# VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

## FINANCIAL STATEMENTS

## For the Year Ended September 30, 2018

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT**
**FINANCIAL STATEMENTS**
**For the Year Ended September 30, 2018**

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## 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 the Victoria County Groundwater Conservation District as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Victoria County Groundwater Conservation District, as of September 30, 2018, 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 3-6 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, LLP

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

February 15, 2019

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**For the Year Ended September 30, 2018**

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, 2018. 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, 2018. 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.

## Financial Highlights

- The assets of Victoria County Groundwater Conservation District exceeded its liabilities at the close of the fiscal year ended September 30, 2018 by $2,475,168 (net position). Of this amount, $2,448,167 in unrestricted net position is available to meet the District's ongoing obligations.
- At September 30, 2018, the District's General Fund reported a combined ending fund balance of $2,388,968 of which $1,079,106 is committed for legal contingencies, $1,079,106 is committed for groundwater research, and $230,756 is unassigned.
- At September 30, 2018, unassigned fund balance for the General Fund was $230,756 or 32% of total General Fund expenditures.
- The total cost of all District activities was $729,452 for the fiscal year.

## Government-wide Overall Financial Analysis

**Victoria County Groundwater Conservation District**
**Components of Net Position**
**September 30, 2018**
**With Comparative Totals for September 30, 2017**
(in thousands)

| | Governmental Activities | | Total Government | | Amount | % |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | Change | Change |
| Current and other assets | $ 2,556 | $ 2,418 | $ 2,556 | $ 2,418 | $ 138 | 6% |
| Capital assets | 27 | 35 | 27 | 35 | (8) | -23% |
| Total assets | 2,583 | 2,453 | 2,583 | 2,453 | 130 | 5% |
| Deferred outflows of resources related to pension expense | 11 | 14 | 11 | 14 | (3) | -21% |
| Total deferred outflows of resources | 11 | 14 | 11 | 14 | (3) | -21% |
| Total assets and deferred outflows of resources | 2,594 | 2,467 | 2,594 | 2,467 | 127 | 5% |
| Current and other liabilities | 106 | 72 | 106 | 72 | 34 | 47% |
| Total liabilities | 106 | 72 | 106 | 72 | 34 | 47% |
| Deferred inflows of resources | 13 | 11 | 13 | 11 | 2 | 18% |
| Total deferred inflows of resources | 13 | 11 | 13 | 11 | 2 | 18% |
| Net position: | | | | | | |
| Net investment in capital assets | 27 | 35 | 27 | 35 | (8) | -23% |
| Unrestricted | 2,448 | 2,349 | 2,448 | 2,349 | 99 | 4% |
| Total net position | $ 2,475 | $ 2,384 | $ 2,475 | $ 2,384 | $ 91 | 4% |

The total net position increased by approximately $91,000. The increase was principally invested in cash and capital assets. Cash and other assets increased by $138,000 and capital assets decreased by $8,000, accounts payable and other liabilities increased by $34,000 and pension related items increased by $5,000.

## Government-wide Overall Financial Analysis (Concluded)

**Victoria County Groundwater Conservation District**
**Condensed Statement of Activities**
**For the Year Ended September 30, 2018**
**With Comparative Totals for the Year Ended September 30, 2017**
(in thousands)

