

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2019**



**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT  
FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019**

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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 \_\_\_\_\_, 2020 its annual audit report for the fiscal period ended December 31, 2019 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, 2019, 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, 2019, 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  
June 10, 2020



**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

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, 2019. 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, 2019. 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, 2019**

**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, 2019 by \$679,231. 100% of this amount is unrestricted net assets and is available to meet the District's ongoing obligations.
- At December 31, 2019, unassigned fund balance for the General Fund was \$677,809 or 429% of total General Fund expenditures.
- The total cost of all District activities was \$157,977 for the fiscal year.

**District as a Whole**

*Government-Wide Financial Statements*

A condensed version of the Statement of Net Position at December 31, 2019 and 2018 is as follows:

**Net Assets at Year-End**

	<u>Governmental Activities</u> 2019	<u>Governmental Activities</u> 2018	<u>% Change</u>
Cash and investments	\$ 743,782	\$ 733,741	1.37 %
Other assets	162,738	93,679	73.72 %
Total assets	<u>906,520</u>	<u>827,420</u>	9.56 %
Accounts payable & other	<u>7,059</u>	<u>6,887</u>	2.50 %
Total liabilities	<u>7,059</u>	<u>6,887</u>	2.50 %
Unearned revenues	<u>220,230</u>	<u>188,799</u>	16.65 %
Total deferred inflows of resources	<u>220,230</u>	<u>188,799</u>	16.65 %
Net Position:			
Unrestricted	<u>679,231</u>	<u>631,734</u>	7.52 %
Total net position	<u>\$ 679,231</u>	<u>\$ 631,734</u>	7.52 %

The total net position increased by \$47,497. The increase was primarily a result of increases in other assets due to the addition of prepaid items of \$31,800. Significant changes also included taxes receivable and unearned revenue, which increased due to the increased 2019 assessed values.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**Financial Highlights (Concluded)**

A condensed version of the Statement of Activities follows:

**Governmental Activities  
For the year ended December 31, 2019**

	<u>Governmental Activities 2019</u>	<u>Governmental Activities 2018</u>	<u>% Change</u>
Revenues			
General revenues			
Property Taxes	191,037	\$ 188,003	1.61 %
Misc. Income	2,331	15	15,440.00 %
Interest	12,106	976	1,140.37 %
Total revenues	<u>205,474</u>	<u>188,994</u>	<u>8.72 %</u>
Expenses:			
Service operations			
Salaries & Benefits	66,052	66,657	(0.91) %
Accounting & Audit	9,679	8,873	9.08 %
Tax Collector/Appraisal District	9,966	8,709	14.43 %
Dues and Subscriptions	2,078	1,456	42.72 %
Legal	43,925	37,270	17.86 %
Well Monitoring	1,439	3,402	(57.70) %
Maps & Records	3,580	-	100.00 %
Travel	8,643	7,304	18.33 %
Insurance	3,247	3,903	(16.81) %
Telephone	476	417	14.15 %
Office Supplies/Other	6,622	12,785	(48.20) %
Equipment	-	-	- %
Website	2,270	980	131.63 %
Total expenses	<u>157,977</u>	<u>151,756</u>	<u>4.10 %</u>
Change in net assets	47,497	37,238	27.55 %
Beginning net assets	631,734	594,496	6.26 %
Ending net assets	<u>\$ 679,231</u>	<u>\$ 631,734</u>	<u>(7.52) %</u>

The revenues exceeded expenses by \$47,497 and the net income was utilized for operations of the District. Revenues, of which property taxes make up 99%, are up \$16,480, or 8.72%, due to an increase in 2018 property tax values which had been deferred to 2019, as well as an increase in investment income over 2018 of \$11,130 resulting from a change from certificates of deposit to an investment pool. The increase in expenditures is due mostly to increased legal fees and maps & records expense.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**Budgetary Highlights**

Actual revenues in the General Fund were above budgeted revenues by \$4,979, due mainly to a positive variance in interest income, with smaller decreases in property taxes and miscellaneous income. Actual General Fund expenditures were \$42,673 less than budgeted, with legal costs for management plan/rule amendments 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 2020 is \$0.0128 per \$100 valuation. The net taxable value is \$1,721,062,500, for total tax revenue of \$220,296. Total revenues are projected to be \$223,896.

