

**Reeves County Groundwater Conservation District**

**Annual Financial Report**

**For the Year Ended December 31, 2016**

**REEVES COUNTY GROUNDWATER CONSERVATION DISTRICT**  
**Financial Statements with Supplementary Information**  
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**December 31, 2016**

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## ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF \_\_\_\_\_

Reeves

I, \_\_\_\_\_ Larry Turnbough \_\_\_\_\_ of the

(Name of Duly Authorized District Representative)

Reeves County Groundwater Conservation District

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the \_\_\_\_\_ day of \_\_\_\_\_ its annual audit report for the fiscal year or period ended 12/31/2016 and those copies of the annual audit report have been filed in the district office, located at:

119 S. Cedar, Pecos, Texas 79772

(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: \_\_\_\_\_ By: \_\_\_\_\_

(Signature of District Representative)

Larry Turnbough, Director

(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this \_\_\_\_\_ day of \_\_\_\_\_

(SEAL)

\_\_\_\_\_  
(Signature of Notary)

My Commission Expires On: \_\_\_\_\_

Notary Public in the State of Texas.

Painter and Associates, P.C.  
Certified Public Accountants  
836 King George Lane  
Savannah, Texas 76227-7854

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Reeves County Groundwater Conservation District  
Pecos, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the Reeves County Groundwater Conservation District ("District") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 of the Reeves County Groundwater Conservation District, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 7 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018, on our consideration of the Reeves County Groundwater Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Reeves County Groundwater Conservation District's internal control over financial reporting and compliance.

## ***Painter and Associates, P.C.***

Savannah, Texas  
June 15, 2018

# **REEVES COUNTY GROUNDWATER CONSERVATION DISTRICT**

PO Box 809  
Pecos, Texas 79772

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial Report, we, the managers of Reeves County Groundwater Conservation District, discuss and analyze the District's financial performance for the fiscal year ended December 31, 2016. Please read it in conjunction with, the independent auditors' report on page 2, and the District's Basic Financial Statements, which begin on page 8.

### **FINANCIAL HIGHLIGHTS**

During the year total net position of the District remained at \$0 as a result of this year's operations. The result was that net position of governmental activities remained at \$0 while \$31,984 was collected in taxes by the Reeves County Appraisal District, which will be recognized as revenue in the subsequent fiscal year.

During the year, the District had \$0 in expenses and \$0 in recognized revenues.

The District did not show any depreciation expense as no capital assets had been purchased as of December 31, 2016.

The general fund ended the year with a fund balance of \$0, which remained consistent with the prior year amount of \$0.

The budget for the District revealed \$0 more in revenues than were budgeted for, which included recognized ad valorem taxes, miscellaneous revenues, and interest, while \$0 less expenses were incurred than were budgeted for the year. The net effect of the budget variance was \$0.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and Governmental Funds Balance Sheet (on page 8) and the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance (on page 9) provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 11) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

## **REPORTING THE DISTRICT AS A WHOLE**

### ***The Statement of Net Position and the Statement of Activities***

The analysis of the District's overall financial condition and operations begins on page 8. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting and measure the inflows and outflows of economic resources.

These two statements report the District's net position and changes in net position. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, one should consider nonfinancial factors as well.

In the Statement of Net Position and the Statement of Activities we present the District as one kind of activity.

### **Governmental Activities**

The only fund reported by the District correspond with the general operations of the entity.

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

Laws and contracts require the District to establish some funds by state law and bond covenants.

### **Governmental Funds**

Only the District's general operating funds are reported in governmental funds. These use modified-accrual accounting, a method that measures the current financial resources of revenues and expenditure and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's activities.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities remained at \$0 for the fiscal year end. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was \$0 at December 31, 2016. This \$0 balance in governmental net position was the result of the District's not having any revenues or expenditures transactions during the fiscal year.

