

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

**2805 N. Navarro, Suite 210
Victoria, Texas 77901
(361) 579-6863**

February 21, 2020

Goldman, Hunt & Notz, L.L.P.
5606 N. Navarro, Suite 309
Victoria, Texas 77904

This representation letter is provided in connection with your audit of the financial statements of Victoria County Groundwater Conservation District (the District), which comprise the respective financial position of the governmental activities and each major fund as of September 30, 2019, and the respective changes in financial position and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with generally accepted government auditing standards adopted by the American Institute of Certified Public Accountants.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 21, 2020, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 8, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with the generally accepted government auditing standards adopted by the American Institute of Certified Public Accountants and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which Victoria County Groundwater Conservation District is contingently liable, if any, have been properly recorded or disclosed.
- 11) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
- 12) We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Information Provided

- 13) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 16) We have no knowledge of any fraud or suspected fraud that affects the District and involves –
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 17) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 18) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 19) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 20) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government – specific

- 21) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 22) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- 23) The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 26) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 27) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 28) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 29) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those non-audit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 30) In regard to the non-audit services performed by you, including drafting the financial statements, drafting the management's discussion and analysis, drafting the notes to the financial statements, drafting the required supplementary information, and preparing adjusting journal entries to record accruals at September 30, 2019, we have –
 - 1) Assumed all management responsibilities.
 - 2) Designated Tim Andruss, General Manager, who has suitable skill, knowledge, or experience to oversee the services.
 - 3) Evaluated the adequacy and results of the services performed.
 - 4) Accepted responsibility for the results of the services.
- 31) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 32) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 33) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 34) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .
- 35) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 36) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (non-spendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

- 37) Investments, derivative instruments, and land and other real estate held by endowments if any, are properly valued.
- 38) Provisions for uncollectible receivables have been properly identified and recorded.
- 39) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 40) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 41) Inter-fund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 42) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 43) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 44) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 45) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 46) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Board of Governance

Signature: _____

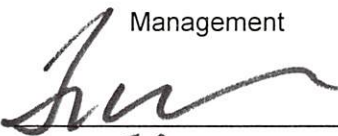


Title: _____

PRESIDENT

Management

Signature: _____



Title: _____

C.M.

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

Certified Public Accountants

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

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA, CISA[†]
SYLVIA H. GORIS, CPA
STEPHANIE S. KOCH, CPA
TREY A. PARMA, CPA

*CERTIFIED VALUATION ANALYST

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

[†]CERTIFIED INFORMATION SYSTEMS AUDITOR

Board of Directors and Mr. Tim Andruss
Victoria County Groundwater Conservation District
Victoria, Texas

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Victoria County Groundwater Conservation District (the District) as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control to be a material weakness:

Lack of Controls over Annual Financial Reporting

We have drafted the annual financial statements and related note disclosures of Victoria County Groundwater Conservation District at the District's request. This was done because, due to its limited resources, the District's internal personnel did not possess all of the skills and competencies necessary to prepare its own annual financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. However, we cannot be considered part of the District's internal controls – specifically, we cannot be a part of the financial reporting internal control that addresses the preparation of accurate annual financial statements and related note disclosures. Consequently, the inability of the District to prepare its own financial statements and related note disclosures is considered to be a control deficiency. The fact that we prepare the financial statements may give users more confidence that the financial statements are correct; however, it does not eliminate the control deficiency.

To remedy the control deficiency related to the preparation of the annual financial statements, Victoria County Groundwater Conservation District would need to ensure that sufficient personnel are in place and that they have the appropriate knowledge and tools (i.e., current accounting literature, current disclosure checklist, etc.) to be an effective element of the internal control process over financial reporting. We understand that it is not feasible because of the District's size and limited resources. Management may make a conscious decision to accept the degree of risk in this control deficiency because of cost or other considerations.

This communication is intended solely for the information and use of management, Board of Directors, and others within Victoria County Groundwater Conservation District, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read "Goldman, Hunt & Notz LLP".

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

February 21, 2020

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:
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TREY A. PARMA, CPA

[†]CERTIFIED INFORMATION SYSTEMS AUDITOR

February 21, 2020

Board of Directors and Mr. Tim Andruss
Victoria County Groundwater Conservation District
Victoria, Texas

We have audited the financial statements of the governmental activities and each major fund of Victoria County Groundwater Conservation District (the District) for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 8, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached 11 page schedule lists material misstatements detected as a result of audit procedures that were corrected by management.

MEMORANDUM FOR THE RECORD

DATE: 10/15/54

TO: SAC, NEW YORK

FROM: SA [Name], NEW YORK

SUBJECT: [Subject Name]

[Detailed body text, first paragraph]

[Detailed body text, second paragraph]

[Detailed body text, third paragraph]

[Detailed body text, fourth paragraph]

[Detailed body text, fifth paragraph]

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 21, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, the Budgetary Comparison Schedule, and the Required Supplementary Pension, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Victoria County Groundwater Conservation District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



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

Attachment

Prepared by _____

**Victoria County Groundwater Conservation
Adjusting Journal Entries**

1589

Page 1

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
AJE01	Adjusting	09/30/19					
		5201	Salaries	89,469.27			
		5203	Technician	80,616.75			
		5202	Secretary	43,186.20			
		5220	Health Benefits	20,466.16			
		5206	Retirement	11,431.35			
		5250	Social Security	15,984.39			
		5260	State Unemployment	621.37			
		5270	Employment Deductions and With	5,928.19			
		5401	Legal and Professional Sevcies	40,639.69			
		5407	Other Professional Services	44,018.75			
		5412	Collection Fees - Victoria TAC	45,042.75			
		5412	Collection Fees - Victoria TAC	8,890.00			
		5407	Other Professional Services	1,500.00			
		5407	Other Professional Services	107,632.76			
		5367	Insurance - Bonding	2,769.78			
		5305	Office and meeting supplies	7,912.43			
		5310	Conference, Seminars, Training	967.69			
		5365	Dues/Subscriptions	738.50			
		5450	Office Rent	17,880.00			
		5802	Sponsorships and Cost-Sharing	6,459.73			
		5802	Sponsorships and Cost-Sharing	2,930.90			
		5604	Equipment	3,591.45			
		5602	Software	1,209.00			
		5470	Telecommunications	3,593.41			
		5470	Telecommunications	42,448.50			
		5470	Telecommunications	2,615.46			
		5470	Telecommunications	617.60			
		5470	Telecommunications	4,092.75			
		5605	Leasehold Improvements	91.84			
		5360	Public/Legal Notices	5,858.25			
		5805	Miscellaneous	1,977.11			
		4120	Ad Valorem Tax		500,000.00		
		4130	Interest Income		203.92		
		4140	Fees		81,775.26		
		4160	Refunds		1,764.94		
		1110	First Prosperity Bank Checking		37,437.91		
						(37,437.91)	
			To record activity for the FYE 2019. (B-2) MDE 11/12/19				
AJE02	Adjusting	09/30/19					
		5802	Sponsorships and Cost-Sharing	73,931.28			
		4150	Grants		50,466.75		
		1115	Prosperity Bank - 4212		23,464.53		
						(23,464.53)	
			To record activity for the FYE 2019. (B-2) MDE 11/12/2019				
AJE03	Adjusting	09/30/19					
		4120	Ad Valorem Tax	1,066,998.86			
		4130	Interest Income		19,977.74		
		4120	Ad Valorem Tax		8,238.41		
		4180	Delinquent Tax Penalties and Inte		6,054.14		
		1113	Savings Account		1,032,728.57		

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**Victoria County Groundwater Conservation
Adjusting Journal Entries**

