

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

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

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }

COUNTY OF VICTORIA }

I, D. Mark Meek
(Name of Duly Authorized District Representative)

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

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)

D. Mark Meek, 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*

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

*CERTIFIED VALUATION ANALYST

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, 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 Victoria 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, budgetary comparison information and Texas County and District Retirement System (TCDRS) on pages 4-7 and 26-30 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.

April 20, 2018

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

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, 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, required supplementary information, and Texas Supplementary Information. The basic financial statements are highly condensed and present a government-wide view of the District's finances. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the District. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide basic financial statements.

Basic Financial Statements

- The Statement of Net Position and Balance Sheet - Governmental Funds is the first of two governmental fund and government-wide financial statements which focus on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the District owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. The presentation is similar to a private-sector business.
- The second governmental fund and government-wide financial statement is called the Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds. This statement summarizes the District's revenues and expenditures for the year. Once again, the presentation is similar to a private-sector business.
- The notes to the financial statements provide additional disclosure required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

The discussion and analysis of the District's financial performance provides an overall review of its financial activities for the year ended September 30, 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.

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

Financial Highlights

- The assets of Victoria County Groundwater Conservation District exceeded its liabilities at the close of the fiscal year ended September 30, 2017 by \$2,384,686 (net position). Of this amount, \$2,349,205 in unrestricted net position is available to meet the District's ongoing obligations.
- At September 30, 2017, the District's General Fund reported a combined ending fund balance of \$2,298,876 of which \$826 is non-spendable for prepaid expenses, \$1,067,938 is committed for legal contingencies, \$1,067,938 is committed for groundwater research, and \$162,174 is unassigned.
- At September 30, 2017, unassigned fund balance for the General Fund was \$162,174 or 24% of total General Fund expenditures.
- The total cost of all District activities was \$675,519 for the fiscal year.

Government-wide Overall Financial Analysis

**Victoria 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
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>		
Current and other assets	\$ 2,418	\$ 2,240	\$ 2,418	\$ 2,240	\$ 178	8%
Capital assets	35	40	35	40	(5)	-13%
Total assets	<u>2,453</u>	<u>2,280</u>	<u>2,453</u>	<u>2,280</u>	<u>173</u>	8%
Deferred outflows of resources related to pension expense	<u>14</u>	<u>18</u>	<u>14</u>	<u>18</u>	<u>(4)</u>	-22%
Total deferred outflows of resources	<u>14</u>	<u>18</u>	<u>14</u>	<u>18</u>	<u>(4)</u>	-22%
Total assets and deferred outflows of resources	<u>2,467</u>	<u>2,298</u>	<u>2,467</u>	<u>2,298</u>	<u>169</u>	7%
Current and other liabilities	<u>72</u>	<u>40</u>	<u>72</u>	<u>40</u>	<u>32</u>	80%
Total liabilities	<u>72</u>	<u>40</u>	<u>72</u>	<u>40</u>	<u>32</u>	80%
Deferred inflows of resources	<u>11</u>	<u>10</u>	<u>11</u>	<u>10</u>	<u>1</u>	10%
Total deferred inflows of resources	<u>11</u>	<u>10</u>	<u>11</u>	<u>10</u>	<u>1</u>	10%
Net position:						
Net investment in capital assets	35	40	35	40	(5)	-13%
Unrestricted	2,349	2,208	2,349	2,208	141	6%
Total net position	<u>\$ 2,384</u>	<u>\$ 2,248</u>	<u>\$ 2,384</u>	<u>\$ 2,248</u>	<u>\$ 136</u>	6%

The total net position increased by approximately \$136,000. The increase was principally invested in cash and capital assets. Cash and other assets increased by \$178,000 and capital assets decreased by \$5,000.

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

Government-wide Overall Financial Analysis (Concluded)

