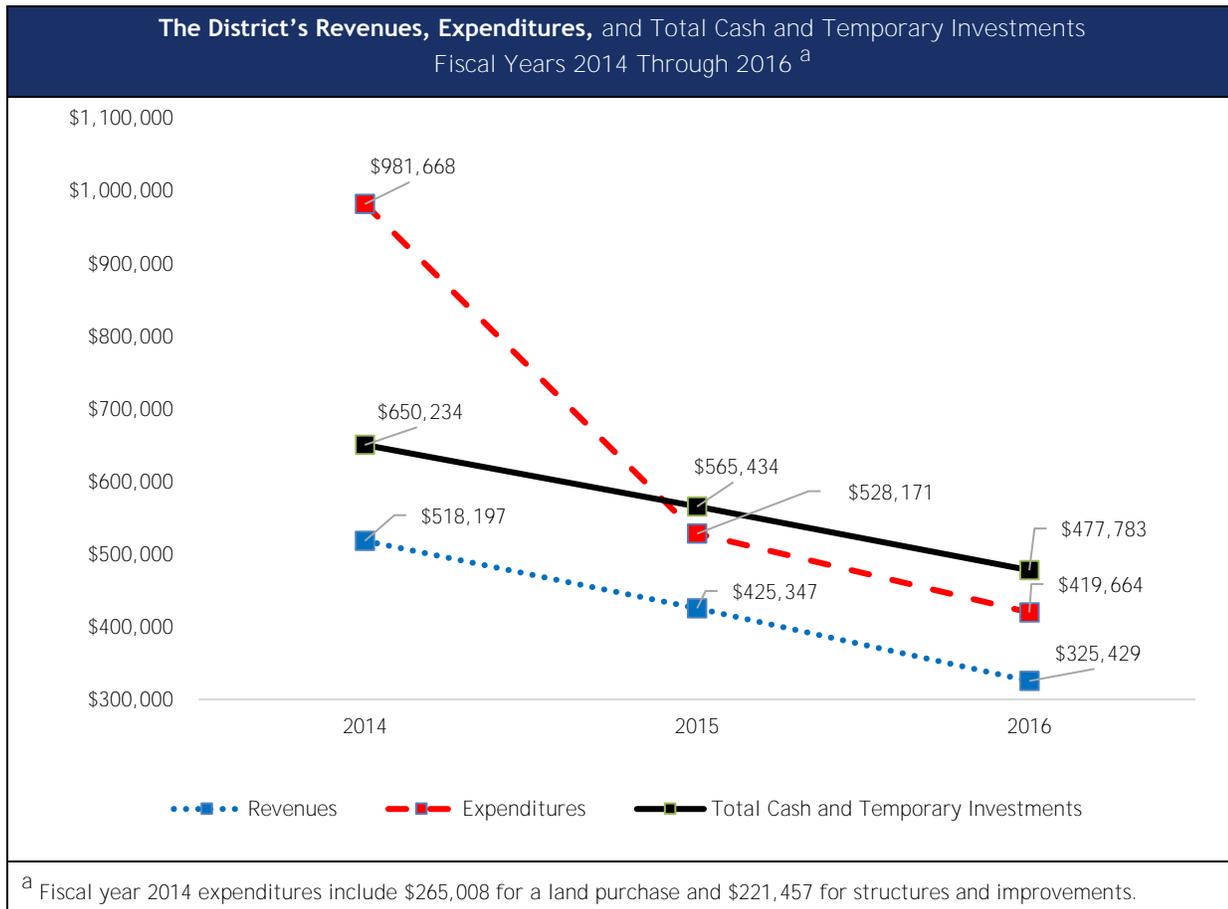
**The District Risks Being Unable to Meet Its Financial Obligations**

The District’s water sales revenue decreased 60.5 percent between fiscal year 2014 and fiscal year 2016. Furthermore, the water delivery rates that the District paid to transport water from the Rio Grande River into the District’s reservoirs increased 130.1 percent from fiscal year 2012 to fiscal year 2015.<sup>3</sup> However:

- The rates the District charges its in-district customers for the water it sells have remained constant since fiscal year 2012.
- The District eliminated its maintenance tax as of fiscal year 2012. While the District increased its flat fee 65.2 percent between fiscal year 2013 and fiscal year 2016 to make up for revenue lost, as of fiscal year 2016 the District assessed 8.6 percent less in revenue than it did in fiscal year 2012.

