# TEXANA GROUNDWATER CONSERVATION DISTRICT

## FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

**TEXANA GROUNDWATER CONSERVATION DISTRICT**
**FINANCIAL STATEMENTS**
**For the Year Ended September 30, 2016**

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**ANNUAL FILING AFFIDAVIT**

STATE OF TEXAS }

COUNTY OF JACKSON }

I, Michael Skalicky
(Name of Duly Authorized District Representative)

of the
Texana 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 ____________________, 2017 its annual audit report for the fiscal period ended September 30, 2016 and that copies of the annual audit report have been filed in the District's office, located at P. O. Box 1098, Edna, Texas 77957.

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 Code Section 49.194.

Date: ____________________________, 20 _____

By: ____________________________
(Signature of District Representative)

Michael Skalicky, President
(Typed Name & Title of District Representative)

Sworn to and subscribed to before me this ________ day of ____________________, 20 ____

(Seal)

____________________________
(Signature of Notary)

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

*Goldman, Hunt & Notz, L.L.P.*

*Certified Public Accountants*

DONALD G. GOLDMAN, CPA
D. DALE HUNT, CPA
JAMIE K. NOTZ, CPA, CVA*

*CERTIFIED VALUATION ANALYST

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA, CISA*
SYLVIA H. GORIS, CPA
SUE N. GUTHRIE, CPA
STEPHANIE S. KOCH, CPA

*CERTIFIED INFORMATION SYSTEMS AUDITOR

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Texana Groundwater Conservation District
Edna, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund, of Texana Groundwater Conservation District as of and for the year ended September 30, 2016, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of Texana Groundwater Conservation District, as of September 30, 2016, 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 on pages 4-7 and 18 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.

Goldman, Hunt & Notz, LLP

Goldman, Hunt & Notz, L.L.P.
June 22, 2017

**TEXANA GROUNDWATER CONSERVATION DISTRICT**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**For the Year Ended September 30, 2016**

As management of Texana 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 September 30, 2016. 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, required supplementary information, and Texas 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 Position and Balance Sheet – Governmental Funds is the first of 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 Revenues, Expenditures, and Changes in Fund Balance/Net Position – Governmental Funds. This statement summarizes the District's revenues 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 September 30, 2016. 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.

TEXANA GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016

### Financial Highlights

- The assets of Texana Groundwater Conservation District exceeded its liabilities at the close of the fiscal year ended September 30, 2016 by $210,527 (net position). Of this amount, $204,132 of unrestricted net position is available to meet the District's ongoing obligations.
- At September 30, 2016, unassigned fund balance for the General Fund was $196,897 or 99% of total General Fund expenditures.
- The total cost of all District activities was $197,207 for the fiscal year.

### Government-wide Overall Financial Analysis

**Texana Groundwater Conservation District**
**Components of Net Position**
**September 30, 2016**
**With Comparative Totals for September 30, 2015**
(in thousands)

| | Governmental Activities | | Total Government | | Amount Change | % Change |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | | |
| Current and other assets | $ 223 | $ 208 | $ 223 | $ 208 | $ 15 | 7% |
| Capital assets | 6 | 6 | 6 | 6 | - | 0% |
| Total assets | 229 | 214 | 229 | 214 | 15 | 7% |
| Current and other liabilities | 19 | 14 | 19 | 14 | 5 | 36% |
| Total liabilities | 19 | 14 | 19 | 14 | 5 | 36% |
| Net position: | | | | | | |
| Net investment in capital assets | 6 | 6 | 6 | 6 | - | 0% |
| Unrestricted | 204 | 194 | 204 | 194 | 10 | 5% |
| Total net position | $ 210 | $ 200 | $ 210 | $ 200 | $ 10 | 5% |

The total net assets increased by approximately $10,000. The increase was the result of a $15,000 increase in cash, as well as a $5,000 increase in accounts payable.

## Government-wide Overall Financial Analysis (Concluded)

**Texana Groundwater Conservation District**
**Condensed Statement of Activities**
**For the Year Ended September 30, 2016**
**With Comparative Totals for the Year Ended September 30, 2015**
(in thousands)

| | Governmental Activities | | Total Government | | Amount | % |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | Change | Change |
| Revenues | | | | | | |
| General revenues | | | | | | |
| Property taxes | $ 195 | $ 159 | $ 195 | $ 159 | $ 36 | 23% |
| Miscellaneous | 12 | 11 | 12 | 11 | 1 | 9% |
| Total revenues | 207 | 170 | 207 | 170 | 37 | 22% |
| Expenses | | | | | | |
| Personnel (including benefits) | 25 | 18 | 25 | 18 | 7 | 39% |
| Professional fees | 60 | 26 | 60 | 26 | 34 | 131% |
| Contracted services | 83 | 70 | 83 | 70 | 13 | 19% |
| Utilities | 3 | 4 | 3 | 4 | (1) | -25% |
| Administrative | 25 | 15 | 25 | 15 | 10 | 67% |
| Depreciation | 1 | 1 | 1 | 1 | - | |
| Total expenses | 197 | 134 | 197 | 134 | 63 | 47% |
| Increase (decrease) in net position | 10 | 36 | 10 | 36 | (26) | -72% |
| Net position - beginning | 200 | 164 | 200 | 164 | 36 | 22% |
| Net position - ending | $ 210 | $ 200 | $ 210 | $ 200 | $ 10 | 5% |

