

KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }

COUNTY OF KENEDY }

I, _____
(Name of Duly Authorized District Representative)

of the _____
Kenedy County Groundwater Conservation District
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the _____ day of _____, 2019 its annual audit report for the fiscal period ended December 31, 2018 and that copies of the annual audit report have been filed in the District's office, located at 100 East Kleberg Avenue, Kingsville, Texas, 78363.

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Section 49.194.

Date: _____, 20____ By: _____
(Signature of District Representative)

(Typed Name & Title of District Representative)

Sworn to and subscribed to me this _____ day of _____, 20____

(Seal) _____
(Signature of Notary)

My Commission Expires On: _____
Notary Public in the State of Texas

JOHN WOMACK & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. WOMACK, CPA
MARGARET KELLY, CPA

P. O. BOX 1147
KINGSVILLE, TEXAS 78364
(361) 592-2671
FAX (361) 592-1411

Independent Auditor's Report

To the Board of Directors
Kenedy County Groundwater Conservation District
P.O. Box 1433
Kingsville, Texas 78364

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kenedy County Groundwater Conservation District ("the District") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kenedy County Groundwater Conservation District as of December 31, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

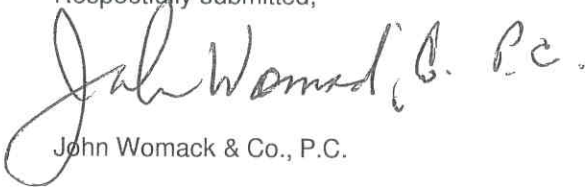
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Texas Supplementary Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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 Texas Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kenedy County Groundwater Conservation District's basic financial statements.

Respectfully submitted,



John Womack & Co., P.C.

Kingsville, TX
May 23, 2019

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

As management of the Kenedy County Groundwater Conservation District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2018. This discussion and analysis is intended to be an easily readable analysis of the District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

In addition to the Management's Discussion and Analysis (MD&A), the report consists of basic financial statements, notes to the financial statements and supplementary information. The basic financial statements are highly condensed and present a government-wide view of the District's finances. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the District. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide basic financial statements.

Basic Financial Statements

- The Statement of Net Assets and Governmental Funds Balance Sheet is the first of the two governmental fund and government-wide financial statements which focus on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the District owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. The presentation is similar to a private-sector business.
- The second governmental fund and government-wide financial statement is called the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance. This statement summarizes the District's income and expenditures for the year. Once again, the presentation is similar to a private-sector business.
- The notes to the financial statements provide additional disclosure required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

The discussion and analysis of the District's financial performance provides an overall review of its financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Financial Highlights

- The assets of the Kenedy County Groundwater Conservation District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended December 31, 2018 by \$631,734. 100% of this amount is unrestricted net assets and is available to meet the District's ongoing obligations.
- At December 31, 2018, unassigned fund balance for the General Fund was \$630,157 or 416% of total General Fund expenditures.
- The total cost of all District activities was \$151,756 for the fiscal year.

District as a Whole

Government-Wide Financial Statements

A condensed version of the Statement of Net Position at December 31, 2018 and 2017 is as follows:

Net Assets at Year-End

	<u>Governmental Activities</u> 2018	<u>Governmental Activities</u> 2017	<u>% Change</u>
Cash and investments	\$ 733,741	\$ 729,327	0.61 %
Other assets	93,679	52,617	78.04 %
Total assets	<u>827,420</u>	<u>781,944</u>	5.82 %
Accounts payable & other	6,887	5,591	23.18 %
Total liabilities	<u>6,887</u>	<u>5,591</u>	23.18 %
Unearned revenues	188,799	181,857	3.82 %
Total deferred inflows of resources	<u>188,799</u>	<u>181,857</u>	3.82 %
Net Position:			
Unrestricted	<u>631,734</u>	<u>594,496</u>	6.26 %
Total net position	<u>\$ 631,734</u>	<u>\$ 594,496</u>	6.26 %