| | Governmental Activities | | Total Government | | Amount | % |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | Change | Change |
| Revenues | | | | | | |
| General revenues | | | | | | |
| Taxes | $ 615 | $ 621 | $ 615 | $ 621 | $ (6) | -1% |
| Interest | 14 | 16 | 14 | 16 | (2) | -13% |
| Other income | 188 | 177 | 188 | 177 | 11 | 6% |
| Total revenues | 817 | 814 | 817 | 814 | 3 | 0% |
| Expenses | | | | | | |
| Personnel | 271 | 217 | 271 | 217 | 54 | 25% |
| Professional fees | 108 | 140 | 108 | 140 | (32) | -23% |
| Contracted services | 44 | 44 | 44 | 44 | - | 0% |
| Telecommunications | 49 | 55 | 49 | 55 | (6) | -11% |
| Administrative | 38 | 35 | 38 | 35 | 3 | 9% |
| Sponsorships and cost-sharing | 65 | 29 | 65 | 29 | 36 | 124% |
| Repairs and maintenance | 12 | 3 | 12 | 3 | 9 | 300% |
| Grant expense | 131 | 139 | 131 | 139 | (8) | -6% |
| Depreciation | 11 | 14 | 11 | 14 | (3) | -21% |
| Total expenses | 729 | 676 | 729 | 676 | 53 | 8% |
| Excess of revenues over expenditure/expenses before non-operating revenue | 88 | 138 | 88 | 138 | (50) | -36% |
| Other financing sources/(uses) | 3 | (2) | 3 | (2) | 5 | -250% |
| Change in net position | 91 | 136 | 91 | 136 | (45) | -33% |
| Beginning net position | 2,384 | 2,248 | 2,384 | 2,248 | 136 | 6% |
| Ending net position | $ 2,475 | $ 2,384 | $ 2,475 | $ 2,384 | $ 91 | 4% |

Total revenues increased $3,000 primarily due to a decrease in tax revenue of $6,000, a decrease in interest revenue of $2,000 and an increase in other income of $11,000. Increases in other income were driven primarily by increases in District support fees of $19,000 and decreases in grant income of $8,000. Total expenses increased $53,000 primarily due to significant increases in personnel fees of $54,000, a decrease in professional fees of $32,000, an increase in administrative expense of $3,000, an increase in sponsorship and cost-sharing expense of $36,000, an increase in repair and maintenance expense of $9,000, and a net decrease in other expenses of $17,000. Other financing sources / (uses) increased by $5,000. This resulted in an overall decrease in net position from prior year of $45,000.

### Budgetary Highlights

Actual revenues in the General Fund were greater than budgeted revenues by $113,150. Actual General Fund expenditures were $121,590 less than budgeted expenditures. The District did amend its budget for the General Fund during the fiscal year.

### Capital Assets

At September 30, 2018 the District had $27,001 invested in net capital assets. Depreciation on assets was $11,443 for the year.

**Victoria County Groundwater Conservation District**
**Capital Assets**
**(net of accumulated depreciation)**
**September 30, 2018**
**With Comparative Totals for September 30, 2017**
(in thousands)

| | Governmental Activities | | Total Government | | Amount Change | % Change |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | | |
| Office remodel | $ 13 | $ 13 | $ 13 | $ 13 | $ - | 0% |
| Vehicle and equipment | 93 | 90 | 93 | 90 | 3 | 3% |
| Subtotal | 106 | 103 | 106 | 103 | 3 | 3% |
| Accumulated depreciation | 79 | 68 | 79 | 68 | 11 | 16% |
| Capital assets, net | $ 27 | $ 35 | $ 27 | $ 35 | $ (8) | -23% |

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 2018/2019 is $0.008430 per $100 valuation. The net taxable value is $7,042,003,595 for total tax revenue of $593,641.

The District budgeted $682,599 in revenues and $670,187 in expenditures for 2018/2019.

