

**RUSK COUNTY**  
**GROUNDWATER CONSERVATION DISTRICT**  
Rusk County, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended  
**August 31, 2019**



**Rusk County Groundwater Conservation District  
Financial Statements  
For the Year Ended August 31, 2019**

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## Financial Section

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# Morgan LaGrone, CPA, PLLC

## Certified Public Accountant

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Telephone: 903.657.0240  
Fax: 903.655.1324

116 S Marshall  
Henderson TX 75654

### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Rusk County Groundwater Conservation District  
P.O. Box 97  
Henderson, TX 75653

Members of the Board:

We have audited the accompanying financial statements of the governmental activities and each major fund of Rusk County Groundwater Conservation District as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### Auditor's Responsibility

Our responsibility is to express opinions of 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 of 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 audit 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 of 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.

**MEMBER**

*AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS*

## 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 Rusk County Groundwater Conservation District as of August 31, 2019, and the respective changes in financial position thereof for the year then ended in conformity 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, schedule of changes in net pension liability and related ratios, and the schedule of employer contributions 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.

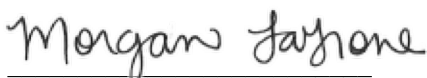
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020, on our consideration of the 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 the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,



Morgan LaGrone  
Certified Public Accountant  
Henderson, Texas  
January 27, 2020



# RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2019

This section of Rusk County Groundwater Conservation District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's net position was \$515,310 at August 31, 2019.
- During the year, the District's expenses were \$7,267 more than the \$206,191 generated in taxes and other revenues for governmental activities.
- The general fund reported fund balance this year of \$467,744, of which \$92,744 was unassigned and \$375,000 was committed.
- Significant accomplishments during the 2019 fiscal year are published in the District's Annual Report 2019. Copies are available from the District's administrative offices.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

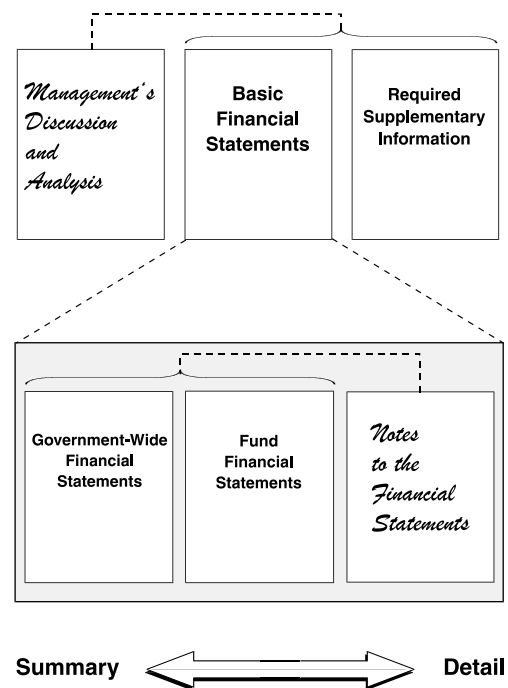
#### Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- The government-wide financial statements of the District include the governmental activities. All of the District's basic services are included here. Property taxes finance virtually all of the District's activities.

Figure A-1, Required Components of the District's Annual Financial Report



# RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2019

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds may be required by State law.
- The Board of Directors may establish other funds to control and manage money for particular purposes.

The District has the following kinds of funds:

- Governmental funds—All of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's net position was \$515,310 at August 31, 2019.