Figure 1 summarizes the District’s revenues, expenditures, and total cash and temporary investments for fiscal years 2014 through 2016.

Figure 1



Source: Prepared by the State Auditor’s Office based on the District’s fiscal years 2014 and 2015 audited annual financial reports and fiscal year 2016 information the District provided.

<sup>3</sup> At the time of this audit, the irrigation district that delivers water to the Engelman Irrigation District had not determined the final water delivery rate for fiscal year 2016.

As of May 31, 2016, the District had \$477,783 in all of its accounts from all revenue sources available for operational and capital expenditures. The District is not analyzing its revenue and expenditures and not adjusting the rates it charges, which increases the risk that it could deplete its financial reserves and be unable to meet its financial obligations.

The District's budgeting process does not adequately project District revenues and expenditures. For fiscal years 2014 and 2016, the District's board approved budget deficits and did not take measures to address the projected funding shortfalls. In addition, the District did not monitor and amend its budgets throughout the year to reflect actual revenue and expenditures. For fiscal years 2014 through 2016, actual expenditures exceeded revenues, which contributed to the depletion of the District's reserve funds (see Figure 1 on the previous page for details). Approving budget deficits and not amending its budget to reflect its current financial status increases the risk that the District may not be able to implement measures in a timely manner to meet its financial obligations.

As of the end of fiscal year 2016, the District also had a potential legal liability totaling \$2,499,683. While it recognized that potential legal liability in its financial statements, the District had not made financial arrangements to address it. As of fiscal year 2016, the District reported that, since 1995, it had spent approximately \$431,516 litigating that matter. By not making appropriate arrangements to address the potential legal liability, the District may not be able to meet its financial obligations, which could place a significant financial burden on the District and its customers.

Auditors tested \$46,595 (16.8 percent) of the \$276,839 in water sale and flat fee revenues<sup>4</sup> that the District collected in fiscal year 2016 and determined that the District correctly recorded payments it received and deposited those payments in a timely manner. Auditors also tested \$83,663 (19.9 percent) of the \$419,664 in fiscal year 2016 District expenditures and determined that, in general, those expenditures were properly supported, correctly recorded, allowable, reasonable, and approved by the Board. Two Board members or their designee signed all checks tested.

**Recommendations:**

The District should:

- Analyze and adjust the rates it charges to ensure that they are sufficient to cover its expenses.
- Implement sound budgeting practices to ensure that the District can make financial decisions in a timely manner to meet its financial obligations.
- Implement adequate funding plans to address its potential legal liability.

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<sup>4</sup> The \$276,839 in water sale and flat fee revenues was a portion of the \$325,429 in total revenues for fiscal year 2016.

### **The District Did Not Comply with Certain Requirements**

The District's noncompliance with certain requirements has contributed to the increased risk of the District being unable to meet financial obligations. Specifically:

- The District's board did not determine what percentage of the District's maintenance and operating expenses should be covered by its various rates, as Texas Water Code, Section 58.305, requires. Not making that determination on an annual basis, as statute requires, may have prevented the District from determining whether it needed to adjust its rates.
- The District did not establish written policies and procedures to manage its budget process, as Texas Water Code, Section 49.199(6)(A), requires. In addition, the District's board approved the budgets for fiscal years 2014 through 2016 from six to eight months after the start of the fiscal year, rather than prior to the start of the fiscal year, as Title 30, Texas Administrative Code, Chapter 293, requires. The District also did not comply with the Commission on Environmental Quality's *Water District Financial Management Guide*, which diminished the effectiveness of the District's budget as a financial tool to monitor revenues and expenditures. Specifically:
  - The District did not prepare reports comparing budgeted financial information to actual financial information (with monthly and year-to-date figures) on a monthly or quarterly basis to investigate and take necessary measures.
  - Minutes of the District's board meetings did not include a copy of the approved budget.
  - The District did not make financial arrangements to address its \$2,499,683 potential liability.
- The District did not consistently enforce its policy on the water sales transactions that auditors tested. Specifically, in 4 (16 percent) of the 25 sales transactions tested, the District delivered water to purchasers that still owed the District funds for past purchases. For 9 (36 percent) of the 25 sales transactions tested, the purchasers did not pay for the water at the time they requested it. The District's policy states that the District will refuse to accept applications for water for which there are delinquent water charges. The policy further states that "at the time of application for the water ticket, the applicant must make payment of water charge."
- Four members of the District's board were bonded each for \$5,000 less than the \$10,000 amount that Texas Water Code, Section 49.055(c), required during fiscal years 2014 through 2016. Another board member was not bonded for any amount during that individual's tenure on the board. The District did not establish written policies and procedures to address administrative bond requirements, as the *Water District Financial Management Guide* recommends.

