

KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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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 _____, 2021 its annual audit report for the fiscal period ended December 31, 2020 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, 2020, 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, 2020, 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.



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

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 18, 2021

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

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, 2020. 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, 2020. 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, 2020**

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, 2020 by \$690,253. 100% of this amount is unrestricted net assets and is available to meet the District's ongoing obligations.
- At December 31, 2020, unassigned fund balance for the General Fund was \$688,064 or 323% of total General Fund expenditures.
- The total cost of all District activities was \$213,339 for the fiscal year.

District as a Whole

Government-Wide Financial Statements

A condensed version of the Statement of Net Position at December 31, 2020 and 2019 is as follows:

Net Assets at Year-End

	<u>Governmental Activities</u> 2020	<u>Governmental Activities</u> 2019	<u>% Change</u>
Cash and investments	\$ 791,282	\$ 743,782	6.39 %
Other assets	111,843	162,738	(31.27) %
Total assets	<u>903,125</u>	<u>906,520</u>	(0.37) %
Accounts payable & other	7,578	7,059	7.35 %
Total liabilities	<u>7,578</u>	<u>7,059</u>	7.35 %
Unearned revenues	205,294	220,230	(6.78) %
Total deferred inflows of resources	<u>205,294</u>	<u>220,230</u>	(6.78) %
Net Position:			
Unrestricted	<u>690,253</u>	<u>679,231</u>	1.62 %
Total net position	<u>\$ 690,253</u>	<u>\$ 679,231</u>	1.62 %

The total net position increased by \$11,022. The increase was primarily a result of increased tax revenue due to an increase in the 2019 property values. Significant changes also included a decrease in taxes receivable and unearned revenue as a result of a decrease in the 2020 assessed values.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Financial Highlights (Concluded)

A condensed version of the Statement of Activities follows:

**Governmental Activities
For the year ended December 31, 2020**

	<u>Governmental Activities</u> 2020	<u>Governmental Activities</u> 2019	<u>% Change</u>
Revenues			
General revenues			
Property Taxes	220,334	\$ 191,037	15.34 %
Misc. Income	1	2,331	(99.96) %
Interest	4,026	12,106	(66.74) %
Total revenues	<u>224,361</u>	<u>205,474</u>	<u>9.19 %</u>
Expenses:			
Service operations			
Salaries & Benefits	69,668	66,052	5.47 %
Accounting & Audit	10,222	9,679	5.61 %
Tax Collector/Appraisal District	11,806	9,966	18.46 %
Dues and Subscriptions	1,258	2,078	(39.46) %
Legal	103,742	43,925	136.18 %
Well Monitoring	898	1,439	(37.60) %
Maps & Records	-	3,580	(100.00) %
Travel	5,231	8,643	(39.48) %
Insurance	3,505	3,247	7.95 %
Telephone	479	476	0.63 %
Office Supplies/Other	5,187	6,622	(21.67) %
Equipment	-	-	- %
Website	1,343	2,270	(40.84) %
Total expenses	<u>213,339</u>	<u>157,977</u>	<u>35.04 %</u>
Change in net assets	11,022	47,497	(76.79) %
Beginning net assets	679,231	631,734	7.52 %
Ending net assets	<u>\$ 690,253</u>	<u>\$ 679,231</u>	<u>(1.62) %</u>

The revenues exceeded expenses by \$11,022 and the net income was utilized for operations of the District. Revenues, of which property taxes make up 99%, are up \$18,887, or 9.19%, due to an increase in property tax revenues based on an increase in 2019 property tax values which had been deferred to 2020. The increase in expenditures is due mostly to increased legal fees resulting from new legislation at the state level.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Budgetary Highlights

Actual revenues in the General Fund were below budgeted revenues by \$302, due mainly to a negative variance in property taxes. Actual General Fund expenditures were \$10,557 less than budgeted, with office supplies/other 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 2021 is \$0.0128 per \$100 valuation. The net taxable value is \$1,601,679,688, for total tax revenue of \$205,015. Total revenues are projected to be \$208,615.

The District's budgeted expenditures for 2021 are \$208,615, which is \$15,281 lower than the fiscal year 2020 budget.