### 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, 2018**

| | General Fund | Total | Adjustments | Statement of Net Position |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and investments | $ 2,456,804 | $ 2,456,804 | $ - | $ 2,456,804 |
| Taxes receivable | 51,187 | 51,187 | - | 51,187 |
| Grant receivable | 35,074 | 35,074 | - | 35,074 |
| Other receivables | 2,844 | 2,844 | - | 2,844 |
| Net pension asset | - | - | 9,933 | 9,933 |
| Capital assets (net of accumulated depreciation) | - | - | 27,001 | 27,001 |
| Total assets | 2,545,909 | 2,545,909 | 36,934 | 2,582,843 |
| **Deferred outflows of resources** | | | | |
| Actual experience vs. expectations | - | - | 1,893 | 1,893 |
| Pension contributions made subsequent to the measurement date | - | - | 8,692 | 8,692 |
| Changes in assumptions | - | - | 486 | 486 |
| Total deferred outflows of resources | - | - | 11,071 | 11,071 |
| Total assets and deferred outflows of resources | $ 2,545,909 | $ 2,545,909 | $ 48,005 | $ 2,593,914 |
| **Liabilities** | | | | |
| Accounts payable | $ 13,700 | $ 13,700 | $ - | $ 13,700 |
| Accrued liabilities | 27,002 | 27,002 | - | 27,002 |
| Grant payable | 31,567 | 31,567 | - | 31,567 |
| Retainage payable | 26,972 | 26,972 | - | 26,972 |
| Payroll and other taxes payable | 6,513 | 6,513 | - | 6,513 |
| Total liabilities | 105,754 | 105,754 | - | 105,754 |
| **Deferred inflows of resources** | | | | |
| Actual experience vs. expectations | - | - | 9,139 | 9,139 |
| Actual experience vs. projections | - | - | 1,484 | 1,484 |
| Amortization of prior year outflows | - | - | 1,934 | 1,934 |
| Changes in assumptions | - | - | 435 | 435 |
| Unavailable taxes | 51,187 | 51,187 | (51,187) | - |
| Total deferred inflows of resources | 51,187 | 51,187 | (38,195) | 12,992 |
| **Fund balance** | | | | |
| Committed: | | | | |
| Legal contingencies | 1,079,106 | 1,079,106 | (1,079,106) | - |
| Groundwater research | 1,079,106 | 1,079,106 | (1,079,106) | - |
| Unassigned | 230,756 | 230,756 | (230,756) | - |
| Total fund balance | 2,388,968 | 2,388,968 | (2,388,968) | - |
| Total liabilities, deferred inflows of resources, and fund balance | $ 2,545,909 | $ 2,545,909 | | |
| Net position: | | | | |
| Net investment in capital assets | | | 27,001 | 27,001 |
| Unrestricted | | | 2,448,167 | 2,448,167 |
| **Total net position** | | | $ 2,475,168 | $ 2,475,168 |

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, 2018**

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

| | |
|---|---|
| Total fund balance - governmental funds (page 7) | $ 2,388,968 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 27,001 |
| Delinquent taxes receivable are not considered available to pay for current period expenditures and, therefore, are deferred in the funds. | 51,187 |
| The net pension asset is not an available resource and, therefore, is not reported in the funds. | 9,933 |
| 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. | 11,071 |
| 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. | (12,992) |
| Net position of governmental activities | $ 2,475,168 |

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, 2018**

| | General Fund | Total | Adjustments | Statement of Activities |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property taxes | $ 608,863 | $ 608,863 | $ 5,959 | $ 614,822 |
| Interest income | 13,558 | 13,558 | - | 13,558 |
| District support fees | 56,989 | 56,989 | - | 56,989 |
| Grants | 130,553 | 130,553 | - | 130,553 |
| Miscellaneous income | 1,101 | 1,101 | - | 1,101 |
| Total revenues | 811,064 | 811,064 | 5,959 | 817,023 |
| **Expenditures/expenses** | | | | |
| Service operations: | | | | |
| Personnel | 270,819 | 270,819 | - | 270,819 |
| Professional fees | 108,098 | 108,098 | - | 108,098 |
| Contracted services | 44,918 | 44,918 | - | 44,918 |
| Telecommunications | 49,275 | 49,275 | - | 49,275 |
| Administrative | 37,684 | 37,684 | - | 37,684 |
| Sponsorships and cost-sharing | 64,630 | 64,630 | - | 64,630 |
| Repair and maintenance | 12,032 | 12,032 | - | 12,032 |
| Grant expense | 130,553 | 130,553 | - | 130,553 |
| Capital outlay | 2,963 | 2,963 | (2,963) | - |
| Depreciation | - | - | 11,443 | 11,443 |
| Total expenditures/expenses | 720,972 | 720,972 | 8,480 | 729,452 |
| **Excess (deficiency) of revenues over expenditures/expenses** | 90,092 | 90,092 | (2,521) | 87,571 |
| **Other financing sources (uses)** | | | | |
| Increase in net pension asset | - | - | 2,911 | 2,911 |
| Total other financing sources (uses) | - | - | 2,911 | 2,911 |
| **Net change in fund balance/net position** | 90,092 | 90,092 | 390 | 90,482 |
| **Fund balance/net position:** | | | | |
| Beginning of the year | 2,298,876 | 2,298,876 | 85,810 | 2,384,686 |
| End of the year | $ 2,388,968 | $ 2,388,968 | $ 86,200 | $ 2,475,168 |