The District's budgeted expenditures for 2020 are \$223,896, which is \$23,246 higher than fiscal year 2019 budget.

If the 2020 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, 2019**

	<b>General Fund</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 743,782	\$ 743,782	\$	\$ 743,782
Taxes receivable (net of allowance of \$186)	116,803	116,803		116,803
Due from other Governments	14,135	14,135		14,135
Prepaid items	31,800	31,800		31,800
<b>Total assets</b>	<b>\$ 906,520</b>	<b>\$ 906,520</b>	<b>\$ -</b>	<b>\$ 906,520</b>
<b>Liabilities</b>				
Accounts payable	\$ 7,059	\$ 7,059	\$	\$ 7,059
<b>Total liabilities</b>	<b>7,059</b>	<b>7,059</b>	<b>-</b>	<b>7,059</b>
<b>Deferred Inflows of Resources</b>				
Unearned revenues	221,652	221,652	(1,422)	220,230
<b>Total deferred inflows of resources</b>	<b>221,652</b>	<b>221,652</b>	<b>(1,422)</b>	<b>220,230</b>
<b>Fund balance/net assets</b>				
Fund balance:				
Unassigned (Deficit)	677,809	677,809	(677,809)	-
<b>Total fund balance</b>	<b>677,809</b>	<b>677,809</b>	<b>(677,809)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 906,520</b>	<b>\$ 906,520</b>		
Net position:				
Unrestricted			679,231	679,231
<b>Total net position</b>			<b>\$ 679,231</b>	<b>\$ 679,231</b>

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, 2019**

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>				
Property taxes, including penalty and interest	\$ 191,192	\$ 191,192	\$ (155)	\$ 191,037
Misc. Income	2,331	2,331		2,331
Interest income	12,106	12,106		12,106
<b>Total revenues</b>	<u>205,629</u>	<u>205,629</u>	<u>(155)</u>	<u>205,474</u>
<b>Expenditures/expenses</b>				
Service operations:				
Salaries	55,000	55,000		55,000
Major Medical	7,656	7,656		7,656
Payroll Taxes	3,396	3,396		3,396
Audit	8,331	8,331		8,331
Accounting	1,348	1,348		1,348
Tax Collector and Appraisal District	9,966	9,966		9,966
Dues and Subscriptions	2,078	2,078		2,078
Legal	43,925	43,925		43,925
Travel	8,643	8,643		8,643
Telephone	476	476		476
Well Monitoring	1,439	1,439		1,439
Maps & Records	3,580	3,580		3,580
Insurance	3,247	3,247		3,247
Office Repairs	-	-		-
Equipment Repairs	-	-		-
Website	2,270	2,270		2,270
Office Supplies/Other	6,622	6,622		6,622
<b>Total expenditures/expenses</b>	<u>157,977</u>	<u>157,977</u>	<u>-</u>	<u>157,977</u>
Excess (deficiency) of revenues over expenditures/change in net position	47,652	47,652	(155)	47,497
<b>Fund balance/net position:</b>				
Beginning of the year	630,157	630,157	1,577	631,734
Prior period adjustment	-	-	-	-
End of the year	<u>\$ 677,809</u>	<u>\$ 677,809</u>	<u>\$ 1,422</u>	<u>\$ 679,231</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, 2019**

**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, 2019**

**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, 2019.

**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, 2019**

**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>12/31/2018</u>	<u>Current</u> <u>Year Levy</u>	<u>Total</u> <u>Collections</u>	<u>Yearly</u> <u>Adjustments</u>	<u>Balance</u> <u>12/31/2019</u>
Delinquent Taxes					
Receivable	\$ 79,171	\$ 220,225	\$ 182,234	\$ (173)	\$ 116,989
Allowance for					
Uncollected Taxes	<u>(2,086)</u>	<u>-</u>	<u>-</u>	<u>1,900</u>	<u>(186)</u>
Net Delinquent					
Taxes Receivable	<u>\$ 77,085</u>	<u>\$ 220,225</u>	<u>\$ 182,234</u>	<u>\$ 1,727</u>	<u>\$ 116,803</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, 2019**