If the 2021 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, 2020**

	General Fund	Total	Adjustments	Statement of Net Position
Assets				
Cash and cash equivalents	\$ 791,282	\$ 791,282	\$	\$ 791,282
Taxes receivable (net of allowance of \$186)	84,462	84,462		84,462
Due from other Governments	27,381	27,381		27,381
Prepaid items	-	-		-
Total assets	\$ <u>903,125</u>	\$ <u>903,125</u>	\$ -	\$ <u>903,125</u>
Liabilities				
Accounts payable	\$ 7,578	\$ 7,578	\$	\$ 7,578
Total liabilities	<u>7,578</u>	<u>7,578</u>	-	<u>7,578</u>
Deferred Inflows of Resources				
Unearned revenues	<u>207,483</u>	<u>207,483</u>	<u>(2,189)</u>	<u>205,294</u>
Total deferred inflows of resources	<u>207,483</u>	<u>207,483</u>	<u>(2,189)</u>	<u>205,294</u>
Fund balance/net assets				
Fund balance:				
Unassigned (Deficit)	<u>688,064</u>	<u>688,064</u>	<u>(688,064)</u>	<u>-</u>
Total fund balance	<u>688,064</u>	<u>688,064</u>	<u>(688,064)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	\$ <u>903,125</u>	\$ <u>903,125</u>		
Net position:				
Unrestricted			<u>690,253</u>	<u>690,253</u>
Total net position			\$ <u>690,253</u>	\$ <u>690,253</u>

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, 2020**

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues				
Property taxes, including penalty and interest	\$ 219,567	\$ 219,567	\$ 767	\$ 220,334
Misc. Income	1	1		1
Interest income	4,026	4,026		4,026
Total revenues	<u>223,594</u>	<u>223,594</u>	<u>767</u>	<u>224,361</u>
Expenditures/expenses				
Service operations:				
Salaries	57,618	57,618		57,618
Major Medical	7,656	7,656		7,656
Payroll Taxes	4,394	4,394		4,394
Audit	9,140	9,140		9,140
Accounting	1,082	1,082		1,082
Tax Collector and Appraisal District	11,806	11,806		11,806
Dues and Subscriptions	1,258	1,258		1,258
Legal	103,742	103,742		103,742
Travel	5,231	5,231		5,231
Telephone	479	479		479
Well Monitoring	898	898		898
Maps & Records	-	-		-
Insurance	3,505	3,505		3,505
Office Repairs	-	-		-
Equipment Repairs	-	-		-
Website	1,343	1,343		1,343
Office Supplies/Other	5,187	5,187		5,187
Total expenditures/expenses	<u>213,339</u>	<u>213,339</u>	<u>-</u>	<u>213,339</u>
Excess (deficiency) of revenues over expenditures/change in net position	10,255	10,255	767	11,022
Fund balance/net position:				
Beginning of the year	677,809	677,809	1,422	679,231
Prior period adjustment	-	-	-	-
End of the year	<u>\$ 688,064</u>	<u>\$ 688,064</u>	<u>\$ 2,189</u>	<u>\$ 690,253</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, 2020**

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, 2020**

**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, 2020.

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, 2020**

**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>12/31/2019</u>	<u>Current</u> <u>Year Levy</u>	<u>Total</u> <u>Collections</u>	<u>Yearly</u> <u>Adjustments</u>	<u>Balance</u> <u>12/31/2020</u>
Delinquent Taxes					
Receivable	\$ 116,989	\$ 205,543	\$ 237,586	\$ (298)	\$ 84,648
Allowance for					
Uncollected Taxes	<u>(186)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(186)</u>
Net Delinquent					
Taxes Receivable	<u>\$ 77,085</u>	<u>\$ 205,543</u>	<u>\$ 237,586</u>	<u>\$ (298)</u>	<u>\$ 84,462</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, 2020**

**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 2020.

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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

New pronouncements not yet in effect as of December 31, 2020, are not 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 2020 was \$0.0128 per \$100 valuation. The taxable value was \$1,599,747,757. 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: STATE COMPLIANCE

The District had excess expenditures over appropriations in three line items: Legal (\$20,077), Insurance (\$155), and Management Plan/Rule Amendments (\$3,665). Management will review policies and procedures over budgeting. In addition, the District's Board did not review the Investment Policy on an annual basis. The policy will be reviewed and approved in the 2021 fiscal year.

NOTE 5: 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 12/31/20 and during the fiscal year. At year-end, the carrying amount of the District's deposits was \$258,991 and the respective bank balance totaled \$267,232. 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, 2020**

NOTE 5: 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:

<u>Investment</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Texas Class (Rated @ AAAm)	\$ <u>532,292</u>	\$ <u>532,292</u>

NOTE 6: 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, 2020**

NOTE 7: 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, 2020, the District purchased commercial insurance to cover general liabilities.

NOTE 8: DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>Fund</u>	<u>Deferred Amount</u>
2020 property taxes collected but deferred to 2021	General	\$205,294
Collectible portion of property taxes receivable	General	<u>2,189</u>
		<u>\$207,483</u>

NOTE 9: 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 10: SUBSEQUENT EVENTS

Management has reviewed the subsequent events and transactions that occurred after the balance sheet date through June 18, 2021, 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 are no non-recognized Type II subsequent event that requires additional disclosure.