Table A-1  
Rusk County Groundwater Conservation District  
Net Position

	<u>2019</u>	<u>2018</u>	Increase/ (Decrease) <u>2018-2019</u>	Percentage Change <u>2018-2019</u>
<b>Current Assets:</b>				
Cash	\$ 481,322	\$ 480,399	\$ 923	0.19%
Accounts Receivable	-	-	-	0.00%
Net Pension Asset	1,797	9,143	(7,346)	(80.35%)
Taxes Receivable, Net	19,155	20,359	(1,204)	(5.91%)
Total Current Assets	<u>\$ 502,274</u>	<u>\$ 509,901</u>	<u>\$ (7,627)</u>	<u>(1.50%)</u>
<b>Noncurrent Assets:</b>				
Furniture & Equipment	\$ 145,714	\$ 140,298	\$ 5,416	3.86%
Software	37,700	37,700	-	0.00%
Less: Accumulated Depreciation	(157,185)	(143,181)	(14,004)	(9.78%)
Total Noncurrent Assets	<u>\$ 26,229</u>	<u>\$ 34,817</u>	<u>\$ (8,588)</u>	<u>-(24.67%)</u>
Total Assets	<u>\$ 528,503</u>	<u>\$ 544,718</u>	<u>\$ (16,215)</u>	<u>(2.98%)</u>
Deferred Outflows of Resources	<u>\$ 8,872</u>	<u>\$ 3,553</u>	<u>\$ 5,319</u>	<u>-(149.70%)</u>
<b>Current Liabilities:</b>				
Accounts Payable & Accrued Liabilities	\$ 13,578	\$ 15,700	\$ (2,122)	-13.52%
Total Current Liabilities	<u>\$ 13,578</u>	<u>\$ 15,700</u>	<u>\$ (2,122)</u>	<u>-13.52%</u>
Deferred Inflows of Resources	<u>\$ 8,487</u>	<u>\$ 9,994</u>	<u>\$ (1,507)</u>	<u>-15.08%</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	\$ 26,229	\$ 34,817	\$ (8,588)	(24.67%)
Unrestricted	489,081	487,760	1,321	-(0.27%)
Total Net Position	<u>\$ 515,310</u>	<u>\$ 522,577</u>	<u>\$ (7,267)</u>	<u>(1.39%)</u>

# RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2019

The \$489,081 of unrestricted net position represents resources available to fund the programs of the District next year.

Change in net position. The District's total revenues were \$206,191. Of the District's revenue, 91.71% comes from property taxes, 5.08% comes from fees charged for permits and well inspections, and the remaining 3.22% comes from interest and miscellaneous.

The total cost of all programs and services was \$207,798.

### Governmental Activities

Table A-2  
Rusk County Groundwater Conservation District  
Change in Net Position

	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease) 2018-2019</u>	<u>Percentage Change 2018-2019</u>
Program Revenues:				
Charges for Services	\$ 10,475	\$ 8,325	\$ 2,150	25.83%
General Revenues:				
Tax Revenue	189,080	151,167	37,913	(25.08%)
Interest and Miscellaneous	6,636	14,233	(7,597)	(53.38%)
Total Revenues	<u>\$ 206,191</u>	<u>\$ 173,725</u>	<u>\$ 32,466</u>	<u>(18.69%)</u>
Expenses:				
General Government	\$ 205,860	\$ 208,169	\$ (2,309)	-1.11%
Education Center	1,938	1,630	308	18.90%
Total Expenses	<u>\$ 207,798</u>	<u>\$ 209,799</u>	<u>\$ (2,001)</u>	<u>-0.95%</u>
Extraordinary Item - Compressor Refunds	\$ (5,660)	\$ -	\$ (5,660)	n/a
Total Extraordinary Items	<u>\$ (5,660)</u>	<u>\$ -</u>	<u>\$ (5,660)</u>	<u>n/a</u>
Change in Net Position	<u>\$ (7,267)</u>	<u>\$ (36,074)</u>	<u>\$ 28,807</u>	<u>(79.86%)</u>

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$214,384, an increase of \$26,870 from the preceding year. Property tax revenue increased \$24,786 because of an increase in the District's property values and properties that settled with the appraisal district; and because of an increase in the needs for services, revenues from the issuance of permits and inspection increased \$3,150 from the prior year. During the year, the District received \$7,000 less in penalty payments than they did in the prior year.