**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 2019.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019**

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

New pronouncements not yet in effect as of December 31, 2019, 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 2019 was \$0.0128 per \$100 valuation. The taxable value was \$1,715,581,354. 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 AND INVESTMENTS**

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 12/31/19 and during the fiscal year. At year-end, the carrying amount of the District's deposits was \$215,466 and the respective bank balance totaled \$229,242. The bank balance was entirely covered by Federal Depository Insurance.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019**

**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.

Public Funds Investment Pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the fair value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The District's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company but, nevertheless, has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940.

The District's investments in Pools are as follows:

Investment	Reported Amount	Fair Value
Texas Class (Rated @ AAAM)	\$ 528,316	\$ 528,316

**NOTE 5: CHANGES IN FIXED ASSETS**

There are no changes in fixed assets.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019**

**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, 2019, 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>
2019 property taxes collected but deferred to 2020	General	\$220,230
Collectible portion of property taxes receivable	General	<u>1,422</u>
		<u>\$221,652</u>

**NOTE 8: ADJUSTMENTS**

The adjustments on the Statement of Net Assets and Governmental Funds Balance Sheet are to reflect 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.

**NOTE 9: SUBSEQUENT EVENTS**

Management has reviewed the subsequent events and transactions that occurred after the balance sheet date through June 10, 2020, which is the date of the audit report. The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management and those charged with governance have determined that there is one non-recognized Type II subsequent event that requires additional disclosure:

In November, 2019, the United States learned of a virus known as COVID-19. Over the past several months, it has changed the dynamics of the economy, and most notably, the New York Stock Exchange, which has remained volatile. The District and its Board have no control over these global and national events, except to guide the District through these conditions as they present. These conditions may include, but may not be limited to:

1. Unstable economic environment
2. Potentially violent fluctuations in the stock market
3. Potential shortages of basic goods and services
4. Managing any loss of revenue or unexpected expenditures that may occur

As of the date of this report, the District has had no material effect on the financial statements as a result of these conditions.





**REQUIRED SUPPLEMENTARY INFORMATION**

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
For the Year Ended December 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>				
Property taxes, including penalty and interest	\$ 194,638	\$ 194,638	\$ 191,192	\$ (3,446)
Misc. Income	5,912	5,912	2,331	(3,581)
Interest income	100	100	12,106	12,006
<b>Total revenues</b>	<u>200,650</u>	<u>200,650</u>	<u>205,629</u>	<u>4,979</u>
<b>Expenditures/expenses</b>				
Service operations:				
Salaries and Benefits	69,000	67,500	66,052	1,448
Audit	8,000	8,332	8,331	1
Accounting	800	1,358	1,348	10
Tax Collector and Appraisal District	11,500	11,500	9,966	1,534
Election Costs	1,500	-	-	-
Dues and Subscriptions	1,500	1,898	2,078	(180)
Public Education Brochure	1,000	-	-	0
Legal	45,000	42,000	40,725	1,275
Travel	12,000	11,350	8,643	2,707
Telephone	800	800	476	324
Well Monitoring	5,000	1,632	1,439	193
Maps & Records	3,000	3,580	3,580	-
Insurance	4,350	4,430	3,247	1,183
Management Plan/Rule Amendments	7,000	35,000	3,200	31,800
Equipment	3,000	-	-	0
Website	2,500	1,000	2,270	(1,270)
Office Supplies/Other	24,700	10,270	6,622	3,648
<b>Total expenditures/expenses</b>	<u>200,650</u>	<u>200,650</u>	<u>157,977</u>	<u>42,673</u>
Excess (deficiency) of revenues over Unreserved	-	-	47,652	47,652
<b>Fund balance/net assets:</b>				
Beginning of the year	<u>630,157</u>	<u>630,157</u>	<u>630,157</u>	-
End of the year	<u>\$ 630,157</u>	<u>\$ 630,157</u>	<u>\$ 677,809</u>	<u>\$ 47,652</u>