The total net position increased by \$37,238. The increase was primarily a result of increases in cash due to the change in net assets for the year 2018 of this same amount. Significant changes also included taxes receivable which increased due to the increased 2018 assessed values.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Financial Highlights (Concluded)

A condensed version of the Statement of Activities follows:

**Governmental Activities
For the year ended December 31, 2018**

	<u>Governmental Activities</u> 2018	<u>Governmental Activities</u> 2017	<u>% Change</u>
Revenues			
General revenues			
Property Taxes	188,003	\$ 193,379	(2.78) %
Misc. Income	15	1,621	(99.07) %
Interest	976	1,571	(37.87) %
Total revenues	<u>188,994</u>	<u>196,571</u>	(3.85) %
Expenses:			
Service operations			
Salaries & Benefits	66,657	66,824	(0.25) %
Accounting & Audit	8,873	7,422	19.55 %
Tax Collector/Appraisal District	8,709	9,673	(9.97) %
Dues and Subscriptions	1,456	1,048	38.93 %
Legal	37,270	33,705	10.58 %
Well Monitoring	3,402	541	528.84 %
Travel	7,304	6,157	18.63 %
Insurance	3,903	1,962	98.93 %
Telephone	417	380	9.74 %
Office Supplies/Other	12,785	7,927	61.28 %
Equipment	-	-	- %
Website	980	2,967	(66.97) %
Total expenses	<u>151,756</u>	<u>138,606</u>	9.49 %
Change in net assets	37,238	57,965	(35.76) %
Beginning net assets	594,496	601,931	(1.24) %
Prior period adjustments	-	(65,400)	
Ending net assets	<u>\$ 631,734</u>	<u>\$ 594,496</u>	(6.26) %

The revenues exceeded expenses by \$37,238 and the net income was utilized for operations of the District. Revenues, of which property taxes make up 99%, are down \$7,577 or 3.85% due to a decrease in 2017 property tax values which had been deferred to 2018.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Budgetary Highlights

Actual revenues in the General Fund were below budgeted revenues by \$12,896, with 55% of this negative variance in property taxes, and 52% of the negative variance in miscellaneous and interest income. Actual General Fund expenditures were \$48,894 less than budgeted, with legal costs accounting for the majority of this positive variance.

Capital Assets

At year end, the District had no Capital Assets.

Debt Outstanding

At year end, the District had no debt outstanding.

Economic Factors and Next Year's Budgets and Rates

The District's property tax rate for Fiscal Year 2019 is \$0.0153 per \$100 valuation. The net taxable value is \$1,267,052,288, for total tax revenue of \$194,638.

The District's budgeted expenditures for 2019 are \$200,650 which is the same as fiscal year 2018 budget.

If the 2019 budget is achieved the District Fund Balance will remain the same.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District Manager at P.O. Box 1433, Kingsville, Texas, 78364-1433.

BASIC FINANCIAL STATEMENTS

KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2018

	General Fund	Total	Adjustments	Statement of Net Position
Assets				
Cash and cash equivalents	\$ 733,741	\$ 733,741	\$	\$ 733,741
Taxes receivable (net of allowance of \$2,086)	77,085	77,085		77,085
Due from other Governments	16,594	16,594		16,594
Total assets	\$ 827,420	\$ 827,420	\$ -	\$ 827,420
Liabilities				
Accounts payable	\$ 6,887	\$ 6,887	\$	\$ 6,887
Total liabilities	6,887	6,887	-	6,887
Deferred Inflows of Resources				
Unearned revenues	190,376	190,376	(1,577)	188,799
Total deferred inflows of resources	190,376	190,376	(1,577)	188,799
Fund balance/net assets				
Fund balance:				
Unassigned (Deficit)	630,157	630,157	(630,157)	-
Total fund balance	630,157	630,157	(630,157)	-
Total liabilities, deferred inflows of resources, and fund balance	\$ 827,420	\$ 827,420		
Net position:				
Unrestricted			631,734	631,734
Total net position			\$ 631,734	\$ 631,734