Expenditures from governmental fund types totaled \$198,286, a decrease of \$22,860 from the preceding year.

### General Fund Budgetary Highlights

During the year, the District revised its budget. Actual expenditures were \$2,304 below budget amounts.

Fund balance in the General Fund increased by \$16,098.

# RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2019

### CAPITAL ASSETS

At the end of 2019, the District had invested \$183,414 in capital assets, consisting of two vehicles, software, equipment, a computer server, and leasehold improvements for the education center (See Table A-3).

Table A-3  
Rusk County Groundwater Conservation District  
Capital Assets

	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease) 2018-2019</u>	<u>Percentage Change 2018-2019</u>
Capital Assets				
Vehicles	\$ 36,096	\$ 36,096	\$ -	0.00%
Equipment	91,698	86,282	5,416	6.28%
Leasehold Improvements	17,920	17,920	-	0.00%
Software	37,700	24,700	13,000	52.63%
Total Capital Assets	<u>\$ 183,414</u>	<u>\$ 164,998</u>	<u>\$ 18,416</u>	<u>11.16%</u>
Less Accumulated Depreciation	<u>(157,185)</u>	<u>(142,621)</u>	<u>(14,564)</u>	<u>(10.21%)</u>
Net Capital Assets	<u>\$ 26,229</u>	<u>\$ 22,377</u>	<u>\$ 3,852</u>	<u>17.22%</u>

Capital assets are also presented in Note III B to the financial statements.

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

- Amounts available for appropriation in the General Fund budget are \$195,328 which is an increase of \$4,256 from the 2018-2019 adopted budget. Property tax revenue is expected to increase because of an increase in property values.
- General Fund spending decreases in the 2019-2020 budget to \$195,100.
- The District anticipates an increase of approximately \$200 of fund balance.

The District's major programs and initiatives for the coming year are outlined in the District's Annual Report 2019. Copies are available from the District's administrative offices and online at [www.rcgcd.org](http://www.rcgcd.org).

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT STAFF

This financial report is designed to provide residents residing within the District, creditors, and the general public with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administrative Offices.

## Basic Financial Statements

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Rusk County Groundwater Conservation District  
Statement of Net Position  
August 31, 2019

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash	\$481,322
Taxes Receivable, Net	19,155
Net Pension Asset	1,797
Capital Assets, Net	26,229
Total Assets	<u>\$528,503</u>
<b><u>Deferred Outflows of Resources</u></b>	
Deferred Outflows Related to Pensions	\$8,872
Total Deferred Outflows of Resources	<u>\$8,872</u>
<b><u>Liabilities</u></b>	
Accounts Payable	\$5,300
Salaries Payable	4,325
Retirement Payable	854
Commissions Payable	92
Deposits	1,050
Payroll Tax Payables	1,957
Total Liabilities	<u>\$13,578</u>
<b><u>Deferred Inflows of Resources</u></b>	
Deferred Inflows Related to Pensions	\$8,487
Total Deferred Outflows of Resources	<u>\$8,487</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	\$26,229
Unrestricted	489,081
Total Net Position	<u><u>\$515,310</u></u>

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

Rusk County Groundwater Conservation District  
Statement of Activities  
For the Year Ended August 31, 2019

	<u>Expenses</u>	<u>Program Revenues</u> Charges for <u>Services</u>	<u>Operating</u> Grants and <u>Contributions</u>	<u>Net (Expense)</u> <u>Revenue and</u> Changes in <u>Net Position</u>  <u>Governmental</u> <u>Activities</u>
<b><u>Functions/Programs</u></b>				
Governmental Activities:				
General Government	\$205,860	\$10,475	\$0	(\$195,385)
Education Center	1,938	0	0	(1,938)
Total Governmental Activities	<u>\$207,798</u>	<u>\$10,475</u>	<u>\$0</u>	<u>(\$197,323)</u>
General Revenues:				
Property Taxes				\$189,080
Interest				6,626
Miscellaneous				10
Extraordinary item - Compressor Refunds				<u>(5,660)</u>
Total General Revenues				<u>\$190,056</u>
Change in Net Position				(7,267)
Net Position - Beginning, as originally reported				510,137
Prior Period Adjustment - See note G				<u>12,440</u>
Net Position - Beginning, as restated				<u>522,577</u>
Net Position - Ending				<u>\$515,310</u>