1589

Page 2

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper	
						(1,032,728.57)		
			To record activity for the FYE 2019. (B-2) MDE 11/12/2019					
AJE04	Adjusting	09/30/19						
		1111	MoneyMarket - 7120	250,131.51				
		4120	Ad Valorem Tax		250,000.00			
		4130	Interest Income		131.51			
						250,131.51		
			To record activity for the FYE 2019. (B-2) MDE 11/12/2019					
AJE05	Adjusting	09/30/19						
		1112	Resv. CD 2625	152,609.82				
		4120	Ad Valorem Tax		150,000.00			
		4130	Interest Income		2,609.82			
						152,609.82		
			To record activity for the FYE 2019. (B-2) MDE 11/12/2019					
AJE06	Adjusting	09/30/19						
		1114	Resv. CD 2626	152,609.82				
		4120	Ad Valorem Tax		150,000.00			
		4130	Interest Income		2,609.82			
						152,609.82		
			To record activity for the FYE 2019. (B-2) MDE 11/12/2019					
AJE07	Adjusting	09/30/19						
		1116	Resv. CD 2627	152,838.65				
		4120	Ad Valorem Tax		150,000.00			
		4130	Interest Income		2,838.65			
						152,838.65		
			To record activity for the FYE 2019. (B-2) MDE 11/12/2019					
AJE08	Adjusting	09/30/19						
		1117	Resv. CD 2628	152,838.65				
		4120	Ad Valorem Tax		150,000.00			
		4130	Interest Income		2,838.65			
						152,838.65		
			To record activity for the FYE 2019. (B-2) MDE 11/12/2019					

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**Victoria County Groundwater Conservation
Adjusting Journal Entries**

1589
Page 3

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
AJE09	Adjusting	09/30/19					
		1118	Resv. CD 2629	152,838.65			
		4120	Ad Valorem Tax		150,000.00		
		4130	Interest Income		2,838.65		
						152,838.65	
			To record activity for the FYE 2019. (B-2) MDE 11/12/2019				
AJE10	Adjusting	09/30/19					
		1119	Resv. CD 2680	151,899.69			
		4120	Ad Valorem Tax		150,000.00		
		4130	Interest Income		1,899.69		
						151,899.69	
			To record activity for the FYE 2019. (B-2) MDE 11/12/2019				
AJE11	Adjusting	09/30/19					
		2250	Deferred Taxes	8,769.84			
		1125	Taxes Receivable		8,769.84		
						0.00	
			To fairly state Taxes Receivable and Deferred Taxes. (C-2) MDE 11/13/2019				
AJE12	Adjusting	09/30/19					
		2101	Accounts Payable-Auditor	8,140.22			
		5401	Legal and Professional Sevices		6,827.72		
		5802	Sponsorships and Cost-Sharing		1,312.50		
						8,140.22	
			To reverse PY A/P Auditor. (N-3). MDE 11/22/2019				
AJE13	Adjusting	09/30/19					
		2100	Accounts Payable	5,560.00			
		5401	Legal and Professional Sevices		5,560.00		
						5,560.00	
			To reverse PY A/P. (N-3). MDE 11/22/2019				
AJE14	Adjusting	09/30/19					
		5305	Office and meeting supplies	818.65			
		5407	Other Professional Services	75.00			
		5360	Public/Legal Notices	1,783.13			
		2101	Accounts Payable-Auditor		2,676.78		

Prepared by _____

**Victoria County Groundwater Conservation
Adjusting Journal Entries**

1589
Page 4

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
						(2,676.78)	
			To record current year SURL findings. (N-3). MDE 11/22/2019				
AJE15	Adjusting	09/30/19					
		5900	Capital Outlay	1,622.00			
		5604	Equipment		1,622.00		
						0.00	
			To reclass fixed assets into Capital Outlay. (H-2). MDE 11/27/2019				
AJE16	Adjusting	09/30/19					
		5401	Legal and Professional Sevices	2,809.41			
		2210	Accrued Legal		2,809.41		
						(2,809.41)	
			To adjust Accrued Legal to actual at FYE 09/30/19. (P-2). MDE 12/02/2019				
AJE17	Adjusting	09/30/19					
		5201	Salaries	825.51			
		5202	Secretary	675.96			
		5203	Technician	160.00			
		2213	Accrued Vacation		1,661.47		
						(1,661.47)	
			To adjust accrued vacation to actual at year end. (O-3) CMN 12/3/2019				
AJE18	Adjusting	09/30/19					
		2120	FIT Withheld (Employee)	2,054.79			
		2151	FICA/Medicare withheld	1,305.66			
		2155	FICA/SSMedicare Withheld (Emp	1,305.66			
		2160	SUTA (Employer)	21.89			
		2170	Retirement Withheld (Employer)	957.05			
		2175	Retirement Withheld (Employee)	866.91			
		5270	Employment Deductions and With		5,928.19		
		5201	Salaries		583.77		
						6,511.96	
			To reverse PY entry to record payroll liabilities (O-4) KC 01/04/2020				
AJE19	Adjusting	09/30/19					
		4140	Fees	2,333.06			
		1135	Due from Other Governments		2,333.06		
						(2,333.06)	
			To reverse the prior year fees accrual.				

Prepared by _____

**Victoria County Groundwater Conservation
Adjusting Journal Entries**

1589
Page 5

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
(C-3.1) KC 01/03/2020							
AJE20	Adjusting	09/30/19					
		1135	Due from Other Governments	10,198.44			
		4140	Fees		10,198.44		
						10,198.44	
To record current year fee accrual. (C-3.1) KC 01/03/2020							
AJE21	Adjusting	09/30/19					
		4150	Grants	35,074.19			
		1320	Grant Receivable		35,074.19		
		2320	Grants Payable	31,566.77			
		5803	Grant Expense		31,566.77		
						(3,507.42)	
To reverse prior year entry to recognize Draw 7. (C-3.1) KC 01/03/2020							
AJE22	Adjusting	09/30/19					
		5803	Grant Expense	73,931.28			
		5802	Sponsorships and Cost-Sharing		73,931.28		
						0.00	
To reclass grant expense into a separate account. (C-3.1) KC 01/03/2020							
AJE23	Adjusting	09/30/19					
		4150	Grants	5,046.68			
		2315	Retainage Payable		5,046.68		
						(5,046.68)	
To reclass grant expense into a separate account. (C-3.1) KC 01/03/2020							
AJE24	Adjusting	09/30/19					
		2315	Retainage Payable	32,018.62			
		5803	Grant Expense		32,018.62		
						32,018.62	
To recognize the payment of retainage as a reduction of a payable rather than as an expense. (C-3.1) KC 01/03/2020							
AJE25	Adjusting	09/30/19					
		1135	Due from Other Governments	5,332.51			
		5802	Sponsorships and Cost-Sharing		5,332.51		

Prepared by _____

**Victoria County Groundwater Conservation
Adjusting Journal Entries**

1589
Page 6

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
						5,332.51	
			To recognize an asset for unspent GMA15 contributions (C-3.2.1) KC 01/03/2020				
AJE26	Adjusting	09/30/19					
		4120	Ad Valorem Tax	510.83			
		1120	A/R-Victoria Co. Tax Office		510.83		
						(510.83)	
			To adjust due from TAC to actual at FYE 09/30/19 (C-2) KC 10/03/2020				
AJE27	Adjusting	09/30/19					
		5201	Salaries	8,133.57			
		5202	Secretary	6,217.68			
		5203	Technician	7,156.80			
		5206	Retirement	1,163.59			
		5220	Health Benefits	1,860.56			
		5250	Social Security	1,615.27			
		5260	State Unemployment	2.77			
		2150	Payroll Liabilities		26,150.24		
						(26,150.24)	
			To record accrued payroll at FYE 09/30/2019. (O-4) KC 01/04/2020				
AJE28	Adjusting	09/30/19					
		1126	Accrued Interest Receivable	1,295.73			
		4130	Interest Income		1,295.73		
						1,295.73	
			To record accrued interest at FYE 09/30/2019 (B-2) KC 01/14/2020				
		TOTAL		<u>3,189,088.99</u>	<u>3,189,088.99</u>	<u>96,497.37</u>	

