

CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
For the Year Ended September 30, 2017**

TABLE OF CONTENTS

	<u>Page Number</u>
Annual Filing Affidavit	1
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 7
Basic Financial Statements	
Statement of Net Position and Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	9
Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position – Governmental Funds	10
Reconciliation of the Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position – Governmental Funds to the Statement of Activities	11
Notes to the Financial Statements	12 - 18
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	19
Note to Required Supplementary Information	20

STATE OF TEXAS }

COUNTY OF CALHOUN }

I, Frank Anzaldua
(Name of Duly Authorized District Representative)

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

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the _____ day of _____, 2018 its annual audit report for the fiscal period ended September 30, 2017 and that copies of the annual audit report have been filed in the District's office, located at P. O. Box 1395, Port Lavaca, Texas 77979.

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

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

Frank Anzaldúa, President
(Typed Name & Title of District Representative)

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

(Seal) _____ (Signature of Notary)

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

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

Certified Public Accountants

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

*CERTIFIED VALUATION ANALYST

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA, CISA*
SYLVIA H. GORIS, CPA
STEPHANIE S. KOCH, CPA
TREY A. PARMA, CPA

*CERTIFIED INFORMATION SYSTEMS AUDITOR

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Calhoun County Groundwater Conservation District
Port Lavaca, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Calhoun County Groundwater Conservation District as of and for the year ended September 30, 2017, 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 Calhoun County Groundwater Conservation District, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 19-20 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.

July 18, 2018

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

As management of Calhoun 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, 2017. 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, 2017. 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.

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

Financial Highlights

- The assets of Calhoun County Groundwater Conservation District exceeded its liabilities at the close of the fiscal year ended September 30, 2017 by \$526,022 (net position). Of this amount, \$519,500 of unrestricted net position is available to meet the District's ongoing obligations.
- At September 30, 2017, unassigned fund balance for the General Fund was \$511,310 or 463% of total General Fund expenditures. \$3,890 of fund balance is nonspendable for prepayments.
- The total cost of all District activities was \$112,793 for the fiscal year.

Government-wide Overall Financial Analysis

**Calhoun County Groundwater Conservation District
Components of Net Position
September 30, 2017
With Comparative Totals for September 30, 2016
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	2017	2016	2017	2016		
Current and other assets	\$ 522	\$ 298	\$ 522	\$ 298	\$ 224	75%
Capital assets	6	8	6	8	(2)	-25%
Total assets	<u>528</u>	<u>306</u>	<u>528</u>	<u>306</u>	<u>222</u>	<u>73%</u>
Current and other liabilities	<u>2</u>	<u>10</u>	<u>2</u>	<u>10</u>	<u>(8)</u>	<u>-80%</u>
Total liabilities	<u>2</u>	<u>10</u>	<u>2</u>	<u>10</u>	<u>(8)</u>	<u>-80%</u>
Net position:						
Net investment in capital assets	6	8	6	8	(2)	-25%
Unrestricted	520	288	520	288	232	81%
Total net position	<u>\$ 526</u>	<u>\$ 296</u>	<u>\$ 526</u>	<u>\$ 296</u>	<u>\$ 230</u>	<u>78%</u>

The total net position increased by approximately \$230,000. This increase is primarily driven by increases in cash and other assets of \$224,000, a decrease in capital of assets of \$2,000 due to depreciation, and a decrease in liabilities of \$8,000.

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

Government-wide Overall Financial Analysis (Concluded)

**Calhoun County Groundwater Conservation District
Condensed Statement of Activities
For the Year Ended September 30, 2017
With Comparative Totals for the Year Ended September 30, 2016
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>		
Revenues						
General revenues						
Taxes	\$ 338	\$ 360	\$ 338	\$ 360	\$ (22)	-6%
Other income	4	-	4	-	4	
Total revenues	<u>342</u>	<u>360</u>	<u>342</u>	<u>360</u>	<u>(18)</u>	-5%
Expenses						
Personnel	44	9	44	9	35	389%
Professional fees	40	27	40	27	13	48%
Administrative	17	8	17	8	9	113%
Education materials	9	-	9	-	9	
Depreciation	2	-	2	-	2	
Total expenses	<u>112</u>	<u>44</u>	<u>112</u>	<u>44</u>	<u>68</u>	155%
Increase (decrease) in net position	230	316	230	316	(86)	-27%
Net position - beginning	296	(20)	296	(20)	316	-1580%
Net position - ending	<u>\$ 526</u>	<u>\$ 296</u>	<u>\$ 526</u>	<u>\$ 296</u>	<u>\$ 230</u>	78%

Total revenues decreased by \$18,000 primarily due to a decrease in the taxable value of the property in the county. Other income increased in the amount of \$4,000. Total expenses increased by \$68,000 primarily due to increases in all expense areas, as the District begins to move into regular operating cycles. This resulted in an overall increase in net position from the prior year of \$230,000.