NOTE 11: COVID 19

In November, 2019, the United States learned of a virus known as COVID-19. 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, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Property taxes, including penalty and interest	\$ 220,296	\$ 220,296	\$ 219,567	\$ (729)
Misc. Income	-	-	1	1
Interest income	3,600	3,600	4,026	426
Total revenues	<u>223,896</u>	<u>223,896</u>	<u>223,594</u>	<u>(302)</u>
Expenditures/expenses				
Service operations:				
Salaries and Benefits	71,500	71,500	69,668	1,832
Audit	8,000	9,500	9,140	360
Accounting	1,100	1,100	1,082	18
Tax Collector and Appraisal District	15,500	15,500	11,806	3,694
Election Costs	1,500	-	-	-
Dues and Subscriptions	1,500	1,500	1,258	242
Public Education Brochure	1,000	-	-	0
Legal	60,000	68,000	88,077	(20,077)
Travel	13,000	12,000	5,231	6,769
Telephone	800	800	479	321
Well Monitoring	4,000	3,000	898	2,102
Maps & Records	2,500	2,500	-	2,500
Insurance	3,350	3,350	3,505	(155)
Management Plan/Rule Amendments	12,000	12,000	15,665	(3,665)
Equipment	3,000	1,500	-	1,500
Website	2,500	2,500	1,343	1,157
Office Supplies/Other	22,646	19,146	5,187	13,959
Total expenditures/expenses	<u>223,896</u>	<u>223,896</u>	<u>213,339</u>	<u>10,557</u>
Excess (deficiency) of revenues over Unreserved	-	-	10,255	10,255
Fund balance/net assets:				
Beginning of the year	<u>677,809</u>	<u>677,809</u>	<u>677,809</u>	<u>-</u>
End of the year	<u>\$ 677,809</u>	<u>\$ 677,809</u>	<u>\$ 688,064</u>	<u>\$ 10,255</u>

TEXAS SUPPLEMENTARY INFORMATION

**KENEDY COUNTY GOUNDWATER CONSERVATION DISTRICT
TEXAS SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2020**

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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, 2020**

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, 2020**

Personnel Expenditures (including benefits) *	\$ 69,668
Professional Fees:	
Accounting/Auditing	\$ 10,222
Legal	103,742
Technical Services	0
Redistricting	0
Website	1,343
Purchased Services for Resale	-
Contracted Services:	
Tax assessor and appraisal services	11,806
Utilities	-
Repairs and Maintenance	-
Administrative Expenditures:	
Travel	5,231
Telephone	479
Dues and Subscriptions	1,258
Office Supplies/Other	5,187
Maps & Records	0
Insurance	3,505
Election Costs	0
Well Monitoring	898
Computer Software	0
Capital Outlay	-
Tap Connection Expenditures	-
Solid Waste Disposal	-
Fire Fighting	-
Parks and Recreation	-
Total Expenditures	<u><u>\$ 213,339</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, 2020

	Maintenance Taxes	Debt Service Taxes	Other District Taxes	
Taxes Receivable, Beginning of Year	\$ 116,989	\$ -	\$ -	
2019 Original Tax Levy	205,543	-	-	
Discounts given	-	-	-	
Total to be accounted for	<u>322,532</u>	<u>-</u>	<u>-</u>	
Tax Collections and adjustments:				
Current year	123,021	-	-	
Prior year	114,565	-	-	
Adjustments	298	-	-	
Total collections and adjustments	<u>237,884</u>	<u>-</u>	<u>-</u>	
Taxes Receivable, End of Year	<u>\$ 84,648</u>	<u>\$ -</u>	<u>\$ -</u>	
Taxes Receivable, by Years				
2019	\$ 82,272	\$ -	\$ -	
2018 and before	<u>2,376</u>	<u>-</u>	<u>-</u>	
Taxes Receivable, End of Year	<u>\$ 84,648</u>	<u>\$ -</u>	<u>\$ -</u>	
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Property Valuations:				
Land	\$ 1,997,691,543	\$ 1,988,346,541	\$ 1,979,660,663	\$ 1,973,124,909
Improvements	58,764,366	60,696,121	57,536,053	53,059,767
Personal Property	1,206,932,973	1,261,472,448	869,042,630	844,587,671
Minerals	217,219,820	280,182,280	229,918,630	208,726,110
Total Market Value	<u>3,480,608,702</u>	<u>3,590,697,390</u>	<u>3,136,157,976</u>	<u>3,079,498,457</u>
Exemptions and adjustments	<u>1,880,860,945</u>	<u>1,875,116,036</u>	<u>1,864,019,010</u>	<u>1,857,040,593</u>
Total Assessed Value	<u>\$ 1,599,747,757</u>	<u>\$ 1,715,581,354</u>	<u>\$ 1,272,138,966</u>	<u>\$ 1,222,457,864</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.0128	\$ 0.0128	\$ 0.0153	\$ 0.0153
Debt service tax rates	-	-	-	-
Other district tax rates	-	-	-	-
Total Tax Rates per \$100 Valuation	<u>\$ 0.0128</u>	<u>\$ 0.0128</u>	<u>\$ 0.0153</u>	<u>\$ 0.0153</u>
Original Tax Levy	<u>\$ 205,543</u>	<u>\$ 220,225</u>	<u>\$ 194,637</u>	<u>\$ 187,066</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, 2020