**Victoria County Groundwater Conservation
Trial Balance Worksheet**

Basis: Adjusted

Account	T	Description	Sep 30, 2018	Sep 30, 2019 Unadjusted	Adjustments	Sep 30, 2019 Adjusted	Workpaper
1110	A	First Prosperity Bank Checking	91,419.02	91,419.02		53,981.11	
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			(37,437.91)		
1111	A	MoneyMarket - 7120	0.00	0.00		250,131.51	
	AJE04	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			250,131.51		
1112	A	Resv. CD 2625	0.00	0.00		152,609.82	
	AJE05	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			152,609.82		
1113	A	Savings Account	2,341,919.62	2,341,919.62		1,309,191.05	
	AJE03	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			(1,032,728.57)		
1114	A	Resv. CD 2626	0.00	0.00		152,609.82	
	AJE06	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			152,609.82		
1115	A	Prosperity Bank - 4212	23,464.53	23,464.53		0.00	
	AJE02	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			(23,464.53)		
1116	A	Resv. CD 2627	0.00	0.00		152,838.65	
	AJE07	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			152,838.65		
1117	A	Resv. CD 2628	0.00	0.00		152,838.65	
	AJE08	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			152,838.65		
1118	A	Resv. CD 2629	0.00	0.00		152,838.65	
	AJE09	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			152,838.65		
1119	A	Resv. CD 2680	0.00	0.00		151,899.69	
	AJE10	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			151,899.69		
1120	A	A/R-Victoria Co. Tax Office	510.83	510.83		0.00	
	AJE26	To adjust due from TAC to actual at FYE 09/30/19 (C-2) KC 10/03/2020			(510.83)		
1125	A	Taxes Receivable	51,187.45	51,187.45		42,417.61	C-4
	AJE11	To fairly state Taxes Receivable and Deferred Taxes. (C-2) MDE 11/13/2019			(8,769.84)		
1126	A	Accrued Interest Receivable	0.00	0.00		1,295.73	
	AJE28	To record accrued interest at FYE 09/30/2019 (B-2) KC 01/14/2020			1,295.73		
1135	A	Due from Other Governments	2,333.06	2,333.06		15,530.95	
	AJE19	To reverse the prior year fees accrual. (C-3.1) KC 01/03/2020			(2,333.06)		
	AJE20	To record current year fee accrual. (C-3.1) KC 01/03/2020			10,198.44		
	AJE25	To recognize an asset for unspent GMA15 contributions (C-3.2.1) KC 01/03/2020			5,332.51		
1190	A	Special Receivable	0.00	0.00		0.00	
1200	A	Prepaid Expense	0.00	0.00		0.00	F-2
1320	A	Grant Receivable	35,074.19	35,074.19		0.00	
	AJE21	To reverse prior year entry to recognize Draw 7. (C-3.1) KC 01/03/2020			(35,074.19)		
2100	L	Accounts Payable	(5,560.00)	(5,560.00)		0.00	
	AJE13	To reverse PY A/P. (N-3). MDE 11/22/2019			5,560.00		
2101	L	Accounts Payable-Auditor	(8,140.22)	(8,140.22)		(2,676.78)	
	AJE12	To reverse PY A/P Auditor. (N-3). MDE 11/22/2019			8,140.22		
	AJE14	To record current year SURL findings. (N-3). MDE 11/22/2019			(2,676.78)		
2120	L	FIT Withheld (Employee)	(2,054.79)	(2,054.79)		0.00	O-4
	AJE18	To reverse PY entry to record payroll liabilities (O-4) KC 01/04/2020			2,054.79		
2150	L	Payroll Liabilities	0.00	0.00		(26,150.24)	
	AJE27	To record accrued payroll at FYE 09/30/2019. (O-4) KC 01/04/2020			(26,150.24)		

**Victoria County Groundwater Conservation
Trial Balance Worksheet**

Basis: Adjusted

Account	T	Description	Sep 30, 2018	Sep 30, 2019 Unadjusted	Adjustments	Sep 30, 2019 Adjusted	Workpaper
2151	L	FICA/Medicare withheld AJE18 To reverse PY entry to record payroll liabilities (O-4) KC 01/04/2020	(1,305.66)	(1,305.66)		0.00	O-4
					1,305.66		
2155	L	FICA/SSMedicare Withheld (Employee) AJE18 To reverse PY entry to record payroll liabilities (O-4) KC 01/04/2020	(1,305.66)	(1,305.66)		0.00	O-4
					1,305.66		
2160	L	SUTA (Employer) AJE18 To reverse PY entry to record payroll liabilities (O-4) KC 01/04/2020	(21.89)	(21.89)		0.00	
					21.89		
2170	L	Retirement Withheld (Employer) AJE18 To reverse PY entry to record payroll liabilities (O-4) KC 01/04/2020	(957.05)	(957.05)		0.00	O-4
					957.05		
2175	L	Retirement Withheld (Employee) AJE18 To reverse PY entry to record payroll liabilities (O-4) KC 01/04/2020	(866.91)	(866.91)		0.00	O-4
					866.91		
2210	L	Accrued Legal AJE16 To adjust Accrued Legal to actual at FYE 09/30/19. (P-2). MDE 12/02/2019	0.00	0.00		(2,809.41)	
					(2,809.41)		
2213	L	Accrued Vacation AJE17 To adjust accrued vacation to actual at year end. (O-3) CMN 12/3/2019	(14,502.83)	(14,502.83)		(16,164.30)	
					(1,661.47)		
2215	L	Accrued Accounting	(12,500.00)	(12,500.00)		(12,500.00)	
2250	L	Deferred Taxes AJE11 To fairly state Taxes Receivable and Deferred Taxes. (C-2) MDE 11/13/2019	(51,187.45)	(51,187.45)		(42,417.61)	C-4
					8,769.84		
2315	L	Retainage Payable AJE23 To reclass grant expense into a separate account. (C-3.1) KC 01/03/2020	(26,971.94)	(26,971.94)		0.00	
					(5,046.68)		
					32,018.62		
2320	L	Grants Payable AJE21 To reverse prior year entry to recognize Draw 7. (C-3.1) KC 01/03/2020	(31,566.77)	(31,566.77)		0.00	
					31,566.77		
3390	L	Fund Equity - Unreserved	(2,298,875.79)	(2,388,967.53)		(2,388,967.53)	X-2
4120	R	Ad Valorem Tax AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19	(602,966.22)	0.00		(590,728.72)	C-4
					(500,000.00)		
					1,066,998.86		
					(8,238.41)		
					(250,000.00)		
					(150,000.00)		
					(150,000.00)		
					(150,000.00)		
					(150,000.00)		
					(150,000.00)		
					(150,000.00)		
					(150,000.00)		
					510.83		
4130	R	Interest Income	(13,557.71)	0.00		(37,244.18)	

**Victoria County Groundwater Conservation
Trial Balance Worksheet**

Basis: Adjusted

Account	T	Description	Sep 30, 2018	Sep 30, 2019 Unadjusted	Adjustments	Sep 30, 2019 Adjusted	Workpaper
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			(203.92)		
	AJE03	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			(19,977.74)		
	AJE04	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			(131.51)		
	AJE05	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			(2,609.82)		
	AJE06	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			(2,609.82)		
	AJE07	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			(2,838.65)		
	AJE08	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			(2,838.65)		
	AJE09	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			(2,838.65)		
	AJE10	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			(1,899.69)		
	AJE28	To record accrued interest at FYE 09/30/2019 (B-2) KC 01/14/2020			(1,295.73)		
4140	R Fees		(56,989.37)	0.00		(89,640.64)	
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			(81,775.26)		
	AJE19	To reverse the prior year fees accrual. (C-3.1) KC 01/03/02020			2,333.06		
	AJE20	To record current year fee accrual. (C-3.1) KC 01/03/2020			(10,198.44)		
4150	R Grants		(130,552.82)	0.00		(10,345.88)	
	AJE02	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			(50,466.75)		
	AJE21	To reverse prior year entry to recognize Draw 7. (C-3.1) KC 01/03/2020			35,074.19		
	AJE23	To reclass grant expense into a separate account. (C-3.1) KC 01/03/2020			5,046.68		
4160	R Refunds		(1,101.00)	0.00		(1,764.94)	
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			(1,764.94)		
4180	R Delinquent Tax Penalties and Interest		(5,897.06)	0.00		(6,054.14)	
	AJE03	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			(6,054.14)		
5201	E Salaries		94,760.04	0.00		97,844.58	
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			89,469.27		
	AJE17	To adjust accrued vacation to actual at year end. (O-3) CMN 12/3/2019			825.51		
	AJE18	To reverse PY entry to record payroll liabilities (O-4) KC 01/04/2020			(583.77)		
	AJE27	To record accrued payroll at FYE 09/30/2019. (O-4) KC 01/04/2020			8,133.57		
5202	E Secretary		43,968.21	0.00		50,079.84	
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			43,186.20		
	AJE17	To adjust accrued vacation to actual at year end. (O-3) CMN 12/3/2019			675.96		
	AJE27	To record accrued payroll at FYE 09/30/2019. (O-4) KC 01/04/2020			6,217.68		
5203	E Technician		78,490.40	0.00		87,933.55	
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			80,616.75		
	AJE17	To adjust accrued vacation to actual at year end. (O-3) CMN 12/3/2019			160.00		
	AJE27	To record accrued payroll at FYE 09/30/2019. (O-4) KC 01/04/2020			7,156.80		
5206	E Retirement		11,766.19	0.00		12,594.94	
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			11,431.35		