Budgetary Highlights

Actual revenues in the General Fund were greater than budgeted revenues by \$7,863. Actual General Fund expenditures were \$150,225 less than budgeted expenditures. The District did not revise its budget for the General Fund during the fiscal year ended September 30, 2017.

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

Capital Assets

At September 30, 2017, the District had \$6,522 invested in net capital assets. Depreciation on assets was \$1,668 for the year.

**Calhoun County Groundwater Conservation District
Capital Assets
(net of accumulated depreciation)
September 30, 2017
With Comparative Totals for September 30, 2016
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	2017	2016	2017	2016		
Office equipment	\$ 8	\$ 8	\$ 8	\$ 8	\$ -	0%
Subtotal	8	8	8	8	-	0%
Accumulated depreciation	2	-	2	-	2	
Capital assets, net	<u>\$ 6</u>	<u>\$ 8</u>	<u>\$ 6</u>	<u>\$ 8</u>	<u>\$ (2)</u>	-25%

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

Debt Administration

The District made no borrowings and had no debt outstanding at year end.

Economic Factors and Next Year's Budgets and Rates

The District's property tax rate for 2017/2018 is \$0.0100 per \$100 valuation. The net taxable value is \$3,508,590,970 resulting in a tax levy of \$350,859.

The District budgeted \$346,034 in revenues and \$325,900 in expenditures for 2017/2018.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District Manager at P. O. Box 1395, Port Lavaca, Texas 77979.

BASIC FINANCIAL STATEMENTS

CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2017

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets				
Cash and investments	\$ 513,104	\$ 513,104	\$ -	\$ 513,104
Taxes receivable	4,300	4,300	-	4,300
Other receivables	299	299	-	299
Prepayments	3,890	3,890	-	3,890
Capital assets (net of accumulated depreciation)	-	-	6,522	6,522
Total assets	<u>\$ 521,593</u>	<u>\$ 521,593</u>	<u>\$ 6,522</u>	<u>\$ 528,115</u>
Liabilities				
Accounts payable	\$ 901	\$ 901	\$ -	\$ 901
Payroll and other taxes payable	1,192	1,192	-	1,192
Total liabilities	<u>2,093</u>	<u>2,093</u>	<u>-</u>	<u>2,093</u>
Deferred inflows of resources				
Unavailable taxes	4,300	4,300	(4,300)	-
Total deferred inflows of resources	<u>4,300</u>	<u>4,300</u>	<u>(4,300)</u>	<u>-</u>
Fund balance				
Nonspendable	3,890	3,890	(3,890)	-
Unassigned	511,310	511,310	(511,310)	-
Total fund balance	<u>515,200</u>	<u>515,200</u>	<u>(515,200)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 521,593</u>	<u>\$ 521,593</u>		
Net position:				
Net investment in capital assets			6,522	6,522
Unrestricted			519,500	519,500
Total net position			<u>\$ 526,022</u>	<u>\$ 526,022</u>

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

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2017**

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

Total fund balance - governmental funds (page 8)	\$ 515,200
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,522
Delinquent taxes receivable are not considered available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>4,300</u>
Net position of governmental activities	<u><u>\$ 526,022</u></u>

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

**CALHOUN 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, 2017**

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues				
Property taxes	\$ 337,190	\$ 337,190	\$ 611	\$ 337,801
Interest income	551	551	-	551
Other income	4,319	4,319	-	4,319
Total revenues	<u>342,060</u>	<u>342,060</u>	<u>611</u>	<u>342,671</u>
Expenditures/expenses				
Service operations:				
Personnel	44,016	44,016	-	44,016
Professional fees	40,409	40,409	-	40,409
Administrative	16,981	16,981	-	16,981
Education materials	9,719	9,719	-	9,719
Depreciation	-	-	1,668	1,668
Total expenditures/expenses	<u>111,125</u>	<u>111,125</u>	<u>1,668</u>	<u>112,793</u>
Excess of revenues over expenditures/expenses	230,935	230,935	(1,057)	229,878
Fund balance/net position:				
Beginning of the year	284,265	284,265	11,879	296,144
End of the year	<u>\$ 515,200</u>	<u>\$ 515,200</u>	<u>\$ 10,822</u>	<u>\$ 526,022</u>

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

**CALHOUN 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, 2017**

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

Net change in fund balance - total governmental funds	\$ 230,935
Depreciation expense on capital assets reported in the government-wide statement of activities does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(1,668)
Some revenue reported in the governmental funds was earned in prior periods and is not reported in the government-wide statement of activities.	<u>611</u>
Change in net position of governmental activities	<u><u>\$ 229,878</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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.