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

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2018**

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues				
Property taxes, including penalty and interest	\$ 186,763	\$ 186,763	\$ 1,240	\$ 188,003
Misc. Income	15	15		15
Interest income	976	976		976
Total revenues	<u>187,754</u>	<u>187,754</u>	<u>1,240</u>	<u>188,994</u>
Expenditures/expenses				
Service operations:				
Salaries	55,100	55,100		55,100
Major Medical	7,656	7,656		7,656
Payroll Taxes	3,901	3,901		3,901
Audit	8,200	8,200		8,200
Accounting	673	673		673
Tax Collector and Appraisal District	8,709	8,709		8,709
Dues and Subscriptions	1,456	1,456		1,456
Legal	37,270	37,270		37,270
Travel	7,304	7,304		7,304
Telephone	417	417		417
Well Monitoring	3,402	3,402		3,402
Maps & Records	-	-		-
Insurance	3,903	3,903		3,903
Office Repairs	-	-		-
Equipment Repairs	-	-		-
Website	980	980		980
Office Supplies/Other	12,785	12,785		12,785
Total expenditures/expenses	<u>151,756</u>	<u>151,756</u>	<u>-</u>	<u>151,756</u>
Excess (deficiency) of revenues over expenditures/change in net position	35,998	35,998	1,240	37,238
Fund balance/net position:				
Beginning of the year	594,159	594,159	337	594,496
Prior period adjustment	-	-	-	-
End of the year	<u>\$ 630,157</u>	<u>\$ 630,157</u>	<u>\$ 1,577</u>	<u>\$ 631,734</u>

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

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

NOTE 1: THE FINANCIAL REPORTING ENTITY

Creation of District

The Kenedy County Groundwater Conservation District operates with a Board of Directors form of government. The District was created on May 29, 2003 under and subject to the authority, conditions, and restrictions of section 59, Article XVI, Texas Constitution. It has the same boundaries as Kenedy County, Texas (931,840 acres), plus 420,938 additional acres in Kleberg County, Texas; 165,162 acres in Brooks County, Texas; 44,311 acres in Willacy County, Texas; 21,649 acres in Nueces County, Texas; 31,489 acres in Jim Wells County, Texas; and 73,006 acres in Hidalgo County, Texas. The District's mission is to develop, promote, and implement water conservation, augmentation, and management strategies in order to protect water resources for the benefit of the citizens, economy, and environment of the above counties.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING

Basis of Accounting/Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles 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 *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the District are described below.

A. Government Fund Financial Statements and Government-Wide Financial Statements

The Governmental fund financial statements and government-wide financial statements include a Statement of Net Assets and Governmental Funds Balance Sheet and a Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance. These Statements present summaries of governmental activities for the District.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets, and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance presents changes in fund balance net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in two categories: 1) property taxes and 2) investment earnings.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Continued)**

Governmental fund financial statements are included in the Statement of Net Assets and Governmental Funds Balance Sheet and Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance. The District has presented all major funds that meet those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Statement of Net Assets and Governmental Funds Balance Sheet. The Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are charges for water and sewer, property tax, capital recovery revenue, and interest income. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The following is the District's Governmental Fund type:

General Fund

The General Fund is the general operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

B. Budget

The District Board members follow these procedures in establishing the District budgets:

- a. Thirty to sixty days prior to the beginning of each fiscal year, the department supervisors submit to the Board members a proposed budget for the fiscal year beginning on the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at which comments concerning the budget are heard.
- c. The budget is legally enacted by the Board members prior to the beginning of the fiscal year.
- d. Any revisions that alter the total expenditures of any fund must be approved by the Board members.

C. Inventory

There is no inventory at December 31, 2018.

D. Vacation and Sick Leave

There is no vacation or sick leave.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Continued)**

E. Property Tax

The Appraisal District annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest ultimately imposed for the year on the property. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based upon the aggregate appraisal value.

Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 and attach as an enforceable lien on the property as of July 1 of the following year. The Kenedy County Tax Assessor/Collector collects and remits the property taxes to the District on a monthly basis. Property taxes not collected within 60 days are deemed not to be material to the financial statements, so no allowance for doubtful accounts has been established.

The District reports deferred revenue on its General Fund balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The following table shows a schedule of delinquent taxes receivable and the allowance for uncollectible taxes for the District:

	<u>Balance</u> <u>12/31/2017</u>	<u>Current</u> <u>Year Levy</u>	<u>Total</u> <u>Collections</u>	<u>Yearly</u> <u>Adjustments</u>	<u>Balance</u> <u>12/31/2018</u>
Delinquent Taxes					
Receivable	\$ 46,388	\$ 194,637	\$ 161,856	\$ 2	\$ 79,171
Allowance for					
Uncollected Taxes	(2,086)	-	-		(2,086)
Net Delinquent					
Taxes Receivable	<u>\$ 44,302</u>	<u>\$ 194,637</u>	<u>\$ 161,856</u>	<u>\$ 2</u>	<u>\$ 77,085</u>

F. Capital Assets

There are no capital assets.

G. Related Party Transactions

There are no related party transactions.

H. Contingent Liabilities

There are no contingent liabilities.

KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Continued)

I. Fund Equity

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose pursuant to constraints imposed by the Board of Directors' ordinance or resolution no later than the fiscal year. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board or by an official or body to which the Board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts have been restricted, committed, or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted net position is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

J. Implementation of New Standards

The District has adopted all current GASB pronouncements that are applicable to its operations and activities. There were no new GASB pronouncements adopted during fiscal year 2018.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Continued)**

New pronouncements not yet in effect as of December 31, 2018, are expected to have a significant impact on the District's financial position, results of operations, or cash flows. The District is currently studying these new pronouncements and will adopt them, as applicable, in subsequent fiscal years.

NOTE 3: OTHER DISCLOSURES

Tax Revenues

The tax rate for Fiscal Year 2018 was \$0.0153 per \$100 valuation. The taxable value was \$1,222,457,864. All tax monies are used for maintenance and operations.

Location of District

The District is located in various counties as shown in the chart below. The general membership of the Board is elected within the District.

<u>County:</u>	<u>Percent of Taxable Value</u>	<u>Percent of Land Area (Acres)</u>
Kenedy County	69.0 %	55.2 %
Kleberg County	22.0 %	24.9 %
Brooks County	6.8 %	9.8 %
Willacy County	1.4 %	2.6 %
Jim Wells County	0.4 %	1.9 %
Hidalgo County	0.2 %	4.3 %
Nueces County	0.2 %	1.3 %

NOTE 4: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The District's deposits were fully collateralized at 12/31/18 and during the fiscal year. At year-end, the carrying amount of the District's deposits was \$733,741 and the respective bank balance totaled \$736,584. Of the total bank balance, \$500,000 was covered by Federal Depository Insurance. The additional \$236,584 was covered by additional securities pledged to the District at December 31, 2018.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

NOTE 4: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Texas Statutes authorize the Kenedy County Groundwater Conservation District to invest in:

1. Obligations of the U.S. Treasury or its agencies and instrumentalities;
2. Direct obligations of the State of Texas or its agencies;
3. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States;
4. Obligations of states, agencies, counties, or cities rated A or better by a national investment rating firm;
5. Certificates of deposit that are insured by the Federal Deposit Insurance Corporation or secured by obligations having a market value of at least the principal amount of the certificates; and
6. Fully collateralized direct repurchase agreements.

NOTE 5: CHANGES IN FIXED ASSETS

There are no changes in fixed assets.

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended December 31, 2018, the District purchased commercial insurance to cover general liabilities.

NOTE 7: DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>Fund</u>	<u>Deferred Amount</u>
2018 property taxes collected but deferred to 2019	General	\$188,799
Collectible portion of property taxes receivable	General	<u>1,577</u>
		<u>\$190,376</u>

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

NOTE 8: ADJUSTMENTS

The adjustments on the Statement of Net Assets and Governmental Funds Balance Sheet are to add all taxes as earned rather than deferred.