Revenues increased approximately $37,000 due to an increase in property taxes of $36,000 and an increase in transport fees of $1,000. Expenses increased by approximately $63,000 principally due to an increase in personnel expense of $7,000, an increase in professional fees of $34,000, an increase in contract services of $13,000, a decrease in utility expense of $1,000 and an increase in administrative expenses of $10,000.

## Budgetary Highlights

Actual revenues in the General Fund were higher than budgeted revenues by $3,772. Actual General Fund expenditures were $12,141 greater than budgeted expenditures. The District did not amend the budget during the fiscal year ended September 30, 2016.

## Capital Assets

At September 30, 2016 the District had $6,395 invested in net capital assets.

**Texana Groundwater Conservation District**
**Capital Assets**
**September 30, 2016**
**With Comparative Totals for September 30, 2015**
(in thousands)

| | Governmental Activities | | Total Government | | Amount Change | % Change |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | | |
| Equipment | $ 9 | $ 8 | $ 9 | $ 8 | $ 1 | 13% |
| Subtotal | 9 | 8 | 9 | 8 | 1 | 13% |
| Accumulated depreciation | 3 | 2 | 3 | 2 | 1 | 50% |
| Capital assets, net | $ 6 | $ 6 | $ 6 | $ 6 | $ - | 0% |

Additional information on the District's capital assets can be found in the notes to the financial statements.

## 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 2016/2017 is $0.01/$100 valuation. The net taxable value is $1,885,502,135 for total tax revenue of $188,550.

The District has budgeted $195,150 in revenues and $207,650 in expenditures for 2016/2017.

## 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 the Jackson County Services Building, 411 N. Wells, Room 118, Edna, Texas 77957.

# BASIC FINANCIAL STATEMENTS

## TEXANA GROUNDWATER CONSERVATION DISTRICT
## STATEMENT OF NET POSITION AND BALANCE SHEET - GOVERNMENTAL FUNDS
### September 30, 2016

| | General Fund | Total | Adjustments | Statement of Net Position |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and investments | $ 213,005 | $ 213,005 | $ - | $ 213,005 |
| Taxes receivable | 7,235 | 7,235 | - | 7,235 |
| Other assets | 2,427 | 2,427 | - | 2,427 |
| Capital assets (net of accumulated depreciation) | - | - | 6,395 | 6,395 |
| Total assets | $ 222,667 | $ 222,667 | $ 6,395 | $ 229,062 |
| **Liabilities** | | | | |
| Accounts payable | $ 10,897 | $ 10,897 | $ - | $ 10,897 |
| Payroll and other taxes payable | 1,538 | 1,538 | - | 1,538 |
| Permit deposits | 6,100 | 6,100 | - | 6,100 |
| Total liabilities | 18,535 | 18,535 | - | 18,535 |
| **Deferred inflows of resources** | | | | |
| Unavailable taxes | 7,235 | 7,235 | (7,235) | - |
| Total deferred inflows of resources | 7,235 | 7,235 | (7,235) | - |
| **Fund balance** | | | | |
| Unassigned | 196,897 | 196,897 | (196,897) | - |
| Total fund balance | 196,897 | 196,897 | (196,897) | - |
| Total liabilities, deferred inflows of resources, and fund balance | $ 222,667 | $ 222,667 | | |
| Net investment in capital assets | | | 6,395 | 6,395 |
| Unrestricted | | | 204,132 | 204,132 |
| Total net position | | | $ 210,527 | $ 210,527 |

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

**TEXANA GROUNDWATER CONSERVATION DISTRICT**
**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS**
**TO THE STATEMENT OF NET POSITION**
**September 30, 2016**

Amounts reported for governmental activities in the Statement of Net Position (page 8) are different because:

| | | |
|---|---|---|
| Total fund balance - governmental funds (page 8) | $ | 196,897 |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | | 6,395 |
| Delinquent taxes receivable are not considered available to pay for current period expenditures and therefore, are deferred in the funds. | | 7,235 |
| Net position of governmental activities | $ | 210,527 |