**Victoria County Groundwater Conservation
Trial Balance Worksheet**

Basis: Adjusted

Account	T	Description	Sep 30, 2018	Sep 30, 2019 Unadjusted	Adjustments	Sep 30, 2019 Adjusted	Workpaper
5220	E	AJE27 To record accrued payroll at FYE 09/30/2019. (O-4) KC 01/04/2020 Health Benefits	24,760.93	0.00	1,163.59	22,326.72	
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			20,466.16		
5250	E	AJE27 To record accrued payroll at FYE 09/30/2019. (O-4) KC 01/04/2020 Social Security	16,372.81	0.00	1,860.56	17,599.66	
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			15,984.39		
5260	E	AJE27 To record accrued payroll at FYE 09/30/2019. (O-4) KC 01/04/2020 State Unemployment	700.62	0.00	1,615.27	624.14	
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			621.37		
5270	E	AJE27 To record accrued payroll at FYE 09/30/2019. (O-4) KC 01/04/2020 Employment Deductions and Withholdings	0.00	0.00	2.77	0.00	
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			5,928.19		
5305	E	AJE18 To reverse PY entry to record payroll liabilities (O-4) KC 01/04/2020 Office and meeting supplies	10,302.25	0.00	(5,928.19)	8,731.08	
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			7,912.43		
5310	E	AJE14 To record current year SURL findings. (N-3). MDE 11/22/2019 Conference, Seminars, Training	717.92	0.00	818.65	967.69	
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			967.69		
5360	E	AJE14 To record current year SURL findings. (N-3). MDE 11/22/2019 Public/Legal Notices	3,513.10	0.00	1,783.13	7,641.38	
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			5,858.25		
5365	E	AJE14 To record current year SURL findings. (N-3). MDE 11/22/2019 Dues/Subscriptions	85.94	0.00	1,738.50	738.50	
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			738.50		
5367	E	AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19 Insurance - Bonding	4,510.70	0.00	2,769.78	2,769.78	
5401	E	AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19 Legal and Professional Seives	14,666.26	0.00	40,639.69	31,061.38	
		AJE12 To reverse PY A/P Auditor. (N-3). MDE 11/22/2019			(6,827.72)		
		AJE13 To reverse PY A/P. (N-3). MDE 11/22/2019			(5,560.00)		
5407	E	AJE16 To adjust Accrued Legal to actual at FYE 09/30/19. (P-2). MDE 12/02/2019 Other Professional Services	93,431.55	0.00	2,809.41	153,226.51	
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			44,018.75		
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			1,500.00		
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			107,632.76		
5412	E	AJE14 To record current year SURL findings. (N-3). MDE 11/22/2019 Collection Fees - Victoria TAC	44,917.50	0.00	75.00	53,932.75	
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			45,042.75		
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			8,890.00		
5450	E	AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19 Office Rent	17,232.00	0.00	17,880.00	17,880.00	
		AJE01 To record activity for the FYE 2019. (B-2) MDE 11/12/19			17,880.00		