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, 2018**

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

| | | |
|---|---|---|
| Net change in fund balance - total governmental funds (page 9) | $ | 90,092 |
| 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. | | 2,963 |
| 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. | | (11,443) |
| 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. | | 2,911 |
| Some revenue reported in the governmental funds was earned in prior periods and is not reported in the government-wide statement of activities. | | 5,959 |
| Change in net position of governmental activities | $ | 90,482 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING

**Basis of Accounting/Measurement Focus**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the District are described below.

### A. Governmental Fund Financial Statements and Government-Wide Financial Statements

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

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

## 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.

## 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, 2018.

### 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 $14,503 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 2017/2018 was $0.00878 per $100 valuation. The taxable value was $7,203,783,595. All tax monies are used for maintenance and operations.

### I. Deferred Inflows of Resources

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

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

### J. Capital Assets

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

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

### K. Related Party Transactions

There are no material related party transactions.

### L. Contracts

Interlocal Cooperation Agreement

The District has entered into interlocal cooperation agreements with Texana Groundwater Conservation District (TGCD), Calhoun County Groundwater Conservation District (CGCD), and Refugio Groundwater Conservation District (RGCD) to provide office and field equipment incidental to the operation of TGCD, CGCD, and RGCD. TGCD, CGCD, and RGCD shall compensate the District for the services provided. The District earned total revenue of $14,504 from RGCD, $27,408 from TGCD, and $13,944 from CGCD in performance of these services during the fiscal year ended September 30, 2018. These contracts are renewed annually.

### M. Grants

Victoria Aquifer Storage and Recovery (ASR) Demonstration Project

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

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

### N. Pensions

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. 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.

### 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, 2018. At year-end, the carrying amount of the District's deposits was $2,456,803 and the respective bank balance totaled $2,473,744. Of the total bank balance, $250,000 was covered by Federal Depository Insurance. The remaining $2,223,744 was covered by additional securities pledged to the District at September 30, 2018. The fair market value of the pledged securities at year end was $4,043,631.

**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, 2018 the District had no investments.

Other Investment Risks

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

## NOTE 4: TAXES RECEIVABLE

At September 30, 2018, ad valorem taxes receivable of $51,187 was considered delinquent and reported as unavailable revenue in the Governmental Fund financial statement.

## NOTE 5: CHANGES IN CAPITAL ASSETS

| | Primary Government | | | |
|---|---|---|---|---|
| | Balance 10/1/2017 | Additions | Retirements | Balance 9/30/2018 |
| Governmental activities: | | | | |
| Capital assets: | | | | |
| Office remodel | $ 13,000 | $ - | $ - | $ 13,000 |
| Vehicle and equipment | 90,138 | 2,963 | - | 93,101 |
| Total capital assets at historical cost | 103,138 | 2,963 | - | 106,101 |
| Less accumulated depreciation for: | | | | |
| Office remodel | 1,950 | 1,300 | - | 3,250 |
| Vehicle and equipment | 65,707 | 10,143 | - | 75,850 |
| Total accumulated depreciation | 67,657 | 11,443 | - | 79,100 |
| Governmental activities capital assets, net | $ 35,481 | $ (8,480) | $ - | $ 27,001 |

Depreciation expense was charged to primary government in the amount of $11,443.

## 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, 2018. 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 |
|---|---|
| 2019 | $ 17,232 |
| 2020 | 17,232 |
| | $ 34,464 |

## 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, 2018, the District purchased commercial insurance to cover these risks.