The adjustments to the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance are to record the difference in deferred revenues at the beginning and end of the year.

REQUIRED SUPPLEMENTARY INFORMATION

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Property taxes, including penalty and interest	\$ 193,859	\$ 193,859	\$ 186,763	\$ (7,096)
Misc. Income	6,691	6,691	15	(6,676)
Interest income	100	100	976	876
Total revenues	<u>200,650</u>	<u>200,650</u>	<u>187,754</u>	<u>(12,896)</u>
Expenditures/expenses				
Service operations:				
Salaries and Benefits	69,000	69,000	66,657	2,343
Audit	8,000	8,200	8,200	-
Accounting	800	800	673	127
Tax Collector and Appraisal District	11,500	11,500	8,709	2,791
Election Costs	1,500	1,500	-	1,500
Dues and Subscriptions	1,500	1,500	1,456	44
Public Education Brochure	1,000	1,000	-	1,000
Legal	40,000	40,000	37,270	2,730
Travel	13,000	13,000	7,304	5,696
Telephone	800	800	417	383
Well Monitoring	5,000	5,000	3,402	1,598
Maps & Records	3,000	900	-	900
Insurance	4,350	5,050	3,903	1,147
Office Repairs	-	-	-	-
Equipment	3,000	3,000	-	3,000
Website	2,500	2,500	980	1,520
Office Supplies/Other	35,700	36,900	12,785	24,115
Total expenditures/expenses	<u>200,650</u>	<u>200,650</u>	<u>151,756</u>	<u>48,894</u>
Excess (deficiency) of revenues over Unreserved	-	-	35,998	35,998
Fund balance/net assets:				
Beginning of the year	<u>594,159</u>	<u>594,159</u>	<u>594,159</u>	-
End of the year	<u>\$ 594,159</u>	<u>\$ 594,159</u>	<u>\$ 630,157</u>	<u>\$ 35,998</u>

TEXAS SUPPLEMENTARY INFORMATION

**KENEDY COUNTY GOUNDWATER CONSERVATION DISTRICT
TEXAS SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2018**

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**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
TSI-1. SERVICE AND RATES
For the Year Ended December 31, 2018**

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

- Retail Water
- Retail Wastewater
- Parks/Recreation
- Solid Waste/Garbage
- Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect)
- Other (specify): _____ Groundwater District _____

2. Retail Service Providers: N/A

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 500 Gallons Over Minimum Use</u>	<u>Usage Levels</u>
WATER:					
WASTEWATER:					
SURCHARGE:					
District employs winter averaging for wastewater usage?			Yes <input type="checkbox"/> No <input type="checkbox"/>		
Total charges per 10,000 gallons usage:		Water:		Wastewater:	

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1 1/2"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____		_____
Total Wastewater	_____	_____	x 1.0	_____

3. Total Water Consumption During the Fiscal Year (rounded to the nearest thousand): **N/A**

Gallons Pumped into system:

Water Accountability Ratio:
(Gallons billed/Gallons pumped)

Gallons billed to customers:

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent Commission Order: _____

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

If yes, Date of the most recent Commission Order: _____

5. Location of District

Counties in which the District is located: Kenedy, Kleberg, Jim Wells, Brooks, Nueces, Willacy & Hidalgo

Is the District located entirely within one county? No

Is the District located within a city? Not at all

City(ies) in which the District is located: N/a

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

ETJ's in which the District is located: _____

Are Board members appointed by an office outside the District? No

If yes, by whom? _____

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
TSI-2. GENERAL FUND EXPENDITURES
For the Year Ended December 31, 2018**