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

## TEXANA GROUNDWATER CONSERVATION DISTRICT
## STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/NET POSITION - GOVERNMENTAL FUNDS
**For the Year Ended September 30, 2016**

| | General Fund | Total | Adjustments | Statement of Activities |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property taxes | $ 193,096 | $ 193,096 | $ 1,931 | $ 195,027 |
| Miscellaneous | 11,781 | 11,781 | - | 11,781 |
| Total revenues | 204,877 | 204,877 | 1,931 | 206,808 |
| **Expenditures/expenses** | | | | |
| Service operations: | | | | |
| Personnel (including benefits) | 25,179 | 25,179 | - | 25,179 |
| Professional fees | 60,241 | 60,241 | - | 60,241 |
| Contracted services | 82,710 | 82,710 | - | 82,710 |
| Utilities | 3,249 | 3,249 | - | 3,249 |
| Administrative | 24,586 | 24,586 | - | 24,586 |
| Capital outlay | 1,376 | 1,376 | (1,376) | - |
| Depreciation | - | - | 1,242 | 1,242 |
| Total expenditures/expenses | 197,341 | 197,341 | (134) | 197,207 |
| Excess of revenues over expenditures/expenses | 7,536 | 7,536 | 2,065 | 9,601 |
| **Fund balance/net position:** | | | | |
| Beginning of the year | 189,361 | 189,361 | 11,565 | 200,926 |
| End of the year | $ 196,897 | $ 196,897 | $ 13,630 | $ 210,527 |

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

**TEXANA GROUNDWATER CONSERVATION DISTRICT**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/NET POSITION – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**For the Year Ended September 30, 2016**

Amounts reported for governmental activities in the Statement of Activities (page 10) are different because:

| | | |
|---|---|---|
| Net change in fund balance - total governmental funds | $ | 7,536 |
| Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. | | 1,376 |
| Depreciation expense on capital assets reported in the government-wide statement of activities does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. | | (1,242) |
| Some revenue reported in the governmental funds was earned in prior periods and is not reported in the government-wide statement of activities. | | 1,931 |
| Change in net position of governmental activities | $ | 9,601 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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. Governmental Fund Financial Statements and Government-Wide Financial Statements

The governmental fund financial statements and government-wide financial statements are combined in the Statement of Net Position and Balance Sheet - Governmental Funds and the Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds. These statements present summaries of governmental activities for the District. Fiduciary activities of the District are not included in these statements.

Government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position and Balance Sheet - Governmental Funds. The Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds presents changes in fund balance/net position. 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 regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in two categories: 1) property taxes and 2) investment earnings.

Governmental fund financial statements are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and current deferred inflows of resources are included on the Statement of Net Position and Balance Sheet - Governmental Funds. The Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds presents 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 property tax and interest income. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Continued)**

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. Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable
Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted
Amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Committed
Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, the Board of Directors. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned
Amounts the District intends to use for a specific purpose, but does not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Directors or by an official to which the District delegates the authority.

Unassigned
All other spendable amounts.

**C. Restricted Resources**

The District applies restricted resources when an expense in incurred for purposes for which both restricted and unrestricted net assets are available.

**D. Cash and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposits with maturity dates of twelve months or less.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Continued)

### E. Budget

The Board of Directors prepares and votes on the adopted budget. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP) in the United States of America. Any revisions to the budget are approved by the Board of Directors. The original budget and final amended budget (when applicable) for the General Fund are used in this report.

### F. Inventory

There is no inventory at September 30, 2016.

### G. Vacation and Sick Leave

Vacation accrues at a rate of 0.83 days per month or ten days per year for all employees. Sick leave accrues at rate of 0.42 days per month or five days per year. At year end accrued vacation balances were immaterial in nature and as such were not recorded. Employees are not entitled to their accrued sick leave if they terminate their employment with the District. Therefore an accrued liability for sick leave is not recorded.

### H. 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 Jackson County Tax Assessor/Collector collects and remits the property taxes to the District on a monthly basis. No allowance for uncollectable taxes has been provided as such amounts are not expected to be material.

The tax rate for 2015/2016 was $0.01 per $100 valuation. The taxable value was $1,931,052,649. All tax monies are used for maintenance and operations.

### I. Deferred Inflows of Resources

The District reports deferred inflows of resources on its General Fund balance sheet. Deferred inflows of resources arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources 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 inflows of resources is removed from the balance sheet and revenue is recognized.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Concluded)

### J. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

| | |
|---|---|
| Equipment | 3 – 10 years |

### K. Related Party Transactions

There are no material related party transactions.

### L. Contracts

Retainer Agreement
On September 16, 2010, the District entered into a Retainer Agreement for attorney services with the law firm of Allison, Bass & Magee, L.L.P. to advise and represent the District in legal matters as requested by the District.