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



Rusk County Groundwater Conservation District  
Balance Sheet - General Fund  
August 31, 2019

<b><u>Assets</u></b>	
Cash	\$481,322
Taxes Receivable, Net	19,155
	<hr/>
Total Assets	\$500,477
	<hr/> <hr/>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	
<b><u>Liabilities</u></b>	
Accounts Payable	\$5,300
Salaries Payable	4,325
Retirement Payable	854
Commissions Payable	92
Deposits	1,050
Payroll Tax Payables	1,957
	<hr/>
Total Liabilities	\$13,578
	<hr/>
<b><u>Deferred Inflows of Resources</u></b>	
Deferred Revenue - Unavailable Property Taxes	\$19,155
	<hr/>
Total Deferred Inflows of Resources	\$19,155
	<hr/>
<b><u>Fund Balances</u></b>	
Committed Fund Balance - Legal	375,000
Unassigned	92,744
	<hr/>
Total Fund Balance	\$467,744
	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$500,477
	<hr/> <hr/>

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

Rusk County Groundwater Conservation District  
Reconciliation of the Balance Sheet-General Fund  
to the Statement of Net Position  
August 31, 2019

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Amounts Reported for Governmental Activities in the Statement of Net Position  
are Different Because:

Total Fund Balances-Total Governmental Funds (Page 9)	\$467,744
Net Delinquent Property Taxes Receivable is a "long-term asset" and not available to pay for current period expenditures and therefore is deferred in the funds.	19,155
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,229
Recognition of the District's proportionate share of the net pension asset is not reported in the funds.	1,797
Deferred Resource Inflows related to TCDRS are not reported in the funds	(8,487)
Deferred Resource Outflows related to TCDRS are not reported in the funds	8,872
Net Position of Governmental Activites (Page 7)	<u><u>\$515,310</u></u>

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

Rusk County Groundwater Conservation District  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances-General Fund  
For the Year Ended August 31, 2019

**Revenues:**

Tax Revenue	\$190,286
Interest	6,626
Permits and Fees	10,475
Miscellaneous	10

Total Revenues	<u>\$207,397</u>
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**Expenditures:**

Assessment - Appraisal District	\$3,622
Assessor Commissions	2,310
Audit/Bookkeeping	9,450
Automobile Expense	2,877
Consultant	1,688
Computer & Software	15,660
Director Fees	3,800
Dues, Fees, & Subscriptions	1,319
Education Center	500
Equipment	7,195
Insurance	2,726
Interest	482
Legal & Professional	9,751
Business Meals	291
Office Expense	3,772
Payroll Taxes	8,561
Postage	295
Printing & Reproduction	696
Repairs & Maintenance	245
Salaries	111,669
Employee Benefits	4,327
Security	480
Telephone & Internet	3,457
Travel & Conferences	3,519

Total Expenditures	\$198,692
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Extraordinary Item - Compressor Refunds	<u>(5,660)</u>
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Net Change in Fund Balance	<u>\$3,045</u>
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Fund Balance, September 1, 2018	<u>464,699</u>
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Fund Balance, August 31, 2019	<u><u>\$467,744</u></u>
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The notes to the financial statements are an integral part of this statement.