Table I  
Reeves County Groundwater Conservation District  
Net Position

	Governmental Activities		Year over Year Change	
	12/31/16	12/31/15	\$	%
<b>Assets</b>				
Cash and Cash Equivalents	\$ 31,984	\$ -	\$ 31,984	0.0%
Accounts Receivable, net	-	-	-	0.0%
Property, Plant and Equipment, net	-	-	-	0.0%
<b>Total Assets</b>	<b>\$ 31,984</b>	<b>\$ -</b>	<b>\$ 31,984</b>	<b>0.0%</b>
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ -	0.0%
Payroll Liabilities	-	-	-	0.0%
Long-term Liabilities	-	-	-	0.0%
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Deferred Inflows of Resources</b>				
Deferred Revenues	\$ 31,984	\$ -	\$ 31,984	0.0%
<b>Total Deferred Inflows of Resources</b>	<b>31,984</b>	<b>-</b>	<b>31,984</b>	<b>0.0%</b>
<b>Net Position</b>				
Invested in Capital Assets	-	-	-	0.0%
Restricted Net Position	-	-	-	0.0%
Unrestricted Net Position	-	-	-	0.0%
<b>Total Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 31,984</b>	<b>\$ -</b>	<b>\$ 31,984</b>	<b>0.0%</b>

Table II  
Reeves County Groundwater Conservation District  
Change in Net Position

	Governmental Activities		Year over Year Change	
	12/31/16	12/31/15	\$	%
<b>Revenues</b>				
Operating Revenues	\$ -	\$ -	\$ -	0.0%
Non-operating Revenues	-	-	-	0.0%
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Expenses</b>				
Personnel Expenses	-	-	-	0.0%
Operating Expenses	-	-	-	0.0%
<b>Total Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
Increase (Decrease) in Net Position before Transfers and Special Items	-	-	-	0.0%
<b>Net Position - Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Net Position - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>



## THE DISTRICT'S FUNDS

As the District completed the year, its General Fund, as presented in the Governmental Funds Balance Sheet, reported a fund balance of \$0.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of December 31, 2016, the District had \$0 invested in property & equipment.

Table III  
Reeves County Groundwater Conservation District  
Capital Assets

	Governmental Activities		Year over Year Change	
	12/31/16	12/31/15	\$	%
<b>Assets</b>				
Land	\$ -	\$ -	\$ -	0.0%
Buildings	-	-	-	0.0%
Machinery and Equipment	-	-	-	0.0%
Furniture and Fixtures	-	-	-	0.0%
<b>Total Assets</b>	-	-	-	0.0%
<b>Accumulated Depreciation</b>				
Accumulated Depreciation	-	-	-	0.0%
<b>Total Accumulated Depreciation</b>	-	-	-	0.0%
<b>Capital Assets, Net</b>	\$ -	\$ -	\$ -	0.0%

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's officials consider many factors when setting the next year's budget. One of these factors is the economy. There has been extensive oil and gas drilling in Reeves County and the mineral values have increased within the District. Management plans to be conservative in spending in an effort to assist the County in keeping the tax rates low.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the Reeves County Groundwater Conservation District, the participating taxing units, and other interested parties with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District Manager at the Reeves County Groundwater Conservation District, PO Box 809, Pecos, Texas 79772.

**REEVES COUNTY GROUNDWATER CONSERVATION DISTRICT**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**December 31, 2016**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 31,984	\$ -	\$ 31,984
Accounts Receivable, net	-	-	-
Other Assets	-	-	-
Property, Plant and Equipment, net	-	-	-
<b>Total Assets</b>	<u><u>\$ 31,984</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,984</u></u>
<b>Liabilities</b>			
Accounts Payable	\$ -	\$ -	\$ -
Payroll Liabilities	-	-	-
Long-term Liabilities	-	-	-
<b>Total Liabilities</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>Deferred Inflows of Resources</b>			
Deferred Revenue	<u>31,984</u>	<u>-</u>	<u>31,984</u>
<b>Total Deferred Inflows of Resources</b>	<u><u>31,984</u></u>	<u><u>-</u></u>	<u><u>31,984</u></u>
<b>Fund Balances</b>			
Unassigned Fund Balance	<u>-</u>		
<b>Total Fund Balances</b>	<u><u>-</u></u>		
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 31,984</u></u>		
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt			-
Unrestricted Net Position			<u>-</u>
<b>Total Net Position</b>			<u><u>-</u></u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>			<u><u>\$ 31,984</u></u>

The accompanying notes are an integral part of this statement

# REEVES COUNTY GROUNDWATER CONSERVATION DISTRICT

## Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance For the Year Ended December 31, 2016