**Victoria County Groundwater Conservation
Trial Balance Worksheet**

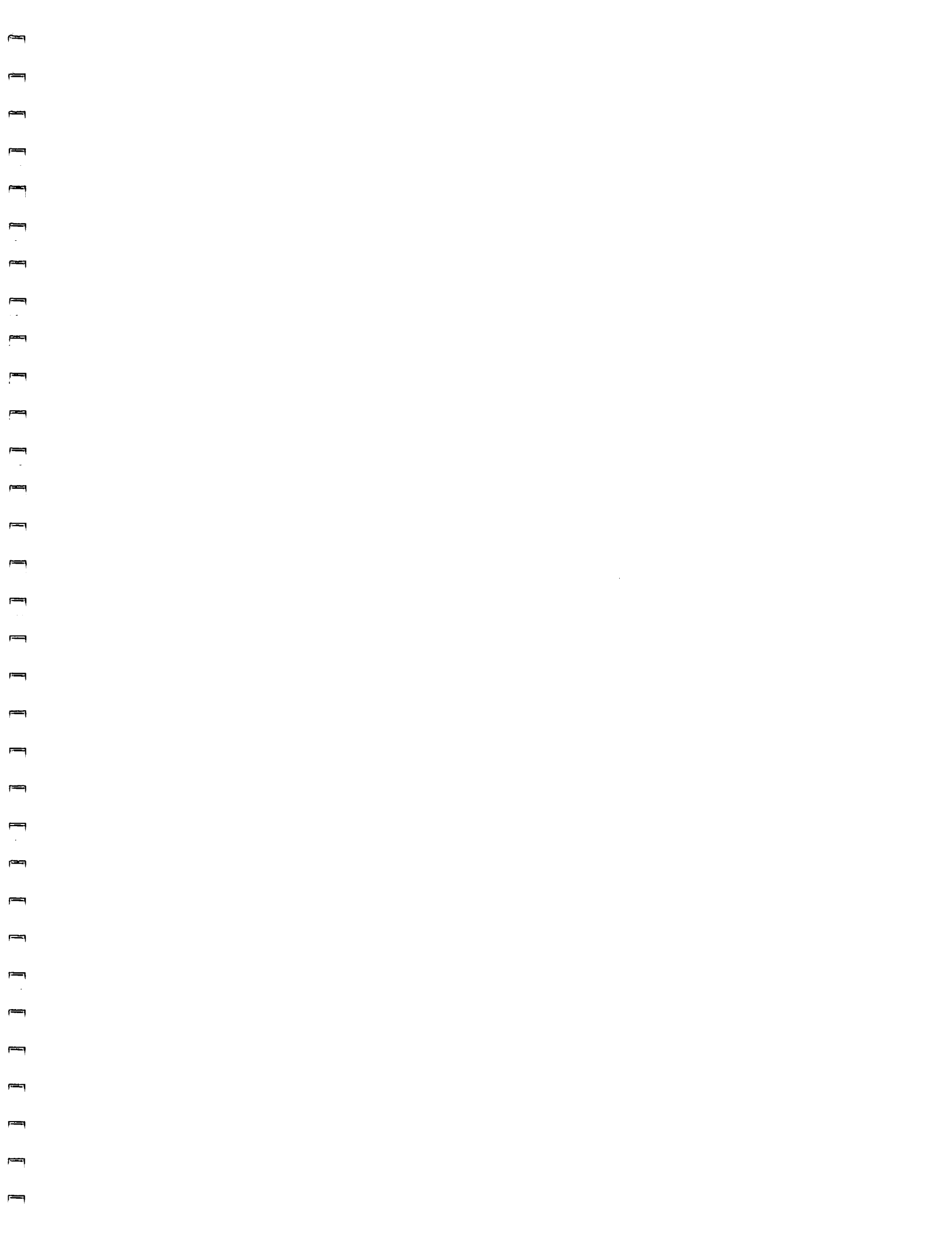
Basis: Adjusted

Account	T	Description	Sep 30, 2018	Sep 30, 2019 Unadjusted	Adjustments	Sep 30, 2019 Adjusted	Workpaper
5470	E	Telecommunications	49,275.15	0.00		53,367.72	
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			3,593.41		
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			42,448.50		
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			2,615.46		
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			617.60		
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			4,092.75		
5602	E	Software	1,200.00	0.00		1,209.00	
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			1,209.00		
5604	E	Equipment	12,031.56	0.00		1,969.45	
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			3,591.45		
	AJE15	To reclass fixed assets into Capital Outlay. (H-2). MDE 11/27/2019			(1,622.00)		
5605	E	Leasehold Improvements	0.00	0.00		91.84	
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			91.84		
5802	E	Sponsorships and Cost-Sharing	64,629.64	0.00		2,745.62	
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			6,459.73		
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			2,930.90		
	AJE02	To record activity for the FYE 2019. (B-2) MDE 11/12/2019			73,931.28		
	AJE12	To reverse PY A/P Auditor. (N-3). MDE 11/22/2019			(1,312.50)		
	AJE22	To reclass grant expense into a seperate account. (C-3.1) KC 01/03/2020			(73,931.28)		
	AJE25	To recognize an asset for unspent GMA15 contributions (C-3.2.1) KC 01/03/2020			(5,332.51)		
5803	E	Grant Expense	130,552.83	0.00		10,345.89	
	AJE21	To reverse prior year entry to recognize Draw 7. (C-3.1) KC 01/03/2020			(31,566.77)		
	AJE22	To reclass grant expense into a seperate account. (C-3.1) KC 01/03/2020			73,931.28		
	AJE24	To recognize the payment of retainage as a reduction of a payable rather than as an expense. (C-3.1) KC 01/03/2020			(32,018.62)		
5805	E	Miscellaneous	124.21	0.00		1,977.11	
	AJE01	To record activity for the FYE 2019. (B-2) MDE 11/12/19			1,977.11		
5900	E	Capital Outlay	2,962.63	0.00		1,622.00	
	AJE15	To reclass fixed assets into Capital Outlay. (H-2). MDE 11/27/2019			1,622.00		
	Total		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
	Profit/(Loss)		<u>90,091.74</u>	<u>0.00</u>	<u>96,497.37</u>	<u>96,497.37</u>	

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended September 30, 2019



**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements	
Statement of Net Position and Balance Sheet – Governmental Funds	7
Reconciliation of the Statement of Net Position and Balance Sheet – Governmental Funds to the Statement of Net Position	8
Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position – Governmental Funds	9
Reconciliation of the Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position – Governmental Funds to the Statement of Activities	10
Notes to the Financial Statements	11 - 24
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	25
Note to Required Supplementary Information	26
Texas County and District Retirement System (TCDRS) – Schedule of Changes in Net Pension Liability and Related Ratios (unaudited)	27
Texas County and District Retirement System (TCDRS) – Schedule of Contributions (unaudited)	28
Texas County and District Retirement System (TCDRS) – Notes to Schedule of Contributions (unaudited)	29

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

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TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

*CERTIFIED INFORMATION SYSTEMS AUDITOR

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Victoria County Groundwater Conservation District
Victoria, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Victoria County Groundwater Conservation District as of and for the year ended September 30, 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 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.

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 Victoria County Groundwater Conservation District as of September 30, 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, analysis and budgetary comparison information and Texas County and District Retirement System (TCDRS) information on pages 3-6 and 25-29 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, L.L.P.

February 21, 2020

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

As management of Victoria 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 September 30, 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 required 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, 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.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

Financial Highlights

- The assets of Victoria County Groundwater Conservation District exceeded its liabilities at the close of the fiscal year ended September 30, 2019 by \$2,548,521 (net position). Of this amount, \$2,527,217 in unrestricted net position is available to meet the District's ongoing obligations.
- At September 30, 2019, the District's General Fund reported a combined ending fund balance of \$2,485,465 of which \$327,098 is committed for legal contingencies, \$1,962,583 is committed for groundwater research and management which includes groundwater conservation, groundwater monitoring, groundwater research, groundwater management, groundwater protections, and groundwater planning, and \$195,784 is unassigned.
- At September 30, 2019, unassigned fund balance for the General Fund was \$195,784 or 31% of total General Fund expenditures.
- The total cost of all District activities was \$653,657 for the fiscal year.

Government-wide Overall Financial Analysis

**Victoria County Groundwater Conservation District
Components of Net Position
September 30, 2019
With Comparative Totals for September 30, 2018
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>		
Current and other assets	\$ 2,588	\$ 2,556	\$ 2,588	\$ 2,556	\$ 32	1%
Capital assets	21	27	21	27	(6)	-22%
Total assets	<u>2,609</u>	<u>2,583</u>	<u>2,609</u>	<u>2,583</u>	<u>26</u>	<u>1%</u>
Deferred outflows of resources related to pension expense	23	11	23	11	12	109%
Total deferred outflows of resources	<u>23</u>	<u>11</u>	<u>23</u>	<u>11</u>	<u>12</u>	<u>109%</u>
Total assets and deferred outflows of resources	<u>2,632</u>	<u>2,594</u>	<u>2,632</u>	<u>2,594</u>	<u>38</u>	<u>1%</u>
Current and other liabilities	67	106	67	106	(39)	-37%
Total liabilities	<u>67</u>	<u>106</u>	<u>67</u>	<u>106</u>	<u>(39)</u>	<u>-37%</u>
Deferred inflows of resources	17	13	17	13	4	31%
Total deferred inflows of resources	<u>17</u>	<u>13</u>	<u>17</u>	<u>13</u>	<u>4</u>	<u>31%</u>
Net position:						
Net investment in capital assets	21	27	21	27	(6)	-22%
Unrestricted	<u>2,527</u>	<u>2,448</u>	<u>2,527</u>	<u>2,448</u>	<u>79</u>	<u>3%</u>
Total net position	<u>\$ 2,548</u>	<u>\$ 2,475</u>	<u>\$ 2,548</u>	<u>\$ 2,475</u>	<u>\$ 73</u>	<u>3%</u>

The total net position increased by approximately \$73,000. The increase was principally invested in cash and capital assets. Cash and other assets increased by \$32,000 and capital assets decreased by \$6,000, accounts payable and other liabilities decreased by \$39,000 and pension related items increased by \$8,000.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

Government-wide Overall Financial Analysis (Concluded)

**Victoria County Groundwater Conservation District
Condensed Statement of Activities
For the Year Ended September 30, 2019
With Comparative Totals for the Year Ended September 30, 2018
(in thousands)**

	<u>Governmental Activities</u>		<u>Total Government</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>		
Revenues						
General revenues						
Taxes	\$ 588	\$ 615	\$ 588	\$ 615	\$ (27)	-4%
Interest	37	14	37	14	23	164%
Other income	102	188	102	188	(86)	-46%
Total revenues	<u>727</u>	<u>817</u>	<u>727</u>	<u>817</u>	<u>(90)</u>	<u>-11%</u>
Expenses						
Personnel	289	271	289	271	18	7%
Professional fees	184	108	184	108	76	70%
Contracted services	54	44	54	44	10	23%
Telecommunications	53	49	53	49	4	8%
Administrative	42	38	42	38	4	11%
Sponsorships and cost-sharing	3	65	3	65	(62)	-95%
Repairs and maintenance	2	12	2	12	(10)	-83%
Grant expense	10	131	10	131	(121)	-92%
Depreciation	8	11	8	11	(3)	-27%
Total expenses	<u>645</u>	<u>729</u>	<u>645</u>	<u>729</u>	<u>(84)</u>	<u>-12%</u>
Excess of revenues over expenditure/expenses before non-operating revenue	82	88	82	88	(6)	-7%
Other financing sources/(uses)	(9)	3	(9)	3	(12)	-400%
Change in net position	<u>73</u>	<u>91</u>	<u>73</u>	<u>91</u>	<u>(18)</u>	<u>-20%</u>
Beginning net position	<u>2,475</u>	<u>2,384</u>	<u>2,475</u>	<u>2,384</u>	<u>91</u>	<u>4%</u>
Ending net position	<u>\$ 2,548</u>	<u>\$ 2,475</u>	<u>\$ 2,548</u>	<u>\$ 2,475</u>	<u>\$ 73</u>	<u>3%</u>

Total revenues decreased by \$90,000 primarily due to a decrease in tax revenue of \$27,000, an increase in interest revenue of \$23,000 and a decrease in other income of \$86,000. Decreases in other income were driven primarily by increases in District support fees of \$39,000 and decreases in grant income of \$120,000. Total expenses decreased by \$84,000 primarily due to significant increases in personnel fees of \$18,000, an increase in professional fees of \$76,000, an increase in contract service expense of \$10,000, a decrease in sponsorship and cost-sharing expense of \$62,000, a decrease in repair and maintenance expense of \$10,000, and a decrease in grant expense of \$121,000 and a net increase in other expenses of \$5,000. Other financing sources/(uses) decreased by \$12,000. This resulted in an overall increase in net position from prior year of \$18,000.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

Budgetary Highlights

Actual revenues in the General Fund were greater than budgeted revenues by \$53,180. Actual General Fund expenditures were \$129,836 less than budgeted expenditures. The District did amend its budget for the General Fund during the fiscal year.