**Victoria 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
	2017	2016	2017	2016		
Revenues						
General revenues						
Taxes	\$ 621	\$ 642	\$ 621	\$ 642	\$ (21)	-3%
Interest	16	9	16	9	7	78%
Other income	177	28	177	28	149	532%
Total revenues	<u>814</u>	<u>679</u>	<u>814</u>	<u>679</u>	<u>135</u>	<u>20%</u>
Expenses						
Personnel	217	206	217	206	11	5%
Professional fees	140	80	140	80	60	75%
Contracted services	44	38	44	38	6	16%
Telecommunications	55	50	55	50	5	10%
Administrative	35	64	35	64	(29)	-45%
Sponsorships and cost-sharing	29	20	29	20	9	
Repairs and maintenance	3	-	3	-	3	
Grant expense	139	-	139	-	139	
Depreciation	14	14	14	14	-	0%
Total expenses	<u>676</u>	<u>472</u>	<u>676</u>	<u>472</u>	<u>204</u>	<u>43%</u>
Excess of revenues over expenditure/expenses before non-operating revenue	138	207	138	207	(69)	-33%
Other financing sources/(uses)	(2)	7	(2)	7	(9)	-129%
Change in net position	<u>136</u>	<u>214</u>	<u>136</u>	<u>214</u>	<u>(78)</u>	<u>-36%</u>
Beginning net position	<u>2,248</u>	<u>2,034</u>	<u>2,248</u>	<u>2,034</u>	<u>214</u>	<u>11%</u>
Ending net position	<u>\$ 2,384</u>	<u>\$2,248</u>	<u>\$ 2,384</u>	<u>\$ 2,248</u>	<u>\$ 136</u>	<u>6%</u>

Total revenues increased \$135,000 primarily due to a decrease in tax revenue of \$21,000, an increase in interest revenue of \$7,000 and an increase in other income of \$149,000. Increases in other income were driven by new grant activity during the year of \$139,000. Total expenses increased \$204,000 primarily due to significant increases in professional fees of \$60,000, increases in contracted services expense of \$6,000, increases in sponsorship and cost-sharing expense of \$9,000, the introduction of grant expense of \$139,000, decreases in administration expense of \$29,000 and increases in other expenses of \$19,000. Other financing sources / (uses) decreased by \$9,000. This resulted in an overall decrease in net position from prior year of \$78,000.

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

Budgetary Highlights

Actual revenues in the General Fund were greater than budgeted revenues by \$149,963. Actual General Fund expenditures were \$133,084 less than budgeted expenditures. The District did not revise its budget for the General Fund during the fiscal year.

Capital Assets

At September 30, 2017 the District had \$35,481 invested in net capital assets. Depreciation on assets was \$13,748 for the year.

**Victoria 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 remodel	\$ 13	\$ 13	\$ 13	\$ 13	\$ -	0%
Vehicle and equipment	90	89	90	89	1	1%
Subtotal	<u>103</u>	<u>102</u>	<u>103</u>	<u>102</u>	<u>1</u>	<u>1%</u>
Accumulated depreciation	68	62	68	62	6	10%
Capital assets, net	<u>\$ 35</u>	<u>\$ 40</u>	<u>\$ 35</u>	<u>\$ 40</u>	<u>\$ (5)</u>	<u>-13%</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 2017/2018 is \$0.00878 per \$100 valuation. The net taxable value is \$7,203,783,595 for total tax revenue of \$632,492.

The District budgeted \$697,914 in revenues and \$842,562 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 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, 2017

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets				
Cash and investments	\$ 2,337,716	\$ 2,337,716	\$ -	\$ 2,337,716
Taxes receivable	45,228	45,228	-	45,228
Grant receivable	29,184	29,184	-	29,184
Other receivables	2,792	2,792	-	2,792
Prepayments	826	826	-	826
Net pension asset	-	-	1,774	1,774
Capital assets (net of accumulated depreciation)	-	-	35,481	35,481
Total assets	<u>2,415,746</u>	<u>2,415,746</u>	<u>37,255</u>	<u>2,453,001</u>
Deferred outflows of resources				
Pension contributions made subsequent to the measurement date	-	-	6,865	6,865
Actual experience vs. projections	-	-	6,786	6,786
Changes in assumptions	-	-	547	547
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>14,198</u>	<u>14,198</u>
Total assets and deferred outflows of resources	<u>\$ 2,415,746</u>	<u>\$ 2,415,746</u>	<u>\$ 51,453</u>	<u>\$ 2,467,199</u>
Liabilities				
Accounts payable	\$ 4,983	\$ 4,983	\$ -	\$ 4,983
Accrued liabilities	20,728	20,728	-	20,728
Grant payable	26,266	26,266	-	26,266
Retainage payable	13,917	13,917	-	13,917
Payroll and other taxes payable	5,748	5,748	-	5,748
Total liabilities	<u>71,642</u>	<u>71,642</u>	<u>-</u>	<u>71,642</u>
Deferred inflows of resources				
Actual experience vs. expectations	-	-	9,264	9,264
Amortization of prior year outflows	-	-	1,607	1,607
Unavailable taxes	45,228	45,228	(45,228)	-
Total deferred inflows of resources	<u>45,228</u>	<u>45,228</u>	<u>(34,357)</u>	<u>10,871</u>
Fund balance				
Nonspendable	826	826	(826)	-
Committed:				
Legal contingencies	1,067,938	1,067,938	(1,067,938)	-
Groundwater research	1,067,938	1,067,938	(1,067,938)	-
Unassigned	162,174	162,174	(162,174)	-
Total fund balance	<u>2,298,876</u>	<u>2,298,876</u>	<u>(2,298,876)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,415,746</u>	<u>\$ 2,415,746</u>		
Net position:				
Net investment in capital assets			35,481	35,481
Unrestricted			2,349,205	2,349,205
Total net position			<u>\$ 2,384,686</u>	<u>\$ 2,384,686</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, 2017**