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
<b>Expenditures / Expenses</b>			
Office Rent and Utilities	\$ -	\$ -	\$ -
Computers	-	-	-
Office Supplies	-	-	-
Insurance	-	-	-
Legal Fees	-	-	-
Hydrologist / Engineer	-	-	-
Consultant	-	-	-
Director's Training	-	-	-
Travel	-	-	-
Director Bonds	-	-	-
GCD Liability Insurance	-	-	-
Audit and Accounting	-	-	-
Postage	-	-	-
RCAD Collection Fees	-	-	-
Office Equipment	-	-	-
Office Insurance	-	-	-
Technical Equipment	-	-	-
Depreciation	-	-	-
<b>Total Expenditures / Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues</b>			
Ad Valorem Tax Collections	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources</b>			
Miscellaneous Income	-		-
Interest Income	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	-		
Change in Net Position		-	-
<b>Fund Balances / Net Position</b>			
Beginning of the Year	-		-
End of the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement

**REEVES COUNTY GROUNDWATER CONSERVATION DISTRICT**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

**Cash Flows from Operating Activities:**

Ad Valorem Tax Collections	\$ 31,984
Miscellaneous Income	-
Cash Paid to Employees and for Benefits	-
Cash Paid to Suppliers for Goods and Services	-
	<hr/>
Net Cash Provided (Used) by Operating Activities	31,984
	<hr/>

**Cash Flows from Capital and Related Financing Activities:**

Acquisition and Construction of Capital Assets	-
	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	-
	<hr/>

**Cash Flows from Investing Activities:**

Interest received	-
	<hr/>
Net Cash Provided (Used) by Investing Activities	-
	<hr/>

Net Increase (Decrease) in Cash and Cash Equivalents	31,984
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Cash, Beginning of Year	-
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Cash, End of Year	<hr/> <hr/> \$ 31,984
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**Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities**

Operating Income (Loss)	\$ -
Depreciation and Amortization	-
(Increase) Decrease in Accounts Receivable and Other Assets	-
Increase (Decrease) in Accounts Payable Other Liabilities	31,984
	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ 31,984
	<hr/> <hr/>

The accompanying notes are an integral part of this statement

**REEVES COUNTY GROUNDWATER CONSERVATION DISTRICT**  
**Notes to the Financial Statements**  
**December 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Reeves County Groundwater Conservation District, (District) was created in 2016 under general provisions of the Texas Water Code. The District was created to conduct projects and works to promote conservation and monitor the use of groundwater in Reeves County, Texas. The District operates with appointed board members while having no regular employees at fiscal year end. As a local government the District is exempt from federal income taxes, under Internal Revenue Code Section 115, and state sales tax.

**B. Financial Reporting Entity**

The District's financial statements include the accounts of all District operations. The criteria for including organizations within the District's reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards No. 14, The Financial Reporting Entity, is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The District's financial statements do not include any component units because none of the criteria for inclusion as set forth in GASB 14 have been met.

**C. Financial Statement Presentation**

These financial statements are presented in accordance with GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

GASB 34 requires the use of an enterprise fund to account for any activity for which the government's policy is to establish activity fees or charges designed to recover the cost of providing services, including costs such as depreciation or debt service. Accordingly, the District began reporting as an enterprise fund concurrent with its adoption of GASB 34.

**Government-wide Financial Statements**

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, display information for the reporting entity as a whole. They include the District's one and only fund.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include:

1. charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program, and
2. operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Miscellaneous revenues and other items not properly included among program revenues are reported instead as other financing sources.

**Proprietary Funds**

Enterprise funds (a type of proprietary fund) are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

## **D. Measurement Focus and Basis of Accounting**

### **Measurement Focus**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

On the Governmental Funds Balance Sheet and the Governmental Funds Revenues, Expenditures and Changes in Fund Balances, transactions are presented using the modified accrual method of accounting. Under this method revenues and disbursements are measured when the items can be easily converted into cash or the liability is known and can be measured. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year they are collected.

### **Basis of Accounting**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. Generally accepted accounting principles prescribed by the Financial Accounting Standards Board are applied unless they conflict with or contradict GASB pronouncements, or were issued after November 30, 1989.

Proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

In the Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

## **E. Budgetary Control**

The District Charter establishes the fiscal year as the twelve-month period beginning January 1<sup>st</sup>. A proposed budget is submitted to the Board of Directors for the year commencing the following January 1<sup>st</sup>. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with original and revised estimates for the current year and actual data for the preceding year.