**Recommendation:**

The District should comply with all requirements of Texas Water Code, Chapters 49 and 58; Title 30, Texas Administrative Code, Chapter 293; the Commission on Environmental Quality's *Water District Financial Management Guide*; and the District's policies.

The District's management response is presented in the attachment to this letter. The District did not agree with certain findings and conclusions. After review and consideration of management's response, the State Auditor's Office stands by its conclusions based on the evidence presented and compiled during this audit.

If you have any questions, please contact Cesar Saldivar, Audit Manager, or me at (512) 936-9500.

Sincerely,

Lisa R. Collier, CPA, CFE, CIDA  
First Assistant State Auditor

Attachment

cc: The Honorable Greg Abbott, Governor  
Members of the Engelman Irrigation District Board of Directors  
Mr. Jesus Flores, President  
Mr. Urbano Anzaldua, Vice President  
Mr. Bennard Rowland, Secretary  
Mr. Andy Scott  
Mr. Alberto Ybarra  
Mr. Xavier Garcia, General Manager



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# Attachment

## Section 1

### Objectives, Scope, and Methodology

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#### Objectives

The objectives of this audit were to determine whether the Engelman Irrigation District (District):

- Has complied with selected requirements in state law, the Commission on Environmental Quality's *Water District Financial Management Guide*, and District policy, as well as other applicable requirements.
- Manages its financial resources to help ensure that it can meet its financial obligations.

#### Scope

The audit scope included the District's financial, budget preparation, and governance processes for fiscal years 2014 through 2016. For analysis of water rates and fees, the audit scope covered fiscal years 2012 through 2016.

#### Methodology

The audit methodology consisted of conducting interviews, collecting and reviewing financial information, performing tests and procedures against predetermined criteria, and performing analyses of certain information.

Auditors assessed the completeness and reliability of the District's financial information by (1) interviewing District staff knowledgeable about that information, (2) tracing information from source documents to the District's financial records and bank statements, and (3) performing data analysis to determine the completeness of that information. Auditors determined that the District's financial information was sufficiently reliable for the purposes of this audit.

#### Sampling Methodology

To determine whether the District deposited fiscal year 2016 water sales fees and flat fees collected, auditors used professional judgment to select two months and traced the transactions for those months from the source documents to bank statements. To determine the District's compliance with expenditure requirements, auditors used professional judgment to select a sample of 30 transactions from fiscal year 2016. The sample items tested generally were not representative of the population and, therefore, it would

not be appropriate to extrapolate those results to the population. For fiscal year 2014 and fiscal year 2015 revenues and expenditures, auditors relied on audited financial statements.

To test the District's compliance with certain statutory and regulatory requirements for its budget process, auditors reviewed the District's approved budgets for fiscal years 2014 through 2016.

Information collected and reviewed included the following District documents:

- Audited financial statements and management letters for fiscal years 2012 through 2015.
- Bank statements and bank reconciliations for fiscal years 2014 through 2016.
- Revenue and expenditure documentation for fiscal years 2014 through 2016.
- Water sales fee rates and flat fee rates for fiscal years 2012 through 2016.
- Water delivery rates the District paid for fiscal years 2012 through 2016.
- Monthly journals and the general ledger from fiscal years 2014 through 2016.
- Approved budgets for fiscal years 2014 through 2016.
- Water rights sales for fiscal years 2013 through 2016.
- Board meeting minutes for fiscal years 2014 through 2016.
- Policies and procedures.

Procedures and tests conducted included the following:

- Conducted interviews with selected District employees and members of the District's board.
- Reviewed the District's budget process to determine compliance with certain requirements.
- Tested selected fiscal year 2016 expenditures to determine whether the District properly approved the expenditures, whether the expenditures were allowable, and whether the District correctly recorded the

expenditures in the financial records it will use to prepare its financial statements.