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

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

## NOTE 8: PENSION PLAN

### A. Plan Description

The District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. The Board of Trustees of TCDRS 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. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The most recent CAFR for TCDRS can be found at the following link www.tcdrs.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 TCDRS (TCDRS Act). Employees can retire regardless of age with 30 years of service. The "Rule of 80" will determine retirement eligibility. Members are vested after 10 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

## 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 2017 |
|---|---|
| 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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

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

### C. Contributions

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

Employees of the District were required to contribute 5% of their annual gross earnings during the fiscal year ended September 30, 2018. The contribution rates for the District were 5.69% in the calendar year 2016 and 5.36% in the calendar year 2017. The District's contributions to TCDRS for the year ended September 30, 2018 were $11,766.

## NOTE 8: PENSION PLAN (Continued)

### D. Net Pension Asset

The District's Net Pension Asset (NPA) was measured as of December 31, 2017 and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

**Actuarial assumptions:**
The Total Pension Asset in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

The actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study from the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 8.10%. This rate reflects the long-term rate of return funding valuation assumption of 8.00% plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed 2017. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the below table. These capital market assumptions are based on January 2018 information for a ten year time horizon.

## NOTE 8: PENSION PLAN (Continued)

### D. Net Pension Asset (Continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| US Equities | 11.50% | 4.55% |
| Private Equity | 16.00% | 7.55% |
| Global Equities | 1.50% | 4.85% |
| International Equities - Developed | 11.00% | 4.55% |
| International Equities - Emerging | 8.00% | 5.55% |
| Investment-Grade Bonds | 3.00% | 0.75% |
| Stategic Credit | 8.00% | 4.12% |
| Direct Lending | 10.00% | 8.06% |
| Distressed Debt | 2.00% | 6.30% |
| REIT Equities | 2.00% | 4.05% |
| Master Limited Partnerships (MLPs) | 3.00% | 6.00% |
| Private Real Estate Partnerships | 6.00% | 6.25% |
| Hedge Funds | 18.00% | 4.10% |
| Totals | 100.00% | |

**Discount Rate**

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

## 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, 2016 | $ 120,638 | $ 122,412 | $ (1,774) |
| Changes for the year: | | | |
| Service cost | 17,038 | - | 17,038 |
| Interest on total pension liability | 11,152 | - | 11,152 |
| Effect of plan changes | - | - | - |
| Effect of economic/demographic gains or losses | 1,079 | - | 1,079 |
| Effect of assumptions changes or inputs | (474) | - | (474) |
| Administrative expenses | - | (106) | 106 |
| Member contributions | - | 9,220 | (9,220) |
| Net investment income | - | 18,168 | (18,168) |
| Employer contributions | - | 9,423 | (9,423) |
| Other | - | 249 | (249) |
| Net changes | 28,795 | 36,954 | (8,159) |
| Balance at December 31, 2017 | **$ 149,433** | **$ 159,366** | **$ (9,933)** |

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

| | 1% Decrease in Discount Rate (7.10%) | Discount Rate (8.10%) | 1% Increase in Discount Rate (9.10%) |
|---|---|---|---|
| Total pension liability | $ 172,157 | $ 149,432 | $ 130,108 |
| Fiduciary net position | 159,365 | 159,365 | 159,365 |
| Net pension liability/(asset) | $ 12,792 | $ (9,933) | $ (29,257) |

**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.

**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, 2018, the District recognized pension expense (income) of ($2,911).

At September 30, 2018, 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 | $ 9,139 | $ 1,893 |
| Changes in assumptions | 435 | 486 |
| Net difference between projected and actual earnings | 1,484 | - |
| Contributions made subsequent to measurement date | - | 8,692 |
| Total | $ 11,058 | $ 11,071 |

Deferred outflows of resources of $8,692, 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, 2018. 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 |
|---|---|---|
| 2018 | | $ (154) |
| 2019 | | (434) |
| 2020 | | (2,149) |
| 2021 | | (2,420) |
| 2022 | | (918) |
| Thereafter | | (2,604) |
| Total | | $ (8,679) |

## 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 District has elected to not extend this benefit to retired employees.