Personnel Expenditures (including benefits) *	\$ 66,657
Professional Fees:	
Accounting/Auditing	\$ 8,873
Legal	37,270
Technical Services	0
Redistricting	0
Website	980
Purchased Services for Resale	-
Contracted Services:	
Tax assessor and appraisal services	8,709
Utilities	-
Repairs and Maintenance	-
Administrative Expenditures:	
Travel	7,304
Telephone	417
Dues and Subscriptions	1,456
Office Supplies/Other	12,785
Maps & Records	0
Insurance	3,903
Election Costs	0
Well Monitoring	3,402
Computer Software	0
Capital Outlay	-
Tap Connection Expenditures	-
Solid Waste Disposal	-
Fire Fighting	-
Parks and Recreation	-
Total Expenditures	<u><u>\$ 151,756</u></u>

* Number of persons employed by the District: 1 Full time 0 Part time

KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
TSI-4. TAXES LEVIED AND RECEIVABLE
For the Year Ended December 31, 2018

	Maintenance Taxes	Debt Service Taxes	Other District Taxes	
Taxes Receivable, Beginning of Year	\$ 46,388	\$ -	\$ -	
2018 Original Tax Levy	194,637	-	-	
Discounts given	-	-	-	
Total to be accounted for	<u>241,025</u>	<u>-</u>	<u>-</u>	
Tax Collections and adjustments:				
Current year	116,793	-	-	
Prior year	45,063	-	-	
Adjustments	(2)	-	-	
Total collections and adjustments	<u>161,854</u>	<u>-</u>	<u>-</u>	
Taxes Receivable, End of Year	<u>\$ 79,171</u>	<u>\$ -</u>	<u>\$ -</u>	
Taxes Receivable, by Years				
2016	\$ 77,843	\$ -	\$ -	
2015 and before	<u>1,328</u>	<u>-</u>	<u>-</u>	
Taxes Receivable, End of Year	<u>\$ 79,171</u>	<u>\$ -</u>	<u>\$ -</u>	
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Property Valuations:				
Land	\$ 1,979,660,663	\$ 1,973,124,909	\$ 1,728,073,708	\$ 1,712,554,974
Improvements	57,536,053	53,059,767	58,651,811	55,016,462
Personal Property	869,042,630	844,587,671	901,240,308	950,395,197
Minerals	<u>229,918,630</u>	<u>208,726,110</u>	<u>199,362,230</u>	<u>387,164,920</u>
Total Market Value	3,136,157,976	3,079,498,457	2,887,328,057	3,105,131,553
Exemptions and adjustments	<u>1,864,019,010</u>	<u>1,857,040,593</u>	<u>1,620,492,792</u>	<u>1,611,171,991</u>
Total Assessed Value	<u>\$ 1,272,138,966</u>	<u>\$ 1,222,457,864</u>	<u>\$ 1,266,835,265</u>	<u>\$ 1,493,959,562</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.0153	\$ 0.0153	\$ 0.0153	\$ 0.0153
Debt service tax rates	-	-	-	-
Other district tax rates	-	-	-	-
Total Tax Rates per\$100 Valuation	<u>\$ 0.0153</u>	<u>\$ 0.0153</u>	<u>\$ 0.0153</u>	<u>\$ 0.0153</u>
Original Tax Levy	<u>\$ 194,637</u>	<u>\$ 187,066</u>	<u>\$ 193,979</u>	<u>\$ 231,498</u>
Percent of Taxes Collected to Taxes Levied	<u>99.96%</u>	<u>98.44%</u>	<u>98.85%</u>	<u>99.91%</u>

KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES-
GENERAL FUND - FIVE YEARS (page 1 of 2)
For the Year Ended December 31, 2018