- Traced selected revenue and expenditure transactions from source documents to the District's financial records and bank statements.
- Analyzed the water sales fee rates and flat fee rates that the District charged its customers and compared those fees to the water delivery rates the District paid.
- Analyzed the effect of the District's elimination of its maintenance tax on the District's revenue.
- Analyzed water rights sales proceeds to determine the District's compliance with statutory requirements.
- Recalculated the District's potential liability from a pending legal judgment.
- Reviewed selected District processes to determine the District's compliance with certain statutory and regulatory requirements for bonding, restricting water rights sales proceeds, and setting fees.

Criteria used included the following:

- Texas Water Code, Chapters 49 and 58.
- Title 30, Texas Administrative Code, Chapter 293.
- The Commission on Environmental Quality's *Water District Financial Management Guide*.
- District policies and procedures.

#### Project Information

Audit fieldwork was conducted from June 2016 through November 2016. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Ileana Barboza, MBA, CGAP (Project Manager)
- Steven M. Summers, CPA, CISA, CFE (Assistant Project Manager)
- Lisa Lack
- Damian Zorrilla, CPA, CFE, CIA, CGAP
- Brianna C. Pierce, CPA (Quality Control Manager)
- Cesar Saldivar, CGAP (Audit Manager)

## Issue Rating Classifications and Descriptions

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Auditors used professional judgement and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 1 provides a description of the issue ratings presented in this report.

Table 1

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

## Management's Response

**ENGELMAN IRRIGATION DISTRICT**  
**P O BOX 307**  
**ELSA, TEXAS 78543-0307**  
**OFFICE (956) 262-3373 FAX (956) 262-3373**  
**EMAIL: [engelmanirrigationdistrict@gmail.com](mailto:engelmanirrigationdistrict@gmail.com)**

November 28, 2016

Ms. Ileana Barboza  
Project Manager  
State Auditor's Office

**Via Email: [Ileana.Barboza@sao.texas.gov](mailto:Ileana.Barboza@sao.texas.gov)**

RE: Engelman Irrigation District

Dear Ms. Barboza,

This will acknowledge receipt of the final draft of *An Audit Report on The Engelman Irrigation District* (the "Audit Report"). This letter, together with the attachments hereto, constitute the District's response to and comments on the Audit Report. In the event your office should make additional modifications to the Audit Report, Engelman Irrigation District (the "District") reserves the right to amend or supplement its responses and comments with respect to those modifications.

It has been a pleasure to work with your office and audit staff. Your staff has been courteous and professional throughout this process. In general, we believe many of the findings and conclusions reflected in the Audit Report are fair and most of the suggestions and recommendations for changes in or improvements to procedures or operations are welcomed and appreciated. We are pleased that your audit team found no evidence of any misappropriation of funds or any other actual misuse or waste of resources at the District and that the Audit Report confirms that result. We do appreciate that the focus of many of the findings, conclusions, and recommendations in the Audit Report relate directly to the need to strengthen policies, procedures, and controls to ensure that no such events occur in the future and to provide transparency to the public regarding District transactions and operations. We share those goals and intend to consider and implement many of your audit team's suggestions for improved practices.

The Audit Report does include some findings and conclusions with which the District does not agree. We have described the basis for each of those disagreements in the attached response. We respectfully request that your office either modify those findings and conclusions accordingly or, if you determine that a modification is not justified or appropriate, incorporate the District's response in its entirety into the Audit Report.

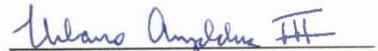
Finally, this letter is also intended to provide your office with representations from District management which are made in good faith and to the best of its knowledge and belief. By way of limitation, please understand that each director whose signature appears below has been involved to a different degree and extent in the audit process than the other directors. Except to the extent disclosed in the Audit Report itself, none of the directors have been privy to or informed as to data or information requested by or furnished to the audit team by other third parties. Subject to the foregoing limitations, the good faith representations from District management are as follows:

- (1) We understand that the objectives of your audit are to look into and report back to the legislature regarding those issues identified and set out in that certain letter request dated December 1, 2015 from Senator Juan J. Hinojosa to Texas Commission on Environmental Quality (“TCEQ”) Director Richard A. Hyde, P.E.
- (2) We further understand that you have determined the scope of the audit be limited to the District’s fiscal years 2014 through 2016.
- (3) To the best of our knowledge and belief, the District has made available to you all information relevant to the foregoing objectives, within the applicable fiscal years, and requested by the audit team.
- (4) The District has primary responsibility for (i) efficient use and protection of resources, (ii) identification of compliance with applicable state and federal laws and regulations, (iii) collection, maintenance, reporting, dissemination, and use of accurate, complete, reliable, and timely information, (iv) the fair presentation of financial position in District reports, and (v) the internal controls associated with the foregoing responsibilities.
- (5) To the best of our knowledge and belief, the District has disclosed to you any known significant deficiencies in internal controls relevant to the foregoing audit objectives.
- (6) To the best of our knowledge and belief, there have been no known instances of fraud, illegal acts, or abuse involving management or employees of the District, and, to the best of our knowledge and belief, no such instances are currently under investigation.
- (7) To the best of our knowledge and belief, the District has disclosed all plans, intentions, and actions that may significantly affect the audit results.
- (8) To the best of our knowledge and belief, the District has properly recorded all material transactions in the accounting records of the District.
- (9) To the best of our knowledge and belief, information provided by the District to the audit team is complete and correct.

Thank you for the opportunity to review and respond to the Audit Report. If you require any additional information or clarification from the District, please feel free to contact the District’s management staff.

Sincerely,

  
Jesus Flores, President

  
Urbano Anzaldua, III, Vice President

  
Bennard Rowland, II, Secretary

  
Andy Scott, Director

  
Alberto Ybarra, Director

**ENGELMAN IRRIGATION DISTRICT**  
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**Engelman Irrigation District Management's Responses to the Audit Report**

The audit of Engelman Irrigation District (the "*District*") resulted from a request by Senator Juan J. Hinojosa to TCEQ to determine if the District is operating in compliance with provisions of its rules, statutes, and accounting principles, as well as to establish its financial condition. The District finds it interesting that the Senator has expressed such interest in the financial condition and potential legal liability of an irrigation district that is not located within his senatorial district, especially since the Senator represented the judgment creditor of the District's potential legal liability in a related legal proceeding. Nevertheless, the District is pleased that the State Auditor's Office found no evidence of any misappropriation of funds and did not find or report any such losses or instances of unreasonable or wasteful expenditures. The Audit Report focuses instead on the District's lack of compliance with certain requirements of the Texas Water Code and the Texas Administrative Code and the District not implementing sufficient controls to ensure that it can meet its financial obligations. A thorough analysis of those findings demonstrates that most of the State Auditor's findings are more appropriately seen as recommendations for enhanced transparency and improved documentation to prevent any future problems rather than evidence of actual and detected past instances or events. The District and its directors appreciate the spirit of the recommendations and intend to seriously consider and implement those which it deems are appropriate for improving internal controls and management of its operations. To the extent the Audit Report does identify areas of noncompliance with requirements of the Texas Water Code or other statutes, the District has either already taken steps to correct those deficiencies or will aggressively pursue to implement policies to ensure future compliance.

The District's specific responses to the Audit Report are as follows:

District's Rate Structure

The District will endeavor to analyze and adjust the rates it charges to ensure that it will cover its expenses. However, the District wishes to clarify one point made by the State Auditor.

On Page 2, the Audit Report implies that the District did nothing as its water delivery rate increased over 130% from 2012 to 2015.

First, 84% of the 130% increase occurred within the last year. The District did not anticipate such a drastic change in its water delivery rate and since learning of this increase has reviewed many alternatives to lessen the financial impact this rate will have on the District. Second, the District regularly reviews the rates and assessments it charges and compares its rates to other similarly situated irrigation districts, those that rely on another district to transport its water. The District's rates are, and have been, above the average rate of other districts. It understands that its customers' use of irrigation water is largely dependent on the water delivery

rate and that it can only charge what the market can bear. The District is concerned that any further increases in its water rates will have a negative impact in water sales and will result in an overall net reduction in revenue. Finally, the District is in the planning and design phase of incorporating an alternative water supply from a neighboring water district.

#### Budget Practices

District management accepts the State Auditor's recommendation and will endeavor to implement formal budgeting practices to ensure that it can make financial decisions in a timely manner to meet its financial obligations. In addition, it will update and implement its written policies and procedures to manage its budget process by determining how its various rates and charges will cover its operating and maintenance expenses. The District will also work to approve its budget in a timely manner and to periodically review and modify its budget as needed based on actual financial information throughout the year and will include a copy of its approved budget in its Minutes.