Capital Assets

At September 30, 2019 the District had \$21,304 invested in net capital assets. Depreciation on assets was \$7,319 for the year.

**Victoria County Groundwater Conservation District
Capital Assets
(net of accumulated depreciation)
September 30, 2019
With Comparative Totals for September 30, 2018
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>		
Office remodel	\$ 13	\$ 13	\$ 13	\$ 13	\$ -	0%
Vehicle and equipment	92	93	92	93	(1)	-1%
Subtotal	<u>105</u>	<u>106</u>	<u>105</u>	<u>106</u>	<u>(1)</u>	<u>-1%</u>
Accumulated depreciation	84	79	84	79	5	6%
Capital assets, net	<u>\$ 21</u>	<u>\$ 27</u>	<u>\$ 21</u>	<u>\$ 27</u>	<u>\$ (6)</u>	<u>-22%</u>

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 2019/2020 is \$0.008430 per \$100 valuation. The net taxable value is \$7,627,407,820 for total tax revenue of \$642,990.

The District budgeted \$889,782 in revenues and \$850,004 in expenditures for 2019/2020.

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 2805 N. Navarro, Suite 210, Victoria, Texas 77901.

BASIC FINANCIAL STATEMENTS

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2019

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets				
Cash and investments	\$ 2,528,941	\$ 2,528,941	\$ -	\$ 2,528,941
Taxes receivable	42,418	42,418	-	42,418
Other receivables	16,824	16,824	-	16,824
Capital assets (net of accumulated depreciation)	-	-	21,304	21,304
Total assets	<u>2,588,183</u>	<u>2,588,183</u>	<u>21,304</u>	<u>2,609,487</u>
Deferred outflows of resources				
Actual experience vs. expectations	-	-	2,277	2,277
Pension contributions made subsequent to the measurement date	-	-	9,043	9,043
Actual experience vs. projections	-	-	10,988	10,988
Changes in assumptions	-	-	425	425
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>22,733</u>	<u>22,733</u>
Total assets and deferred outflows of resources	<u>\$ 2,588,183</u>	<u>\$ 2,588,183</u>	<u>\$ 44,037</u>	<u>\$ 2,632,220</u>
Liabilities				
Accounts payable	\$ 2,677	\$ 2,677	\$ -	\$ 2,677
Accrued liabilities	31,473	31,473	-	31,473
Net pension liability	-	-	6,329	6,329
Payroll and other taxes payable	26,150	26,150	-	26,150
Total liabilities	<u>60,300</u>	<u>60,300</u>	<u>6,329</u>	<u>66,629</u>
Deferred inflows of resources				
Actual experience vs. expectations	-	-	7,997	7,997
Amortization of prior year outflows	-	-	8,678	8,678
Changes in assumptions	-	-	395	395
Unavailable taxes	42,418	42,418	(42,418)	-
Total deferred inflows of resources	<u>42,418</u>	<u>42,418</u>	<u>(25,348)</u>	<u>17,070</u>
Fund balance				
Committed:				
Legal contingencies	327,098	327,098	(327,098)	-
Groundwater research and management	1,962,583	1,962,583	(1,962,583)	-
Unassigned	195,784	195,784	(195,784)	-
Total fund balance	<u>2,485,465</u>	<u>2,485,465</u>	<u>(2,485,465)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,588,183</u>	<u>\$ 2,588,183</u>		
Net position:				
Net investment in capital assets			21,304	21,304
Unrestricted			2,527,217	2,527,217
Total net position			<u>\$ 2,548,521</u>	<u>\$ 2,548,521</u>

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

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF NET POSITION AND BALANCE
SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2019**

Amounts reported for governmental activities in the Statement of Net Position
(page 7) are different because:

Total fund balance - governmental funds (page 7)	\$ 2,485,465
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,304
Delinquent taxes receivable are not considered available to pay for current period expenditures and, therefore, are deferred in the funds.	42,418
The net pension liability is not an available resource and, therefore, is not reported in the funds.	(6,329)
Deferred outflows of resources related to pension expense are not due and payable in the current period and, therefore, are not reported in the funds.	22,733
Deferred inflows of resources related to pension expense are not due and receivable in the current period and, therefore, are not reported in the funds.	<u>(17,070)</u>
Net position of governmental activities	<u><u>\$ 2,548,521</u></u>

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

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/NET POSITION - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019**

	General Fund	Total	Adjustments	Statement of Activities
Revenues				
Property taxes	\$ 596,783	\$ 596,783	\$ (8,769)	\$ 588,014
Interest income	37,244	37,244	-	37,244
District support fees	89,641	89,641	-	89,641
Grants	10,346	10,346	-	10,346
Miscellaneous income	1,765	1,765	-	1,765
Total revenues	<u>735,779</u>	<u>735,779</u>	<u>(8,769)</u>	<u>727,010</u>
Expenditures/expenses				
Service operations:				
Personnel	289,005	289,005	8,678	297,683
Professional fees	184,288	184,288	-	184,288
Contracted services	53,933	53,933	-	53,933
Telecommunications	53,368	53,368	-	53,368
Administrative	41,913	41,913	-	41,913
Sponsorships and cost-sharing	2,746	2,746	-	2,746
Repair and maintenance	2,061	2,061	-	2,061
Grant expense	10,346	10,346	-	10,346
Capital outlay	1,622	1,622	(1,622)	-
Depreciation	-	-	7,319	7,319
Total expenditures/expenses	<u>639,282</u>	<u>639,282</u>	<u>14,375</u>	<u>653,657</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>96,497</u>	<u>96,497</u>	<u>(23,144)</u>	<u>73,353</u>
Net change in fund balance/net position	96,497	96,497	(23,144)	73,353
Fund balance/net position:				
Beginning of the year	<u>2,388,968</u>	<u>2,388,968</u>	<u>86,200</u>	<u>2,475,168</u>
End of the year	<u>\$ 2,485,465</u>	<u>\$ 2,485,465</u>	<u>\$ 63,056</u>	<u>\$ 2,548,521</u>

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

**VICTORIA COUNTY 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, 2019**

Amounts reported for governmental activities in the Statement of Activities (page 9) are different because:

Net change in fund balance - total governmental funds (page 9)	\$ 96,497
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.	1,622
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.	(7,319)
Governmental funds report contributions made to the pension plan as expenditures. However, in the statement of activities, pension expense is affected by changes in the net pension asset and deferred outflows of resources related to pension expense. This is the amount by which pension contributions exceeded pension expense in the current period.	(8,678)
Some revenue reported in the governmental funds was earned in prior periods and is not reported in the government-wide statement of activities.	<u>(8,769)</u>
Change in net position of governmental activities	<u><u>\$ 73,353</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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, 2) investment earnings and 3) fees charged.

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 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 property tax and interest income. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

**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 first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposits with maturity dates of 12 months or less.

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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, 2019.

G. Vacation and Sick Leave

Vacation accrues at a rate of .83 days per month or ten days per year for all employees. Sick leave accrues at a rate of .42 days per month or five days per year. At year end, accrued vacation was \$16,164 and is included with accrued liabilities. 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 Victoria 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 2018/2019 was \$0.008430 per \$100 valuation. The taxable value was \$7,042,003,595. 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.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

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

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 incurred 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:

Vehicle and equipment	5 – 7 years
-----------------------	-------------

K. Related Party Transactions

There are no material related party transactions.

L. Contracts

Interlocal Cooperation Agreement

The District has entered into interlocal cooperation agreements with Texana Groundwater Conservation District (TGCD), Calhoun County Groundwater Conservation District (CGCD), and Refugio Groundwater Conservation District (RGCD) to provide office and field equipment incidental to the operation of TGCD, CGCD, and RGCD. TGCD, CGCD, and RGCD shall compensate the District for the services provided. The District earned total revenue of \$31,976 from RGCD, \$39,701 from TGCD, and \$17,964 from CGCD in performance of these services during the fiscal year ended September 30, 2019. These contracts are renewed annually.