	Amounts				
	2020	2019	2018	2017	2016
Revenues:					
Property taxes	\$ 219,567	\$ 191,192	\$ 186,763	\$ 194,333	\$ 227,908
Misc. Income	1	2,331	15	1,621	1,835
Interest	4,026	12,106	976	1,571	1,572
Total Revenues	223,594	205,629	187,754	197,525	231,315
Expenditures:					
Salaries & Benefits	69,668	66,052	66,657	66,824	66,864
Technical Service	-	-	-	-	-
Office Repairs	-	-	-	-	-
Accounting & Audit	10,222	9,679	8,873	7,422	7,454
Tax Assessor/Appraisal District	11,806	9,966	8,709	9,673	10,692
Redistricting	-	-	-	-	-
Legal	103,742	43,925	37,270	33,705	33,235
Dues and Subscriptions	1,258	2,078	1,456	1,048	1,428
Election Cost	-	-	-	-	-
Telephone	479	476	417	380	667
Well Monitoring	898	1,439	3,402	541	10,419
Office Supplies/Other	5,187	6,622	12,785	7,927	10,129
Maps & Records	-	3,580	-	-	-
Website	1,343	2,270	980	2,967	2,361
Computer/Software	-	-	-	-	-
Equipment	-	-	-	-	193
Insurance	3,505	3,247	3,903	1,962	2,709
Travel	5,231	8,643	7,304	6,157	6,837
Total expenditures	213,339	157,977	151,756	138,606	152,988
Excess revenues over (under) expenditures	\$ 10,255	\$ 47,652	\$ 35,998	\$ 58,919	\$ 78,327

**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, 2020**

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
98.20%	92.98%	99.47%	98.38%	98.53%
0.00%	1.13%	0.01%	0.82%	0.79%
1.80%	5.89%	0.52%	0.80%	0.68%
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
31.16%	32.12%	35.50%	33.83%	28.91%
0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%
4.57%	4.71%	4.73%	3.76%	3.22%
5.28%	4.85%	4.64%	4.90%	4.62%
0.00%	0.00%	0.00%	0.00%	0.00%
46.40%	21.36%	19.85%	17.06%	14.37%
0.56%	1.01%	0.78%	0.53%	0.62%
0.00%	0.00%	0.00%	0.00%	0.00%
0.21%	0.23%	0.22%	0.19%	0.29%
0.40%	0.70%	1.81%	0.27%	4.50%
2.32%	3.22%	6.81%	4.01%	4.38%
0.00%	1.74%	0.00%	0.00%	0.00%
0.60%	1.10%	0.52%	1.50%	1.02%
0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.08%
1.57%	1.58%	2.08%	0.99%	1.17%
2.34%	4.20%	3.89%	3.12%	2.96%
<u>95.41%</u>	<u>76.83%</u>	<u>80.83%</u>	<u>70.17%</u>	<u>66.14%</u>
<u>4.59%</u>	<u>23.17%</u>	<u>19.17%</u>	<u>29.83%</u>	<u>33.86%</u>

**KENEDY COUNTY GROUNDWATER CONSERVATION DISTRICT
TSI-8. BOARD MEMBERS, CONSULTANTS, AND KEY ADMINISTRATIVE PERSONNEL
For the Year Ended December 31, 2020**

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 12/31/20	Expense Reim- bursements Year Ended 12/31/20	Title at Year End
Board Members:				
Chuck Burns	Elected	\$0	\$635	President
Daniel Butler	Elected	\$0	\$414	Director
David Delaney	Elected	\$0	\$0	Secretary
Craig Weiland	Elected	\$0	\$0	Director
Homero Vera	Elected	\$0	\$0	Vice-President
Consultants:				
Sahs & Associates		\$ 58,077		Attorney
Venki Uddameri		\$ 15,665		Attorney
Key Administrative Personnel:				
Leo Villarreal		\$ 30,000	\$304	Assistant to Board
Andres Garza (Annual)		\$ 57,618	\$3,205	General Manager