The District acknowledges that it does not have formal policies and procedures to manage its budget process. Instead, it reviews a detailed list of expenses incurred by the District each month at its regular board meeting as well as the revenue received the prior month. Without looking at an actual monthly and year-over-year budget, the District is still able to assess its position to address any shortfalls. Other than decreased forecasted revenue from water sales caused by unexpected precipitation or increases in its delivery rate, the District rarely encounters a situation where it must modify an item within its budget to address a cost overrun. Rather, the District focuses on its core responsibilities and performing only the work necessary to sustain operations.

Previous delays in the District approving the annual budget are attributed to the District's sole reliance on Donna Irrigation District to provide the District with its revised water delivery rate. The District's budget is built around the ever-changing and somewhat unpredictable Donna Irrigation District ("Donna") water delivery rate. This rate is not easily estimated and is affected by multiple factors that are outside the control of the District. Any estimate by the District that is incorporated in its proposed budget will surely have to be revised once the actual water delivery rate is determined by Donna Irrigation District.

The District appreciates the usefulness of an approved budget as a tool to review the District's monthly performance compared to prior months and its performance from previous years. Aside from approving the annual budget, many of the State Auditor's recommendations included on Page 4 of the Audit Report stem from best practices described in the *Water District Financial Management Guide* (the "Guide"). The Guide is a helpful compilation of statutes and regulations that are relevant to general law districts; however, is not binding authority and does not, on its own, impose requirements upon districts, as mentioned in several instances throughout the report.

#### Potential Legal Liability

District management accepts the State Auditor's recommendations insofar that it will continue to implement its current plan to address the legal and financial aspects of its potential legal liability. Moreover, it will incorporate an item into its budget to build a reserve to address this potential liability and other unforeseen expenses.

On page 1 of the Audit Report, the State Auditor incorrectly states that the District had not taken *any* measures to address a potential liability from a legal judgment. (emphasis added). The District has and continues to address this potential liability.

First, the District is contesting the validity and enforceability of this judgment. In 2010, after exhausting its legal remedies in the underlying case, the District filed suit in Hidalgo County requesting declaratory judgment from the court that the judgment against the District, the potential liability mentioned throughout the Audit Report, is void. This matter is currently before the Texas Supreme Court and is set for oral argument on December 7, 2016.

Second, the District has set aside proceeds from its sales of water rights, thus making financial arrangements, to address this potential liability from the underlying judgment. Currently, approximately \$200,000 has been reserved in a certificate of deposit to help address this potential liability in the event the legal challenge described above is unsuccessful. The District will continue to set aside proceeds from future water rights transactions, as necessary, and will include an item in its revised budget to address not only this potential liability but other unforeseen expenses.

The District addresses both of these items in its annual status report to the TCEQ. This status report has been filed annually since 2008 and details the District's efforts to adopt specific measures to settle the judgment against it as required in TCEQ's September 7, 2004 Order denying the application of Engelman Irrigation District of Hidalgo County for authorization to proceed into bankruptcy.

Therefore, the District has taken measures and will continue to implement its plan to address the legal and financial aspects of its potential legal liability.

#### Water Sales

District management accepts the State Auditor's recommendation. The District will work to consistently enforce its policy on water sales transactions wherein it will refuse to accept applications for water for which there are delinquent water charges. The District's customers use irrigation water for various purposes and utilize diverse irrigation methods. District personnel have experienced difficulty in enforcing its policies across the board because irrigation methods and frequency vary from crop to crop and from season to season. In an effort to accommodate its diverse customers while adhering to the spirit of the policy, District personnel promptly communicate with its customers, who by virtue of their current crop or irrigation method have an outstanding balance, to make a sufficient deposit before additional irrigation is allowed.

It is notable that the State Auditor does not report any instance where an outstanding balance has persisted. Instead, the State Auditor points to a discrete time period where an outstanding balance exists without considering unique factors associated with the use and delivery of the irrigation water.

Director/ Employee Bond Requirements

The District has complied with the bonding requirements set forth Texas Water Code, Section 49.055c. As of October 31, 2016, all board members are bonded as required by the Texas Water Code. Please see attached insurance documentation.