Public hearings are conducted on the proposed budget to obtain taxpayer comments.

The Board, through passage, legally enacts the budget in the Board minutes establishing water and tax rates for the budgeted year. The Board of Directors is authorized to increase budgeted amounts within any department. Budgeted amounts in the accompanying financial statements have not been amended from the original budget. Formal budgetary integration is employed as a management control device during the year for the one and only fund. No encumbrances have been recorded.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results. All appropriations lapse at year end.

## **F. Assets, Liabilities, and Equity**

### **Cash and Cash Equivalents**

For the purpose of the Statement of Net Position and Statement of Cash Flows cash includes all demand deposits of the District.

### **Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include tax revenues.

### **Fixed Assets**

In the financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lived by type of asset is as follows:

Buildings	25-50 years
Improvements	10-50 years
Machinery & equipment	3-20 years

The District's capital asset activity for the year ended December 31, 2016 is as follows:

	Balance 12/31/15	Additions	(Deletions)	Balance 12/31/16
<b>Assets</b>				
Land	\$ -	\$ -	\$ -	\$ -
Buildings	-	-	-	-
Machinery and Equipment	-	-	-	-
Furniture and Fixtures	-	-	-	-
<b>Total Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Accumulated Depreciation</b>				
Accumulated Depreciation	-	-	-	-
<b>Total Accumulated Depreciation</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Capital Assets, Net</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the fiscal year was \$0.

### **Net Position / Fund Balance**

#### *Government-wide Statements*

GASB 34 requires the classification of fund equity into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

*Invested in capital assets, net of related debt* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This component of net position consists of constraints placed on asset use through external constraints imposed by creditors (such as through debt covenants),

grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – This component of net position consists of net assets that do not meet the definition of "restricted," or "invested in capital assets, net of related debt."

### *Fund Financial Statements*

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The following fund types are required under GASB 54.

1. Non-spendable fund balance – Amounts are not in spendable form or are legally or contractually required to be maintained intact, such as inventories.
2. Restricted fund balance – Amounts are restricted to specific purposes by their providers, (grantors, bondholders, higher levels of government, etc...) or through constitutional provisions or enabling legislation.
3. Committed fund balance – Amounts are restricted for purposes which the Board of Directors, the District's highest level of decision-making authority, has designated for their use. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking formal Board action.
4. Assigned fund balance – Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.
5. Unassigned fund balance – Amounts that are available for any purpose that have not been restricted, committed or assigned for specific purposes.

## **G. Revenues, Expenditures, and Expenses**

### **Operating Revenues**

#### *Property Tax*

Property tax is levied each October 1<sup>st</sup> on the assessed (appraisal) value listed as of the prior January 1<sup>st</sup> for all real and business personal property located in the District. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the District Board. Appraisal values are established by the Appraisal Board of Review at 100% for estimated fair market value.

Taxes are due on October 1<sup>st</sup>, the levy date, and are delinquent at the following January 31<sup>st</sup>. Tax liens are automatic on January 1<sup>st</sup> each year. The tax lien is part of a law suit for property that can be filed any time after taxes become delinquent (February 1<sup>st</sup>). The District usually waits until after July 1<sup>st</sup> to file suits on real estate property.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with *Generally Accepted Accounting Principles* have been recognized as revenues.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed at least every three years; however, the District may, at its own expense, require annual reviews of appraisal values. The District may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this legislation the District continues to set tax rates on District property. However, if the effective tax rate, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of



the District may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

### **Expenditures/Expenses**

In the financial statements, expenses are classified by function.

## **2. CASH AND INVESTMENTS**

### **Deposits**

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The District's deposits, including certificates of deposit, were fully insured or collateralized as required by the state statutes at December 31, 2016. At year end, the carrying amount of the District's deposits was a balance of \$31,984. The deposits were covered by the Federal Depository Insurance Corporation (FDIC). The deposits were considered collateralized as Category 3 credit risks.

### **Investments**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas:

1. safety of principal and liquidity,
2. portfolio diversification,
3. allowable investments,
4. acceptable risk levels,
5. expected rates of return,
6. maximum allowable stated maturity of portfolio investments,
7. maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio,
8. investment staff quality and capabilities, and;
9. bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in:

1. obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas,
2. certificates of deposit,
3. certain municipal securities,
4. money market savings accounts,
5. repurchase agreements,
6. bankers acceptances,
7. mutual funds,

8. investment pools,
9. guaranteed investment contracts, and;
10. common trust funds.