**TEXAS SUPPLEMENTARY INFORMATION**



**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT  
TEXAS SUPPLEMENTARY INFORMATION  
For the Year Ended December 31, 2019**

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TSI-6.	Changes in Long-Term Bonded Debt - N/A
TSI-7.	Comparative Schedule of Revenues and Expenditures – General Fund – Five Years
TSI-8.	Board Members, Consultants, and Key Administrative Personnel



**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT  
TSI-1. SERVICE AND RATES  
For the Year Ended December 31, 2019**

**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       No

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, 2019**

<b>Personnel Expenditures</b> (including benefits) *	\$ 66,052
<b>Professional Fees:</b>	
Accounting/Auditing	\$ 9,679
Legal	43,925
Technical Services	0
Redistricting	0
Website	2,270
<b>Purchased Services for Resale</b>	-
<b>Contracted Services:</b>	
Tax assessor and appraisal services	9,966
<b>Utilities</b>	-
<b>Repairs and Maintenance</b>	-
<b>Administrative Expenditures:</b>	
Travel	8,643
Telephone	476
Dues and Subscriptions	2,078
Office Supplies/Other	6,622
Maps & Records	3,580
Insurance	3,247
Election Costs	0
Well Monitoring	1,439
Computer Software	0
<b>Capital Outlay</b>	-
<b>Tap Connection Expenditures</b>	-
<b>Solid Waste Disposal</b>	-
<b>Fire Fighting</b>	-
<b>Parks and Recreation</b>	-
<b>Total Expenditures</b>	<u><u>\$ 157,977</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, 2019**

	Maintenance Taxes	Debt Service Taxes	Other District Taxes	
Taxes Receivable, Beginning of Year	\$ 79,171	\$ -	\$ -	
2019 Original Tax Levy	220,225	-	-	
Discounts given	-	-	-	
Total to be accounted for	<u>299,396</u>	<u>-</u>	<u>-</u>	
Tax Collections and adjustments:				
Current year	104,844	-	-	
Prior year	77,390	-	-	
Adjustments	173	-	-	
Total collections and adjustments	<u>182,407</u>	<u>-</u>	<u>-</u>	
Taxes Receivable, End of Year	<u>\$ 116,989</u>	<u>\$ -</u>	<u>\$ -</u>	
Taxes Receivable, by Years				
2019	\$ 115,381	\$ -	\$ -	
2018 and before	<u>1,608</u>	<u>-</u>	<u>-</u>	
Taxes Receivable, End of Year	<u>\$ 116,989</u>	<u>\$ -</u>	<u>\$ -</u>	
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Property Valuations:				
Land	\$ 1,988,346,541	\$ 1,979,660,663	\$ 1,973,124,909	\$ 1,728,073,708
Improvements	60,696,121	57,536,053	53,059,767	58,651,811
Personal Property	1,261,472,448	869,042,630	844,587,671	901,240,308
Minerals	280,182,280	229,918,630	208,726,110	199,362,230
Total Market Value	<u>3,590,697,390</u>	<u>3,136,157,976</u>	<u>3,079,498,457</u>	<u>2,887,328,057</u>
Exemptions and adjustments	<u>1,875,116,036</u>	<u>1,864,019,010</u>	<u>1,857,040,593</u>	<u>1,620,492,792</u>
Total Assessed Value	<u>\$ 1,715,581,354</u>	<u>\$ 1,272,138,966</u>	<u>\$ 1,222,457,864</u>	<u>\$ 1,266,835,265</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.0128	\$ 0.0153	\$ 0.0153	\$ 0.0153
Debt service tax rates	-	-	-	-
Other district tax rates	-	-	-	-
Total Tax Rates per\$100 Valuation	<u>\$ 0.0128</u>	<u>\$ 0.0153</u>	<u>\$ 0.0153</u>	<u>\$ 0.0153</u>
Original Tax Levy	<u>\$ 220,225</u>	<u>\$ 194,637</u>	<u>\$ 187,066</u>	<u>\$ 193,979</u>
Percent of Taxes Collected to Taxes Levied	<u>82.90%</u>	<u>83.16%</u>	<u>92.83%</u>	<u>84.27%</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, 2019**