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

Total fund balance - governmental funds (page 8)	\$ 2,298,876
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	35,481
Delinquent taxes receivable are not considered available to pay for current period expenditures and, therefore, are deferred in the funds.	45,228
The net pension asset is not an available resource and, therefore, is not reported in the funds.	1,774
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.	14,198
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>(10,871)</u>
Net position of governmental activities	<u><u>\$ 2,384,686</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, 2017**

	General Fund	Total	Adjustments	Statement of Activities
Revenues				
Property taxes	\$ 620,950	\$ 620,950	\$ 90	\$ 621,040
Interest income	15,930	15,930	-	15,930
District support fees	37,297	37,297	-	37,297
Grants	139,167	139,167	-	139,167
Miscellaneous income	1,024	1,024	-	1,024
Total revenues	<u>814,368</u>	<u>814,368</u>	<u>90</u>	<u>814,458</u>
Expenditures/expenses				
Service operations:				
Personnel	216,567	216,567	-	216,567
Professional fees	140,237	140,237	-	140,237
Contracted services	44,418	44,418	-	44,418
Telecommunications	54,845	54,845	-	54,845
Administrative	34,883	34,883	-	34,883
Sponsorships and cost-sharing	28,873	28,873	-	28,873
Repair and maintenance	2,781	2,781	-	2,781
Grant expense	139,167	139,167	-	139,167
Capital outlay	8,895	8,895	(8,895)	-
Depreciation	-	-	13,748	13,748
Total expenditures/expenses	<u>670,666</u>	<u>670,666</u>	<u>4,853</u>	<u>675,519</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>143,702</u>	<u>143,702</u>	<u>(4,763)</u>	<u>138,939</u>
Other financing sources (uses)				
Increase in net pension asset	-	-	(2,389)	(2,389)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,389)</u>	<u>(2,389)</u>
Net change in fund balance/net position	<u>143,702</u>	<u>143,702</u>	<u>(7,152)</u>	<u>136,550</u>
Fund balance/net position:				
Beginning of the year	2,155,174	2,155,174	92,962	2,248,136
End of the year	<u>\$ 2,298,876</u>	<u>\$ 2,298,876</u>	<u>\$ 85,810</u>	<u>\$ 2,384,686</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, 2017**

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

Net change in fund balance - total governmental funds (page 10)	\$ 143,702
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.	8,895
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.	(13,748)
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.	(2,389)
Some revenue reported in the governmental funds was earned in prior periods and is not reported in the government-wide statement of activities.	90
Change in net position of governmental activities	<u>\$ 136,550</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, 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. 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, 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 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, 2017

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, 2017.

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 \$12,729 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 2016/2017 was \$0.00878 per \$100 valuation. The taxable value was \$7,148,180,850. 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, 2017

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
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K. Related Party Transactions

There are no material related party transactions.

L. Contracts

Interlocal Cooperation Agreement

The District has entered into an interlocal cooperation agreement with both Texana Groundwater Conservation District (TGCD) and Refugio Groundwater Conservation District (RGCD) to provide office and field equipment incidental to the operation of TGCD and RGCD. TGCD and RGCD shall compensate the District for the services provided. The District earned total revenue of \$12,902 from RGCD and \$24,395 from TGCD in performance of these services during the fiscal year ended September 30, 2017. These contracts are renewed annually.

M. Grants

Victoria Aquifer Storage and Recovery (ASR) Demonstration Project

The District has entered into a grant agreement between the Texas Water Development Board (TWDB) and the 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. Total project cost is estimated at \$570,226 with \$285,112 being funded by TWDB, \$20,000 by the District, and \$265,114 by the City of Victoria.