	Amounts				
	2018	2017	2016	2015	2014
Revenues:					
Property taxes	\$ 186,763	\$ 194,333	\$ 227,908	\$ 209,419	\$ 211,982
Misc. Income	15	1,621	1,835	396	831
Interest	976	1,571	1,572	1,184	1,169
Total Revenues	<u>187,754</u>	<u>197,525</u>	<u>231,315</u>	<u>210,999</u>	<u>213,982</u>
Expenditures:					
Salaries & Benefits	66,657	66,824	66,864	61,289	60,598
Technical Service		-	-	-	731
Office Repairs		-	-	22,000	-
Accounting & Audit	8,873	7,422	7,454	7,804	6,781
Tax Assessor/Appraisal District	8,709	9,673	10,692	12,925	9,592
Redistricting		-	-	-	-
Legal	37,270	33,705	33,235	52,077	33,436
Dues and Subscriptions	1,456	1,048	1,428	950	1,283
Election Cost	-	-	-	-	-
Telephone	417	380	667	405	731
Well Monitoring	3,402	541	10,419	1,449	1,028
Office Supplies/Other	12,785	7,927	10,129	6,194	4,561
Maps & Records	-	-	-	-	-
Website	980	2,967	2,361	698	1,333
Computer/Software	-	-	-	-	-
Equipment	-	-	193	567	372
Insurance	3,903	1,962	2,709	2,009	2,941
Travel	7,304	6,157	6,837	5,452	4,719
Total expenditures	<u>151,756</u>	<u>138,606</u>	<u>152,988</u>	<u>173,819</u>	<u>128,106</u>
Excess revenues over (under) expenditures	<u>\$ 35,998</u>	<u>\$ 58,919</u>	<u>\$ 78,327</u>	<u>\$ 37,180</u>	<u>\$ 85,876</u>

KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES-
GENERAL FUND - FIVE YEARS (page 2 of 2)
For the Year Ended December 31, 2018

Percent of Fund Total Revenues				
2018	2017	2016	2015	2014
99.47%	98.38%	98.53%	99.25%	99.07%
0.01%	0.82%	0.79%	0.19%	0.39%
0.52%	0.80%	0.68%	0.56%	0.55%
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
35.50%	33.83%	28.91%	29.05%	28.32%
0.00%	0.00%	0.00%	0.00%	0.34%
0.00%	0.00%	0.00%	10.43%	0.00%
4.73%	3.76%	3.22%	3.70%	3.17%
4.64%	4.90%	4.62%	6.13%	4.48%
0.00%	0.00%	0.00%	0.00%	0.00%
19.85%	17.06%	14.37%	24.68%	15.63%
0.78%	0.53%	0.62%	0.45%	0.60%
0.00%	0.00%	0.00%	0.00%	0.00%
0.22%	0.19%	0.29%	0.19%	0.34%
1.81%	0.27%	4.50%	0.69%	0.48%
6.81%	4.01%	4.38%	2.94%	2.13%
0.00%	0.00%	0.00%	0.00%	0.00%
0.52%	1.50%	1.02%	0.33%	0.62%
0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.08%	0.27%	0.17%
2.08%	0.99%	1.17%	0.95%	1.37%
3.89%	3.12%	2.96%	2.58%	2.21%
<u>80.83%</u>	<u>70.17%</u>	<u>66.14%</u>	<u>82.38%</u>	<u>59.87%</u>
<u>19.17%</u>	<u>29.83%</u>	<u>33.86%</u>	<u>17.62%</u>	<u>40.13%</u>

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
TSI-8. BOARD MEMBERS, CONSULTANTS, AND KEY ADMINISTRATIVE PERSONNEL
For the Year Ended December 31, 2018**

Complete District Mailing Address: P.O. Box 212, Sarita, Texas 78385

District Business Telephone Number: (361) 294-5336

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

Limit on Fees of Office that a Director may receive during a fiscal year:
(Set by Board Resolution – TWC Section 49.070)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid Year Ended 12/31/18	Expense Reim- bursements Year Ended 12/31/18	Title at Year End
Board Members:				
Chuck Burns	Elected	\$0	\$619	President
Daniel Butler	Elected	\$0	\$475	Director
David Delaney	Elected	\$0	\$0	Secretary
Craig Weiland	Elected	\$0	\$0	Director
Homero Vera	Elected	\$0	\$0	Vice-President
Consultants:				
Sahs & Associates		\$ 5,747		Attorney
Key Administrative Personnel:				
Leo Villarreal		\$ 30,000	\$285	Assistant to Board
Andres Garza (Annual)		\$ 55,100	\$5,955	General Manager