	Amounts				
	2019	2018	2017	2016	2015
<b>Revenues:</b>					
Property taxes	\$ 191,192	\$ 186,763	\$ 194,333	\$ 227,908	\$ 209,419
Misc. Income	2,331	15	1,621	1,835	396
Interest	12,106	976	1,571	1,572	1,184
<b>Total Revenues</b>	<b>205,629</b>	<b>187,754</b>	<b>197,525</b>	<b>231,315</b>	<b>210,999</b>
<b>Expenditures:</b>					
Salaries & Benefits	66,052	66,657	66,824	66,864	61,289
Technical Service	-	-	-	-	-
Office Repairs	-	-	-	-	22,000
Accounting & Audit	9,679	8,873	7,422	7,454	7,804
Tax Assessor/Appraisal District	9,966	8,709	9,673	10,692	12,925
Redistricting	-	-	-	-	-
Legal	43,925	37,270	33,705	33,235	52,077
Dues and Subscriptions	2,078	1,456	1,048	1,428	950
Election Cost	-	-	-	-	-
Telephone	476	417	380	667	405
Well Monitoring	1,439	3,402	541	10,419	1,449
Office Supplies/Other	6,622	12,785	7,927	10,129	6,194
Maps & Records	3,580	-	-	-	-
Website	2,270	980	2,967	2,361	698
Computer/Software	-	-	-	-	-
Equipment	-	-	-	193	567
Insurance	3,247	3,903	1,962	2,709	2,009
Travel	8,643	7,304	6,157	6,837	5,452
<b>Total expenditures</b>	<b>157,977</b>	<b>151,756</b>	<b>138,606</b>	<b>152,988</b>	<b>173,819</b>
<b>Excess revenues over (under) expenditures</b>	<b>\$ 47,652</b>	<b>\$ 35,998</b>	<b>\$ 58,919</b>	<b>\$ 78,327</b>	<b>\$ 37,180</b>

**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, 2019**

Percent of Fund Total Revenues				
2019	2018	2017	2016	2015
92.98%	99.47%	98.38%	98.53%	99.25%
1.13%	0.01%	0.82%	0.79%	0.19%
5.89%	0.52%	0.80%	0.68%	0.56%
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
32.12%	35.50%	33.83%	28.91%	29.05%
0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	10.43%
4.71%	4.73%	3.76%	3.22%	3.70%
4.85%	4.64%	4.90%	4.62%	6.13%
0.00%	0.00%	0.00%	0.00%	0.00%
21.36%	19.85%	17.06%	14.37%	24.68%
1.01%	0.78%	0.53%	0.62%	0.45%
0.00%	0.00%	0.00%	0.00%	0.00%
0.23%	0.22%	0.19%	0.29%	0.19%
0.70%	1.81%	0.27%	4.50%	0.69%
3.22%	6.81%	4.01%	4.38%	2.94%
1.74%	0.00%	0.00%	0.00%	0.00%
1.10%	0.52%	1.50%	1.02%	0.33%
0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.08%	0.27%
1.58%	2.08%	0.99%	1.17%	0.95%
4.20%	3.89%	3.12%	2.96%	2.58%
<u>76.83%</u>	<u>80.83%</u>	<u>70.17%</u>	<u>66.14%</u>	<u>82.38%</u>
<u>23.17%</u>	<u>19.17%</u>	<u>29.83%</u>	<u>33.86%</u>	<u>17.62%</u>

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT  
TSI-8. BOARD MEMBERS, CONSULTANTS, AND KEY ADMINISTRATIVE PERSONNEL  
For the Year Ended December 31, 2019**

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 12/31/19	Expense Reim- bursements Year Ended 12/31/19	Title at Year End
<b>Board Members:</b>				
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
<b>Consultants:</b>				
Sahs & Associates		\$ 13,925		Attorney
<b>Key Administrative Personnel:</b>				
Leo Villarreal		\$ 30,000	\$261	Assistant to Board
Andres Garza (Annual)		\$ 55,000	\$4,848	General Manager