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.

VICTORIA 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)

O. Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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.

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 was \$2,337,716 and the respective bank balance totaled \$2,355,038. Of the total bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining \$2,105,038 was covered by additional securities pledged to the District at September 30, 2017. The fair market value of the pledged securities at year end was \$2,769,738.

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, 2017 the District had no investments.

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

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (Concluded)

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, 2017, ad valorem taxes receivable of \$45,228 was considered delinquent and reported as unavailable revenue in the Governmental Fund financial statement.

NOTE 5: CHANGES IN CAPITAL ASSETS

	Primary Government		
	Balance 10/1/2016	Additions	Balance 9/30/2017
Governmental activities:			
Capital assets:			
Office remodel	\$ 13,000	\$ -	\$ 13,000
Vehicle and equipment	89,177	8,895	90,138
Total capital assets at historical cost	102,177	8,895	103,138
Less accumulated depreciation for:			
Office remodel	650	1,300	1,950
Vehicle and equipment	61,193	12,448	65,707
Total accumulated depreciation	61,843	13,748	67,657
Governmental activities capital assets, net	<u>\$ 40,334</u>	<u>\$ (4,853)</u>	<u>\$ 35,481</u>

Depreciation expense was charged to primary government in the amount of \$13,748.

NOTE 6: OPERATING LEASE

The District leases office space from Victoria County, Texas for \$1,436 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 \$17,232 for the year ended September 30, 2017. 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
2018	\$ 17,232
2019	17,232
2020	17,232
	<u>\$ 51,696</u>

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

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, 2017, 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.

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 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. The Board of Trustees of TCERS is responsible for the administration of the plan. The defined benefit pension plan provides pensions for all full and part-time non-temporary employees, regardless of the number of hours they work in a year. All eligible employees are required to participate in the pension plan and employees in a temporary position are not eligible for membership. TCERS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The most recent CAFR for TCERS can be found at the following link www.tcders.org.

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 TCERS (TCERS 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.

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

NOTE 8: PENSION PLAN

B. Benefits Provided (Concluded)

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 2016
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, 2016 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	3
Totals	3

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, 2017. The contribution rates for the District were 5.70% in the calendar year 2015 and 5.69% in the calendar year 2016. The District's contributions to TCDRS for the year ended September 30, 2017 were \$9,667.

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

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2016 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	3.0% 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 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

Mortality rates for active members were based on the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year set-back, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that. Mortality rates for service retirees, beneficiaries and non-depositing members is based on the RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with one-year set-forward for males and no age adjustment for females. The Mortality rates for disabled retirees is based on the RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

The actuarial assumptions that determined the total pension liability as of December 31, 2016 were based on the results of an actuarial experience study from the period January 1, 2009 – December 31, 2012, 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 2013. 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 2017 information for a seven to ten year time horizon.

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

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability (Continued)

	Target	Long-Term Expected Real
Asset Class	Allocation	Rate of Return (Arithmetic)
US Equities	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities - Developed	10.00%	4.70%
International Equities - Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships (MLPs)	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%
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 Liability.

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

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability (Concluded)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2015	\$ 96,003	\$ 95,579	\$ 424
Changes for the year:			
Service cost	16,581	-	16,581
Interest on total pension liability	8,435	-	8,435
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(381)	-	(381)
Effect of assumptions changes or inputs	-	-	-
Administrative expenses	-	(78)	78
Member contributions	-	8,495	(8,495)
Net investment income	-	7,172	(7,172)
Employer contributions	-	9,667	(9,667)
Other	-	1,577	(1,577)
Net changes	24,635	26,833	(2,198)
Balance at December 31, 2016	<u>\$ 120,638</u>	<u>\$ 122,412</u>	<u>\$ (1,774)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability 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	\$ 139,564	\$ 120,637	\$ 104,757
Fiduciary net position	122,411	122,411	122,411
Net pension liability/(asset)	<u>\$ 17,153</u>	<u>\$ (1,774)</u>	<u>\$ (17,654)</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, 2017

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, 2017 the District recognized pension expense (income) of \$2,389.

At September 30, 2017 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	\$ 10,281	\$ 1,017
Changes in assumptions	-	547
Net difference between projected and actual earnings	-	6,786
Contributions made subsequent to measurement date	-	6,865
Total	\$ 10,281	\$ 15,215

Deferred outflows of resources of \$6,865, 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, 2017. 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
2017	\$ 1,296
2018	1,296
2019	1,017
2020	(699)
2021	(969)
Thereafter	(3,875)
Total	\$ (1,934)

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

NOTE 8: PENSION PLAN (Concluded)

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 coverage provided to retired employees is a post-employment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

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.