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.

CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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

The following is the District's Governmental Fund type:

General Fund

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

B. Fund Balance Classification

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

All other spendable amounts.

C. Restricted Resources

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

D. Cash and Investments

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

CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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

E. Inventory

There is no inventory at September 30, 2017.

F. Contracts

Retainer Agreement

On December 18, 2013, the District entered into a Retainer Agreement for attorney services with the law firm of Allison, Bass and Magee, L.L.P. to advise and represent the District in legal matters as requested by the District. This agreement is in effect until dissolution of the District or upon 30 days written notice by the District or Allison, Bass and Magee, L.L.P.

G. 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
-----------------------	-------------

H. Related Party Transactions

There are no material related party transactions.

I. 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.

J. Vacation and Sick Leave

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

CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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

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

The tax rate for 2016/2017 was \$0.01000 per \$100 valuation. The net taxable value was \$3,398,181,521 which resulted in a tax levy of \$339,818. All tax monies are used for maintenance and operations.

L. Deferred Inflows of Resources

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

NOTE 2: THE FINANCIAL REPORTING ENTITY

Creation of District

Calhoun County Groundwater Conservation District operates with a Board of Directors form of government. The District was created in 2011 during the 82nd regular session of the Texas Legislature. The Texas Legislature modified the enabling legislation of the District with the passage of Senate Bill 1835 in the 83rd regular session which confirmed the District. The District operated on a voluntary basis until January 2014 when it received funding in the form of a donation from Calhoun County Economic Development Corporation. 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 Calhoun County, Texas.

CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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, 2017. At year-end, the carrying amount of the District's deposits were \$513,104 and the respective bank balance totaled \$538,343. Of the total bank balance, \$252,098 was covered by Federal Depository Insurance. The remaining \$286,245 was covered by additional securities pledged to the District at September 30, 2017. The fair value of the pledged securities at year end was \$1,179,149.

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 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, 2017 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: 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, 2017, the District purchased commercial insurance to cover these risks.

CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 4: RISK MANAGEMENT (Concluded)

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.

During the fiscal year ended September 30, 2017, Hurricane Harvey passed through the District. The District did not sustain any significant damage as a result of this storm system.

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 5: CHANGES IN CAPITAL ASSETS

	Primary Government		
	Beginning Balance	Additions	Ending Balance
Governmental activities:			
Capital assets			
Office equipment	\$ 8,339	\$ -	\$ 8,339
Total capital assets	8,339	-	8,339
Less accumulated depreciation for:			
Office equipment	149	1,668	1,817
Total accumulated depreciation	149	1,668	1,817
Governmental activities capital assets, net	<u>\$ 8,190</u>	<u>\$ (1,668)</u>	<u>\$ 6,522</u>

Depreciation expense was charged to primary government in the amount of \$1,668.

CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 6: OPERATING LEASE

The District leases office space from 301 South, LLC for \$725 per month plus a potential increase from year to year for Lessor's increased amount of maintenance, repair, clean up, and utilities provided; however, such increase shall not be more than five percent (5%) in any lease year. Total rent expense for the office space was \$8,700 for the year ended September 30, 2017. The lease expires April 30, 2019.

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

<u>Year Ended September 30,</u>	<u>Amount Due</u>
2018	\$ 8,700
2019	5,075
	<u>\$ 13,775</u>

NOTE 7: FUND BALANCES

A schedule of fund balances is provided below:

	<u>General Fund</u>	<u>Total Governmental Funds</u>
FUND BALANCES		
Nonspendable	\$ 3,890	\$ 3,890
Unassigned	511,310	511,310
Total fund balances	<u>\$ 515,200</u>	<u>\$ 515,200</u>

NOTE 8: SUBSEQUENT EVENTS

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through July 18, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended September 30, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 334,197	\$ 337,190	\$ 2,993
Interest income	-	551	551
Other income	-	4,319	4,319
Total revenues	<u>334,197</u>	<u>342,060</u>	<u>7,863</u>
Expenditures/expenses			
Service operations:			
Personnel	44,500	44,016	484
Professional fees	122,000	40,409	81,591
Administrative	45,850	16,981	28,869
Education materials	49,000	9,719	39,281
Total expenditures/expenses	<u>261,350</u>	<u>111,125</u>	<u>150,225</u>
Excess of revenues over expenditures/expenses	<u>\$ 72,847</u>	<u>\$ 230,935</u>	<u>\$ 158,088</u>

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2017**

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.