Rusk County Groundwater Conservation District  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances-General Fund  
To the Statement of Activities  
For the Year Ended August 31, 2019

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Amounts Reported for Governmental Activities in the Statement of Activities  
are Different Because:

Net Change in Fund Balances-Total Governmental Funds (Page 11)	\$3,045
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(1,204)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(8,588)
Pension expense related to GASB 68 us recorded in the Statement of activities but not in the funds.	(520)
	<hr/>
Changes in Net Position of Governmental Activities (Page 8)	<u><u>(\$7,267)</u></u>

# RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

August 31, 2019

## I. Summary of Significant Accounting Policies

Rusk County Groundwater Conservation District was established by acts of the 78<sup>th</sup> Legislature, House Bill No. 3569 and approved by the voters of Rusk County in a confirmation election held June 5, 2004. The organization functions under Chapter 36 of the Texas Water Code. The District is managed by a board of directors of nine members. The permanent board consists of nine members with one elected at large from the entire District and two each to be elected from each county commission's precinct. The purpose of the District is to provide for the conservation, preservation, and management of groundwater and the related issues of waste.

The District is authorized to levy taxes, and the current rate adopted is \$.0050 cent per \$100 of valuation. The District is also allowed under the act to establish production fees and charge for permits.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government's significant accounting policies are described below.

### A. Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units for which the District may be financially accountable and, as such, should be included within the District's financial statements. The District is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial burden on the District. Additionally, the District is required to consider other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based upon the application of those criteria, the District has no component units.

### B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. Any interfund activity is removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are to be reported separately from business-type activities. Rusk County Groundwater Conservation District has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers, citizens, or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. The District's program revenues consist of permits for the drilling of wells and fees for the inspection of wells and donations for the establishment of the education center. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the Fund Financial Statements.

# RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

August 31, 2019

## C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. The District considers property taxes measurable and available only when cash is received by the District.

The District reports the following major Governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

## D. Assets, Liabilities, and Net Position or Equity

### 1. Deposits and Investments

The District's cash includes amounts on hand and in demand deposits.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

### 2. Property Taxes

The District's property taxes are levied on October 1 on the assessed value as of the previous January 1 for all real and personal property located in the District and are due on January 31. The District is limited by State statute to a tax rate of \$0.0050 per \$100 of assessed valuation. All unpaid taxes levied on October 1 become delinquent July 1 of the following year. Property taxes are recorded when levied. Revenue is recognized as taxes are levied on the government-wide statements and as collected on the fund statements. Property taxes that are not recognized as revenue in the current year are shown on the governmental funds balance sheet as deferred revenue.

### 3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A capitalization threshold of \$5,000 and an estimated useful life in excess of three years is used.

# RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

August 31, 2019

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Equipment & Vehicles	5
Software	3
Leasehold Improvements	20

#### **4. *Deferred Outflows and Inflows of Resources***

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds Balance Sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has deferred outflows of resources related to pensions.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Deferred Revenue – Unavailable Property Taxes, which is reported in the governmental fund Balance Sheet and deferred inflows related to pensions.

#### **5. *Fund Balances – Governmental Funds***

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – represents amount that can only be used for a specific purpose because of a formal action by the District’s Board of Directors. Committed amounts cannot be used for any other purpose unless the Board of Directors removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Directors. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose.

# RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

August 31, 2019

Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. The Board of Directors has not authorized an individual to assign fund balance.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, the assigned funds, and finally unassigned funds.

## **6. Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted –net position is applied.

## **E. Pensions**

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS’ fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At August 31, 2019 the District reported the following:

Net Pension Asset	\$ 1,797
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## **II. Stewardship, Compliance, and Accountability**

### **Budgetary Information**

Prior to September 1, the District discusses and considers an operating budget for the fiscal year commencing the following September 1. The operating budget includes expenditures and the means of financing them for the upcoming year. The budget for the 2018-2019 year was approved on August 27, 2018.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Board of Directors. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes



# RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

August 31, 2019

of the Board, and are not made after fiscal year end. The budget was amended during the year. All budget appropriations lapse at year-end.