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, 2017, 2016, and 2015 were \$432, \$412, and \$368, respectively, which equaled the contractually required contributions each year.

NOTE 9: FUND BALANCES

The Government committed the following fund balance types by taking the following action:

<u>Committed Purpose</u>	<u>Amount</u>	<u>Action</u>
Legal contingencies	\$ 1,067,938	Through formal action
Groundwater research	\$ 1,067,938	Through formal action

The Government does not have a formal minimum fund balance policy.

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

NOTE 9: FUND BALANCES (Concluded)

A schedule of fund balances is provided below:

FUND BALANCES	General Fund	Total Governmental Funds
Nonspendable	\$ 826	\$ 826
Committed:		
Legal contingencies	1,067,938	1,067,938
Groundwater research	1,067,938	1,067,938
Unassigned	162,174	162,174
Total fund balance	<u>\$ 2,298,876</u>	<u>\$ 2,298,876</u>

NOTE 10: SUBSEQUENT EVENTS

No material subsequent events were noted for the fiscal year ended September 30, 2017.

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through April 20, 2018, 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, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 624,905	\$ 620,950	\$ (3,955)
Interest income	9,500	15,930	6,430
District support fees	-	37,297	37,297
Grants	-	139,167	139,167
Miscellaneous income	30,000	1,024	(28,976)
Total revenues	<u>664,405</u>	<u>814,368</u>	<u>149,963</u>
Expenditures/expenses			
Service operations:			
Personnel	215,200	216,567	(1,367)
Professional fees	193,000	140,237	52,763
Contracted services	220,000	44,418	175,582
Telecommunications	35,000	54,845	(19,845)
Administrative	73,050	34,883	38,167
Sponsorships and cost-sharing	49,000	28,873	20,127
Repair and maintenance	1,500	2,781	(1,281)
Grant expense	-	139,167	(139,167)
Capital outlay	17,000	8,895	8,105
Total expenditures/expenses	<u>803,750</u>	<u>670,666</u>	<u>133,084</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>\$ (139,345)</u>	<u>\$ 143,702</u>	<u>\$ 283,047</u>

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TCDRS – SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (unaudited)
For the Year Ended September 30, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total pension liability			
Service cost	\$ 13,862	\$ 14,780	\$ 16,581
Interest on total pension liability	5,977	7,633	8,435
Effect of plan changes	-	(3,122)	-
Effect of economic/demographic gains or losses	1,356	(12,147)	(381)
Effect of assumptions changes or inputs	-	668	-
Net change in total pension liability	21,195	7,812	24,635
Total pension liability - beginning	<u>66,996</u>	<u>88,191</u>	<u>96,003</u>
Total pension liability - ending (a)	<u><u>\$ 88,191</u></u>	<u><u>\$ 96,003</u></u>	<u><u>\$ 120,638</u></u>
 Plan fiduciary net position			
Administrative expenses	\$ (54)	\$ (64)	\$ (78)
Member contributions	7,491	8,003	8,495
Net investment income	4,138	(1,365)	7,172
Employer contributions	8,435	9,123	9,667
Other	<u>(4)</u>	<u>(8)</u>	<u>1,577</u>
Net change in plan fiduciary net position	20,006	15,689	26,833
Plan fiduciary net position - beginning	<u>59,884</u>	<u>79,890</u>	<u>95,579</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 79,890</u></u>	<u><u>\$ 95,579</u></u>	<u><u>\$ 122,412</u></u>
 Net pension liability - ending (a) - (b)	\$ 8,301	\$ 424	\$ (1,774)
 Plan fiduciary net position as a percentage of total pension liability	90.59%	99.56%	101.47%
 Covered employee payroll	\$ 149,829	\$ 160,048	\$ 169,893
 Net pension liability as a percentage of covered employee payroll	5.54%	0.27%	-1.04%

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TCDRS – SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended September 30, 2017**

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

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TCDRS – NOTES TO SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended September 30, 2017**

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
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.00%
Salary Increases	3.90% to 8.75% including 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	Experienced-based table of rates that are specific to the District's plan of benefits.
Mortality	
Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year set-back, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retiree, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

Other Information:

Notes There were no benefit changes during the year.

**VICTORIA 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.