Interlocal Cooperation Agreement
On April 1, 2012, the District entered into an Interlocal Cooperation Agreement with Victoria County Groundwater Conservation District (VCGCD) to provide office and field equipment incidental to the operation of the District. This contract is renewed annually.

General Management Agreement
On September 20, 2011, the District entered into a General Management Agreement with Tim Andruss to perform any and all services generally performed by the general manager of a groundwater conservation district, as required or requested by the Board of Directors. This contract is renewed annually for a period of one year, ending March 31, unless terminated earlier by either party with 30 days written notice.

## NOTE 2: THE FINANCIAL REPORTING ENTITY

**Creation of District**
Texana Groundwater Conservation District operates with a Board of Directors form of government. The District was created on November 6, 2001 under and subject to the authority, conditions, and restrictions of Section 59, Article XVI, Texas Constitution. It has the same boundaries as Jackson County, Texas, which covers an area of 829.5 square miles. 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 Jackson County, Texas.

## NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year-end, the carrying amount of the District's deposits was $213,005 and the respective bank balance totaled $216,104. The entire balance was covered by Federal Depository Insurance.

Texas Government Code authorizes Texana Groundwater Conservation District to invest in the following eligible securities:

1. A surety bond;

2. An investment security;

3. An ownership or beneficial interest in an investment security, other than an option contract to purchase or sell an investment security;

4. A fixed-rate collateralized mortgage obligation that has an expected weighted average life of 10 years or less and does not constitute a high-risk mortgage security;

5. A floating-rate collateralized mortgage obligation that does not constitute a high-risk mortgage security;

6. A letter of credit issued by a federal home loan bank.

Investment securities are defined as:

1. An obligation that in the opinion of the Attorney General of the United States is a general obligation of the United States and backed by its full faith and credit;

2. A general or special obligation issued by a public agency that is payable from taxes, revenues, or a combination of taxes and revenues;

3. A security in which a public entity may invest under Subchapter A, Chapter 2256 of Texas Statutes.

## NOTE 4: CHANGES IN FIXED ASSETS

| | Primary Government | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Decreases | Ending Balance |
| Governmental activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ - | $ - | $ - | $ - |
| Total capital assets not being depreciated | - | - | - | - |
| Other capital assets | | | | |
| Equipment | 7,922 | 1,376 | - | 9,298 |
| Total other capital assets at historical cost | 7,922 | 1,376 | - | 9,298 |
| Total capital assets | 7,922 | 1,376 | - | 9,298 |
| Less accumulated depreciation for: | | | | |
| Equipment | 1,661 | 1,242 | - | 2,903 |
| Total accumulated depreciation | 1,661 | 1,242 | - | 2,903 |
| Governmental activities capital assets, net | $ 6,261 | $ 134 | $ - | $ 6,395 |

Depreciation expense was charged to primary government in the amount of $1,242.

## NOTE 5: 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 September 30, 2016, the District purchased commercial insurance to cover these risks.

## NOTE 6: SUBSEQUENT EVENTS

On January 28, 2016 Formosa Plastics Corporation submitted a request for tax abatement. This abatement agreement would waive the levy of taxes on the proposed expansion of the Formosa Plastics Corporation-TX site in Jackson County, Texas for the tax year 2016 through tax year 2021 (six years), in return for payments of $10,000 per tax year for the next six years ($60,000). As of the date of the audit report, the District has not decided to accept this request for tax abatement or to reject it.

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through June 22, 2017, the date the financial statements were available to be issued.

# REQUIRED SUPPLEMENTARY INFORMATION

**TEXANA GROUNDWATER CONSERVATION DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**
**For the Year Ended September 30, 2016**

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Property taxes | $ 193,105 | $ 193,096 | $ (9) |
| Miscellaneous | 8,000 | 11,781 | 3,781 |
| Total revenues | 201,105 | 204,877 | 3,772 |
| **Expenditures** | | | |
| Service operations: | | | |
| Personnel (including benefits) | 37,000 | 25,179 | 11,821 |
| Professional fees | 38,000 | 60,241 | (22,241) |
| Contracted services | 86,500 | 82,710 | 3,790 |
| Utilities | 15,000 | 3,249 | 11,751 |
| Repairs and maintenance | 500 | - | 500 |
| Administrative | 4,700 | 24,586 | (19,886) |
| Capital outlay | 3,500 | 1,376 | 2,124 |
| Total expenditures | 185,200 | 197,341 | (12,141) |
| Excess (deficiency) of revenues over expenditures | $ 15,905 | $ 7,536 | $ (8,369) |

**TEXANA GROUNDWATER CONSERVATION DISTRICT**
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**
**For the Year Ended September 30, 2016**

## NOTE 1: BUDGET

The budget for the Governmental Fund adopted during the year by the District was prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The General Fund has a legally adopted budget.