## III. Detailed Notes on All Funds

### A. Deposits and Investments

#### Deposits

At August 31, 2019, the carrying amount of the District's deposits with financial institutions was \$481,322, and the bank balances were \$479,791. The bank balance was fully covered by federal depository insurance or collateral held by the pledging financial institution's agent in the District's name.

#### Investments

The District is required by Texas Water Code Chapter 49 and Government Code Chapter 2256, The Public Funds Investment Act ("Act"), 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.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper. During the year ended August 31, 2019, the District had no investments.

#### Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

- Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District was not exposed to credit risk.

- Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or

# RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements  
August 31, 2019

collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. The District was not exposed to custodial credit risk.

- Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District was not exposed to concentration of credit risk.

- Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District was not exposed to interest rate risk.

- Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The District does not engage in foreign currency transactions. The District was not exposed to foreign currency risk.

## B. Capital Assets

Capital asset activity for the year ended August 31, 2019, was as follows:

	(As Restated)			
	Balance			Balance
	September 1,			August 31,
	<u>2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>2019</u>
Capital Assets Being Depreciated:				
Vehicles & Equipment	\$ 122,378	\$ 5,416	\$ -	\$ 127,794
Leasehold Improvements	17,920	-	-	17,920
Software	37,700	-	-	37,700
Total Capital Assets Being Depreciated	<u>\$ 177,998</u>	<u>\$ 5,416</u>	<u>\$ -</u>	<u>\$ 183,414</u>
Less: Accumulated Depreciation for:				
Vehicles & Equipment	\$ (122,185)	\$ (541)	\$ -	\$ (122,726)
Leasehold Improvements	(4,704)	(896)	-	(5,600)
Software	(16,292)	(12,567)	-	(28,859)
Total Accumulated Depreciation	<u>\$ (143,181)</u>	<u>\$ (14,004)</u>	<u>\$ -</u>	<u>\$ (157,185)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 34,817</u>	<u>\$ (8,588)</u>	<u>\$ -</u>	<u>\$ 26,229</u>
Capital Assets, Net	<u>\$ 34,817</u>	<u>\$ (8,588)</u>	<u>\$ -</u>	<u>\$ 26,229</u>

# RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

August 31, 2019

Depreciation was charged to functions as follows:

General Government	\$ 12,567
Education Center	1,438
	<u>\$ 14,004</u>

## C. Property Taxes Receivable

Current Tax Year	\$ 4,985
Prior Tax Years	16,782
Total	<u>21,767</u>
Less: Allowance for Uncollectible Taxes	(2,612)
Net Taxes Receivable	<u>\$ 19,155</u>

## D. 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 for which the District carries commercial insurance. There have been no significant reductions in insurance coverages during the year ended August 31, 2019.

## E. Pension Plan

### Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through an agent, multiple-employer pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of over 600 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2038.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 5 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial 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, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

# RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements  
August 31, 2019

## Contributions

Employees for the Rusk County Groundwater Conservation District were required to contribute 7% of their gross earnings during the fiscal year. The contribution rates for the District were 4.44% and 4.45% in calendar 2018 and 2019, respectively. The District's contributions to TCDRS for the year ended August 31, 2019 were \$4,232.27 and were equal to the required contributions.

## Net Pension Liability

At December 31, 2018, the District reported a net pension asset of \$1,797. The changes in the net pension asset were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2017	\$ 67,752	\$ 76,895	\$ (9,143)
Changes for the year:			
Service Cost	10,137	-	10,137
Interest on total pension liability	6,260	-	6,260
Effect of Plan Changes	394	-	394
Effect of economic/demographic G/L	111	-	111
Diff between expected/actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	4,156	(4,156)
Contributions - employee	-	6,508	(6,508)
Net investment income	-	(1,327)	1,327
Benefit payments, including refunds of employee contributions	(1,245)	(1,245)	-
Administrative expenses	-	(68)	68
Other charges	-	287	(287)
Net changes	\$ 15,657	\$ 8,311	\$ 7,346
Balance at 12/31/2018	\$ 83,409	\$ 85,206	\$ (1,797)

## Discount Rate

The discount rate used to measure the total pension asset was 8.1%. There was no change in discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contribution employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current members. 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.

# RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements  
August 31, 2019

## Discount Rate Sensitivity Analysis

The following presents the net pension asset of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	7.10%	8.10%	9.10%
Total pension liability	\$100,912	\$83,409	\$69,283
Fiduciary net position	<u>85,207</u>	<u>85,207</u>	<u>85,207</u>
Net pension liability / (asset)	\$15,705	(\$1,797)	(\$15,924)

## Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended August 31, 2019 the District recognized pension expense in the amount of \$4,770.

At August 31, 2019, the District reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

<b>Deferred Inflows/Outflows of Resources</b>	<b>Deferred Inflows Of Resources</b>	<b>Deferred Outflows Of Resources</b>
Differences between expected and actual experience	\$8,487	\$103
Changes of assumptions	0	797
Net difference between projected and actual earnings	0	5,183
Contributions made subsequent to measurement date	<u>N/A</u>	<u>2,789</u>
Total	\$8,487	\$8,872

\$2,789 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase of the net pension asset for the year ending August 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$1,152
2020	412
2021	277
2022	1,002
2023	(585)
Thereafter	(4,662)

# **RUSK COUNTY GROUNDWATER CONSERVATION DISTRICT**

Notes to Financial Statements

August 31, 2019

## **F. Extraordinary Item**

Rusk County Groundwater Conservation District reported an extraordinary item equal to \$5,660 for the refunding of prior years' tax revenue that was previously assessed on heavy equipment. Due to a Texas Supreme Court ruling, local tax rolls were forced to remove heavy equipment compressors as far back as 2012 and pay interest on the resulting refunds.

## **G. Prior Period Adjustment**

During the fiscal year ended August 31, 2019, the District discovered that it had not recognized a significant capital asset purchase. The correction of this error increased beginning Net Position by \$12,440 and required a restatement of fiscal year 2018 financial statements as reflected in the Statement of Activities. There was no change to the District's governmental fund balance.

## Required Supplementary Information

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Rusk County Groundwater Conservation District  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
General Fund (Budgetary Basis)  
For the Year Ended August 31, 2019

	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Tax Revenue	\$182,072	\$180,072	\$187,976	\$7,904
Interest	4,000	6,000	6,626	626
Permits and Fees	2,000	3,050	10,475	7,425
Other Revenue	3,000	5,650	10	(5,640)
<b>Total Revenues</b>	<b>\$191,072</b>	<b>\$194,772</b>	<b>\$205,087</b>	<b>\$10,315</b>
<b>Expenditures:</b>				
Accounting	\$9,200	\$9,200	\$9,450	(\$250)
Assessment-Appraisal District	3,700	3,630	3,622	8
Automobile Expense	3,000	2,500	2,877	(377)
Computer and Software	9,500	15,300	15,660	(360)
Consultant	6,000	10,000	1,688	8,313
Directors Fees	6,000	3,600	3,800	(200)
Dues and Subscriptions	1,300	1,270	1,319	(49)
Education/Conservation Printing	1,000	850	696	154
Equipment	5,000	7,905	7,195	710
Insurance	2,600	2,730	2,726	4
Interest	-	-	482	(482)
Legal	5,000	9,240	9,751	(511)
Office Expense	6,000	5,100	5,083	17
Payroll and Related Taxes	132,000	121,000	124,531	(3,531)
Telephone and Internet	3,200	3,500	3,457	43
Travel and Conferences	2,400	3,800	3,519	281
Water Center	500	500	500	0
Texas Workforce	600	50	26	24
Well Plugging Reimbursement	-	-	-	-
<b>Total Expenditures</b>	<b>\$197,000</b>	<b>\$200,175</b>	<b>\$196,382</b>	<b>\$3,793</b>
Excess of Revenues over Expenditures	(\$5,928)	(\$5,403)	\$8,705	14,108
Extraordinary Item - Compressor Refunds	-	-	(5,660)	5,660
<b>Net Change in Fund Balance</b>	<b>(5,928)</b>	<b>(5,403)</b>	<b>3,045</b>	<b>(8,448)</b>
Fund Balance, September 1, 2018	464,699	464,699	464,699	-
<b>Fund Balance, August 31, 2019</b>	<b>\$458,771</b>	<b>\$459,296</b>	<b>\$467,744</b>	<b>\$11,320</b>