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

### **Policies Governing Deposits and Investments**

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy does address the following risks:

- a) *Custodial Credit Risk - Deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is that eligible securities for collateralization are those securities defined as eligible securities by the Public Funds Collateral Act. The District was not exposed to any custodial credit risk.
- b) *Custodial Credit Risk - Investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.
- c) *Interest-rate Risk:* Interest-rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District does not purchase or sell debt securities and invests only with the designated bank depository and as such does not have a policy that addresses this issue.
- d) *Other Credit Risk Exposure:* The District does not have a policy regarding investment in debt securities held either directly or indirectly because the District does not invest in this type security, securities of the U.S. government or of agencies guaranteed by the U.S. government. The District does invest in a public funds investment pool as permitted by Government code 2256.016.
- e) *Concentration Risk:* The District invests only in securities backed by the U.S. Government and thus does not have a policy regarding a concentration of credit risk.

### **3. ADJUSTMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

#### **Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position**

Total Governmental Fund Balances	\$ -
Statement of Net Position is different because:	
Net capital assets used in governmental activities are not financial resources and are not reported in funds	-
Total Net Position	<u>\$ -</u>

#### **Reconciliation of Governmental Funds Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities**

Excess (Deficiency) of Revenues Over Expenditures	\$ -
Statement of Activities is different because:	
Depreciation is not reported as an expense in the governmental funds	-
Change in Net Position	<u>\$ -</u>

#### **4. PRIOR PERIOD ADJUSTMENTS**

There were no prior period adjustments needed as of December 31, 2016.

#### **5. CONTINGENCIES**

##### *Litigation*

In the normal course of providing services to the public the District from time to time is subjected to litigation claims. The District defends itself against such claims based on internal assessment of liability and risk. Litigation expenses and damages are recorded as expense in the period when services are rendered. No liabilities have been accrued in the financial statements relative to litigation in process for the year ended December 31, 2016.

#### **6. 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. The District maintains insurance policies acquired from independent insurance carriers covering personal property and general liability. There have been no significant reductions in insurance coverage from prior years and settlements did not exceed insurance coverage for each of the past three years.

#### **7. RELATED PARTY TRANSACTIONS**

From time to time the District may enter into transactions with related parties through the normal course of business. If a member of the Board of Directors has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred for the year ended December 31, 2016.

#### **8. SUBSEQUENT EVENTS**

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through June 15, 2018, the date the financial statements were issued. No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date that would require adjustment to or disclosure in the financial statements.

Painter and Associates, P.C.  
Certified Public Accountants

836 King George Lane  
Savannah, Texas 76227-7854

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Reeves County Groundwater Conservation District  
Pecos, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Reeves County Groundwater Conservation District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise District's basic financial statements and have issued our report thereon dated June 15, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

## **Painter and Associates, P.C.**

Savannah, Texas  
June 15, 2018

**REEVES COUNTY GROUNDWATER CONSERVATION DISTRICT**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended December 31, 2016

	<b>Budgeted Amounts</b>			<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>2016</b>	<b>Final Budget</b>
	<b>Budget</b>	<b>Budget</b>	<b>Actual</b>	<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Ad Valorem Tax Collections	\$ -	\$ -	\$ -	\$ -
Miscellaneous Income	-	-	-	-
Interest Income	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Office Rent and Utilities	-	-	-	-
Computers	-	-	-	-
Office Supplies	-	-	-	-
Insurance	-	-	-	-
Legal Fees	-	-	-	-
Hydrologist / Engineer	-	-	-	-
Consultant	-	-	-	-
Director's Training	-	-	-	-
Travel	-	-	-	-
Director Bonds	-	-	-	-
GCD Liability Insurance	-	-	-	-
Audit and Accounting	-	-	-	-
Postage	-	-	-	-
RCAD Collection Fees	-	-	-	-
Office Equipment	-	-	-	-
Office Insurance	-	-	-	-
Depreciation	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

**Notes to Required Supplementary Information**

Reconciliation to Change in Net Position

Depreciation Expense

-  
\$ -