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

### 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, 2018, 2017, and 2016 were $554, $432, and $412, 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:

| Committed Purpose | Amount | Action |
|---|---|---|
| Legal contingencies | $ 1,079,106 | Through formal action |
| Groundwater research | $ 1,079,106 | Through formal action |

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

**NOTE 9: FUND BALANCES (Concluded)**

A schedule of fund balances is provided below:

| FUND BALANCES | General Fund | Total Governmental Funds |
|---|---|---|
| Committed: | | |
| Legal contingencies | $ 1,079,106 | $ 1,079,106 |
| Groundwater research | 1,079,106 | 1,079,106 |
| Unassigned | 230,756 | 230,756 |
| Total fund balances | $ 2,388,968 | $ 2,388,968 |

**NOTE 10: SUBSEQUENT EVENTS**

No material subsequent events were noted for the fiscal year ended September 30, 2018.

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through February 15, 2019, 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, 2018**

| | Original Budget | Amended Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property taxes | $ 600,114 | $ 600,114 | $ 608,863 | $ 8,749 |
| Interest income | 15,000 | 15,000 | 13,558 | (1,442) |
| District support fees | 82,800 | 82,800 | 56,989 | (25,811) |
| Grants | - | - | 130,553 | 130,553 |
| Miscellaneous income | - | - | 1,101 | 1,101 |
| Total revenues | 697,914 | 697,914 | 811,064 | 113,150 |
| **Expenditures/expenses** | | | | |
| Service operations: | | | | |
| Personnel | 273,812 | 273,812 | 270,819 | 2,993 |
| Professional fees | 49,500 | 47,000 | 108,098 | (61,098) |
| Contracted services | 290,000 | 275,000 | 44,918 | 230,082 |
| Telecommunications | 36,500 | 36,500 | 49,275 | (12,775) |
| Administrative | 52,250 | 51,650 | 37,684 | 13,966 |
| Sponsorships and cost-sharing | 127,000 | 142,000 | 64,630 | 77,370 |
| Repair and maintenance | 2,500 | 2,500 | 12,032 | (9,532) |
| Grant expense | - | - | 130,553 | (130,553) |
| Capital outlay | 11,000 | 14,100 | 2,963 | 11,137 |
| Total expenditures/expenses | 842,562 | 842,562 | 720,972 | 121,590 |
| Excess (deficiency) of revenues over expenditures/expenses | $ (144,648) | $ (144,648) | $ 90,092 | $ 234,740 |

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT**
**NOTE TO REQUIRED SUPPPLEMENTARY INFORMATION**
**For the Year Ended September 30, 2018**

**NOTE 1: <u>BUDGET</u>**

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.

**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, 2018**

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

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**TCDRS – SCHEDULE OF CONTRIBUTIONS (unaudited)**
**For the Year Ended September 30, 2018**

| | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| Actuarially determined contribution | $ 8,435 | $ 9,123 | $ 9,667 | $ 9,423 |
| Contributions in relation to the actuarially determined contribution | 9,274 | 9,976 | 9,667 | 9,423 |
| Contribution deficiency (excess) | $ (839) | $ (853) | $ - | $ - |
| Covered employee payroll | 157,318 | 168,023 | 169,893 | 184,404 |
| Contributions as a percentage of covered employee payroll | 5.90% | 5.94% | 5.69% | 5.11% |

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT**
**REQUIRED SUPPLEMENTARY INFORMATION**
**TCDRS – NOTES TO SCHEDULE OF CONTRIBUTIONS (unaudited)**
**For the Year Ended September 30, 2018**

| | |
|---|---|
| **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 | 2.75% |
| Salary Increases | 3.75% to 8.25% including 3.25% wage inflation |
| Investment Rate of Return | 8.10% |
| Cost-of-Living Adjustments | Cost-of-living adjustments for Victoria County Groundwater Conservation District are not considered to be substantively automatic under GASB 68. Therefore, no assumptions for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Retirement Age | Experienced-based table of rates that are specific to the District's plan of benefits. |
| Turnover | 0% |
| Mortality | |
| Depositing members | 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014. |
| Service retiree, beneficiaries and non-depositing members | 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. |
| Disabled retirees | 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. |

**Other Information:**

| | |
|---|---|
| Notes | There were no benefit changes during the year. |