The District, along with twelve other groundwater districts which make up Groundwater Management Area 15 (GMA 15), have entered into an interlocal agreement to divide the cost of groundwater studies on behalf of GMA 15. The District has contributed \$6,250 in support of this project, and is due a pro-rata share of any unexpended funds at the termination of the project. The District's current share of contributed but unexpended funds is \$5,333.

M. Grants

Victoria Aquifer Storage and Recovery (ASR) Demonstration Project

The District has entered into a grant agreement between Texas Water Development Board (TWDB) and City of Victoria, Texas to permit, design and construct an Aquifer Storage and Recovery (ASR) retrofit to an existing City of Victoria groundwater production well. The District acts as the Project Contractor, with the City of Victoria serving as the primary Project Participant. As work is completed on the project, requests for expense reimbursement are submitted from the City of Victoria to the District, who in turn submits the requests to TWDB for reimbursement. Approved reimbursements are issued to the District, who withholds retainage of 10% before remitting the funds to the City of Victoria. The retainage collected over the course of the project will be remitted to the City of Victoria by the District at the completion of the project. The District has agreed to fund \$20,000 of the total project cost. This project was completed and final payments were remitted in the fiscal year ended September 30, 2019.

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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

N. Pensions

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: THE FINANCIAL REPORTING ENTITY

Creation of District

Victoria County Groundwater Conservation District operates with a Board of Directors form of government. The District was created on June 17, 2005 under and subject to the authority, conditions, and restrictions of Section 59, Article XVI, Texas Constitution. It has the same boundaries as Victoria County, which covers an area of 889 square miles and is in the West Gulf Coast Plain of South 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 Victoria County, Texas.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial Credit Risk - Deposits

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 September 30, 2019. At year-end, the carrying amount of the District's deposits was \$2,528,941 and the respective bank balance totaled \$2,540,730. Of the total bank balance, \$500,000 was covered by Federal Depository Insurance (\$250,000 for demand deposits and \$250,000 for time deposits). The remaining \$2,040,730 was covered by additional securities pledged to the District at September 30, 2019. The fair market value of the pledged securities at year end was \$2,752,913.

Investments

In accordance with the Texas Government Code, Subtitle F, Chapter 2256, Subchapter A, Authorized Investments for Governmental Entities, the District can invest in the following, subject to requirements within the Code:

1. Obligations of, or guaranteed by Governmental Entities
2. Certificates of Deposit and share certificates
3. Repurchase agreements
4. Securities Lending Programs
5. Banker's Acceptance
6. Commercial Paper
7. Mutual Funds
8. Guaranteed Investment Contracts
9. Investment pools

The District categorizes its fair value measurements for its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2019 the District had no investments.

Other Investment Risks

As the District does not have investments it is not exposed to Credit Risk, Concentration of Credit Risk, or Interest Rate Risk.

NOTE 4: TAXES RECEIVABLE

At September 30, 2019, ad valorem taxes receivable of \$42,418 was considered delinquent and reported as unavailable revenue in the Governmental Fund financial statement.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

NOTE 5: CHANGES IN CAPITAL ASSETS

	Primary Government			Balance 9/30/2019
	Balance 10/1/2018	Additions	Retirements	
Governmental activities:				
Capital assets:				
Office remodel	\$ 13,000	\$ -	\$ -	\$ 13,000
Vehicle and equipment	93,101	1,622	2,442	92,281
Total capital assets at historical cost	106,101	1,622	2,442	105,281
Less accumulated depreciation for:				
Office remodel	3,250	1,300	-	4,550
Vehicle and equipment	75,850	6,019	2,442	79,427
Total accumulated depreciation	79,100	7,319	2,442	83,977
Governmental activities capital assets, net	<u>\$ 27,001</u>	<u>\$ (5,697)</u>	<u>\$ -</u>	<u>\$ 21,304</u>

Depreciation expense was charged to primary government in the amount of \$7,319.

NOTE 6: OPERATING LEASE

The District leases office space from Victoria County, Texas for \$1,508 per month plus a potential increase from year to year for lessor's increased amount of maintenance, repair, cleanup, and utilities provided, however, such increase shall not be more than five percent in any lease year. Total rent expense for the office space was \$17,880 for the year ended September 30, 2019. The lease expires September 30, 2020.

The amount due in subsequent years (without the increased cost provision) is as follows:

Year Ended September 30,	Amount Due
2020	<u>\$ 18,096</u>
	<u>\$ 18,096</u>

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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 September 30, 2019, the District purchased commercial insurance to cover these risks.

Hurricanes can cause flooding, particularly in coastal areas such as the area where the District is located. Hurricanes can also cause windstorm and other damage and hurricane induced flooding can submerge roadways connecting coastal areas with inland areas, thus preventing the evacuation of people and/or property. If a hurricane (or other natural disaster) destroyed all or part of the area in which the District operates, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or increase in the tax rate. Further, there can be no assurance that a casualty loss will be covered by insurance (certain casualties, including flood, are usually excluded unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged District property. Even if insurance proceeds are available and the District does repaired/rebuild damaged assets, there could be a lengthy period in which assessed values within the District could be adversely affected. The Gulf Coast region in which the District is located is subject to occasional destructive weather. There can be no assurance the District will not endure damage from future meteorological events.

The District operates in a regulated industry. As a result, various lawsuits, claims, and legal and regulatory proceedings can be instituted or asserted against the District.

NOTE 8: PENSION PLAN

A. Plan Description

The District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. All full and part time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership. TCDRS is a savings-based plan. For the District's plan, 5% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity. There are no automatic cost of living adjustments (COLAs). Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation. Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District's contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the District and are currently 5%. The most recent comprehensive annual financial report (CAFR) for TCDRS can be found at the following link, www.tcdrs.org.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

NOTE 8: PENSION PLAN (Continued)

B. Benefits Provided

The District provides retirement benefits to its employees. The plan provisions are adopted by the Board of Directors, within the options available in the state statutes governing TCDRS (TCDRS Act). Employees can retire regardless of age with 30 years of service. The "Rule of 80" will determine retirement eligibility. Members are vested after 10 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Board of Directors within the constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement the benefit is calculated by converting the sum of the employee's accumulated contribution and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Plan Provisions for the District were as follows:

	Plan Year 2018
Employee deposit rate	5.0%
Matching ratio (District to employee)	1.5 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	80/10, 0/30
Updated service credit	0%

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	4
Totals	4

C. Contributions

The contribution rate for employees in TCDRS is either 4%, 5%, 6%, or 7% of compensation, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. Investment income funds are a large part of the benefits employees earn.

Employees of the District were required to contribute 5% of their annual gross earnings during the fiscal year ended September 30, 2019. The contribution rates for the District were 5.26% in the calendar year 2018 and 5.20% in the calendar year 2019. The District's contributions to TCDRS for the year ended September 30, 2019 were \$12,595.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability/(Asset)

The District's Net Pension Liability (NPL) was measured as of December 31, 2018 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.75% per year
Overall payroll growth:	Varies by age & service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of pension plan investment expense, including inflation

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Mortality rates for depositing members is based 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014. Mortality rates for service retirees, beneficiaries and non-depositing members is based on 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 100% of the MP-2014 Ultimate scale after 2014. The Mortality rates for disabled retirees is based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 100% of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study from the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 8.10%. This rate reflects the long-term rate of return funding valuation assumption of 8.00% plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed 2017. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the below table. These capital market assumptions are based on January 2019 information for a ten year time horizon.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability/(Asset) (Continued)

	Target	Long-Term Expected Real
Asset Class	Allocation	Rate of Return (Arithmetic)
US Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities - Developed	10.00%	5.40%
International Equities - Emerging	7.00%	5.90%
Investment-Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%
Totals	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Asset/Liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Asset/Liability.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability/(Asset) (Concluded)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2017	\$ 149,433	\$ 159,366	\$ (9,933)
Changes for the year:			
Service cost	20,789	-	20,789
Interest on total pension liability	13,788	-	13,788
Effect of plan changes	1,459	-	1,459
Effect of economic/demographic gains or losses	670	-	670
Effect of assumptions changes or inputs	-	-	-
Administrative expenses	-	(144)	144
Member contributions	-	11,021	(11,021)
Net investment income	-	(2,716)	2,716
Employer contributions	-	11,594	(11,594)
Other	-	689	(689)
Net changes	36,706	20,444	16,262
Balance at December 31, 2018	<u>\$ 186,139</u>	<u>\$ 179,810</u>	<u>\$ 6,329</u>

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 8.10%, as well as what Victoria County Groundwater Conservation District net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.10%) or one percentage point higher (9.10%) than the current rate.

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$ 211,539	\$ 186,139	\$ 164,567
Fiduciary net position	179,810	179,810	179,810
Net pension liability/(asset)	<u>\$ 31,729</u>	<u>\$ 6,329</u>	<u>\$ (15,243)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

NOTE 8: PENSION PLAN (Continued)

E. Pension Expense, Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the District recognized pension expense/(income) of \$8,678.

At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 7,997	\$ 2,277
Changes in assumptions	395	425
Net difference between projected and actual earnings	-	10,988
Contributions made subsequent to measurement date	-	9,043
Total	\$ 8,392	\$ 22,733

Deferred outflows of resources of \$9,043 related to pension resulting from contributions subsequent to the measurement date will be recognized as an addition of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows (Inflows) of Resources
2019	\$ 2,960
2020	1,244
2021	973
2022	2,475
2023	(834)
Thereafter	(1,520)
Total	\$ 5,298

F. Group Term Life Fund (GTLF)

The District also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS) known as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The District has elected to not extend this benefit to retired employees.

The GTLF is a separate trust administered by the TCDRS Board of Trustees. TCDRS issues a publicly available CAFR that includes financial statements and required supplementary information for the GTLF. This report may be obtained by writing to TCDRS, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782. TCDRS's CAFR is also available at www.tcdrs.org.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

NOTE 8: PENSION PLAN (Concluded)

F. Group Term Life Fund (GTLF) (Concluded)

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District contributions to the GTLF for the years ended September 30, 2019, 2018, and 2017 were \$515, \$554, and \$432, respectively, which equaled the contractually required contributions each year.

NOTE 9: FUND BALANCE

For the fiscal year ended September 30, 2019 the District's fund balance consisted of \$327,098 committed for legal contingencies, \$1,962,583 committed for groundwater research and management (which includes groundwater conservation, groundwater monitoring, groundwater research, groundwater management, groundwater protections, and groundwater planning) and \$195,784 in unassigned funds. A schedule of fund balances is provided below:

	General Fund	Total Governmental Funds
FUND BALANCES		
Committed:		
Legal contingencies	\$ 327,098	\$ 327,098
Groundwater conservation	327,098	327,098
Groundwater monitoring	327,097	327,097
Groundwater research	327,097	327,097
Groundwater management	327,097	327,097
Groundwater protections	327,097	327,097
Groundwater planning	327,097	327,097
Unassigned	195,784	195,784
Total fund balances	\$ 2,485,465	\$ 2,485,465

NOTE 10: SUBSEQUENT EVENTS

No material subsequent events were noted for the fiscal year ended September 30, 2019.

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through February 21, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Amended Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Property taxes	\$ 593,405	\$ 593,405	\$ 596,783	\$ 3,378
Interest income	15,000	15,000	37,244	22,244
District support fees	74,194	74,194	89,641	15,447
Grants	-	-	10,346	10,346
Miscellaneous income	-	-	1,765	1,765
Total revenues	<u>682,599</u>	<u>682,599</u>	<u>735,779</u>	<u>53,180</u>
Expenditures/expenses				
Service operations:				
Personnel	282,387	282,387	289,005	(6,618)
Professional fees	169,750	215,708	184,288	31,420
Contracted services	55,500	55,000	53,933	1,067
Telecommunications	48,850	53,958	53,368	590
Administrative	40,200	45,042	41,913	3,129
Sponsorships and cost-sharing	65,000	108,431	2,746	105,685
Repair and maintenance	2,500	992	2,061	(1,069)
Grant expense	-	-	10,346	(10,346)
Capital outlay	6,000	7,600	1,622	5,978
Total expenditures/expenses	<u>670,187</u>	<u>769,118</u>	<u>639,282</u>	<u>129,836</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>\$ 12,412</u>	<u>\$ (86,519)</u>	<u>\$ 96,497</u>	<u>\$ 183,016</u>

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2019**

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. The District amended the General Fund budget during the fiscal year.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (unaudited)
For the Year Ended September 30, 2019**

	Measurement Year				
	2014	2015	2016	2017	2018
Total pension liability					
Service cost	\$ 13,862	\$ 14,780	\$ 16,581	\$ 17,038	\$ 20,789
Interest on total pension liability	5,977	7,633	8,435	11,152	13,788
Effect of plan changes	-	(3,122)	-	-	1,459
Effect of economic/demographic gains or losses	1,356	(12,147)	(381)	(474)	670
Effect of assumptions changes or inputs	-	668	-	1,079	-
Net change in total pension liability	<u>21,195</u>	<u>7,812</u>	<u>24,635</u>	<u>28,795</u>	<u>36,706</u>
Total pension liability - beginning	<u>66,996</u>	<u>88,191</u>	<u>96,003</u>	<u>120,638</u>	<u>149,433</u>
Total pension liability - ending (a)	<u>\$ 88,191</u>	<u>\$ 96,003</u>	<u>\$ 120,638</u>	<u>\$ 149,433</u>	<u>\$ 186,139</u>
Plan fiduciary net position					
Administrative expenses	\$ (54)	\$ (64)	\$ (78)	\$ (106)	\$ (144)
Member contributions	7,491	8,003	8,495	9,220	11,021
Net investment income	4,138	(1,365)	7,172	18,168	(2,716)
Employer contributions	8,435	9,123	9,667	9,423	11,594
Other	(4)	(8)	1,577	249	689
Net change in plan fiduciary net position	<u>20,006</u>	<u>15,689</u>	<u>26,833</u>	<u>36,954</u>	<u>20,444</u>
Plan fiduciary net position - beginning	<u>59,884</u>	<u>79,890</u>	<u>95,579</u>	<u>122,412</u>	<u>159,366</u>
Plan fiduciary net position - ending (b)	<u>\$ 79,890</u>	<u>\$ 95,579</u>	<u>\$ 122,412</u>	<u>\$ 159,366</u>	<u>\$ 179,810</u>
Net pension liability(asset) - ending (a)-(b)	\$ 8,301	\$ 424	\$ (1,774)	\$ (9,933)	\$ 6,329
Plan fiduciary net position as a percentage of total pension liability	90.59%	99.56%	101.47%	106.65%	96.60%
Covered employee payroll	\$ 149,829	\$ 160,048	\$ 169,893	\$ 184,404	\$ 220,421
Net pension liability as a percentage of covered employee payroll	5.54%	0.27%	-1.04%	-5.39%	2.87%

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended September 30, 2019**

	Fiscal Year				
	2014	2015	2016	2017	2018
Actuarially determined contribution	\$ 8,435	\$ 9,123	\$ 9,667	\$ 9,423	\$ 11,594
Contributions in relation to the actuarially determined contribution	<u>9,274</u>	<u>9,976</u>	<u>9,667</u>	<u>9,423</u>	<u>11,594</u>
Contribution deficiency (excess)	\$ (839)	\$ (853)	\$ -	\$ -	\$ -
Covered employee payroll	157,318	168,023	169,893	184,404	220,421
Contributions as a percentage of covered employee payroll	5.90%	5.94%	5.69%	5.11%	5.26%

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
NOTES TO SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended September 30, 2019**

Valuation timing:	Actuarially determined contributions rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/ demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	3.75% to 8.25% including 3.25% wage inflation
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-living adjustments for Victoria County Groundwater Conservation District are not considered to be substantively automatic under GASB 68. Therefore, no assumptions for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Experienced-based table of rates that are specific to the District's plan of benefits.
Turnover	0%
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retiree, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Other Information:	
Notes	There were no benefit changes during the year.