Rusk County Groundwater Conservation District  
Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - (Budgetary Basis) - General Fund to the Statement of Revenues, Expenditures, and Changes in the Fund Balance - General Fund  
For the Year Ended August 31, 2019

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Total revenues - Exhibit 5	\$ 205,087
Tax Assessor Commissions	2,310
	<hr/>
Total revenues - General Fund - Exhibit 4	<u>\$ 207,397</u>
Total Expenditures - Exhibit 5	\$ 196,382
Tax Assessor Commissions	2,310
	<hr/>
Total expenditures - General Fund - Exhibit 4	<u>\$ 198,692</u>

Rusk County Groundwater Conservation District  
Schedule of Changes in Net Position Liability and Related Ratios  
Last Ten Years

	Year Ended December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Total Pension Liability</b>										
Service cost	\$ 10,137	\$ 10,097	\$ 10,345	\$ 8,359	\$ 14,212	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	6,260	5,120	3,717	3,045	2,664	N/A	N/A	N/A	N/A	N/A
Effect on plan changes	394	-	-	(515)	-	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes and inputs	-	171	-	848	-	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	111	(113)	(677)	(3,802)	(6,831)	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(1,245)	(1,245)	(933)	-	(5,171)	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	15,657	14,030	12,452	7,936	4,874	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	67,752	53,722	41,270	33,334	28,460	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	\$ 83,409	\$ 67,752	\$ 53,722	\$ 41,270	\$ 33,334	N/A	N/A	N/A	N/A	N/A
<b>Fiduciary Net Position</b>										
Employee contributions	\$ 4,156	\$ 3,919	\$ 4,787	\$ 5,063	\$ 4,376	N/A	N/A	N/A	N/A	N/A
Member contributions	6,508	6,179	6,347	6,250	5,402	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(1,327)	8,782	3,385	(468)	1,613	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(1,245)	(1,245)	(933)	-	(5,171)	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(68)	(51)	(37)	(29)	(24)	N/A	N/A	N/A	N/A	N/A
Other	288	118	865	(3)	(2)	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	8,312	17,702	14,414	10,812	6,194	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	\$ 76,894	59,192	44,778	33,966	27,772	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	\$ 85,206	\$ 76,894	\$ 59,192	\$ 44,778	\$ 33,966	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a) - (b)	\$ (1,798)	\$ (9,143)	\$ (5,470)	\$ (3,508)	\$ (632)	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	102.15%	113.49%	110.18%	108.50%	101.90%	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$ 92,971	\$ 88,268	\$ 90,670	\$ 89,291	\$ 77,170	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	-1.93%	-10.36%	-6.03%	-3.93%	-0.82%	N/A	N/A	N/A	N/A	N/A

*This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.*

Rusk County Groundwater Conservation District  
Schedule Of Contributions  
For the Year Ended December 31, 2019

	Fiscal Year Ended August 31,			
	2018	2017	2016	2015
Actuarially determined contribution	\$ 4,156	\$ 3,919	\$ 4,787	\$ 4,723
Contributions in relation to				
actuarially determined contribution	(4,156)	(3,919)	(4,787)	5,063
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (340)
Covered employee payroll	\$ 92,971	\$ 88,268	\$ 90,670	\$ 89,291
Contributions as a percentage of covered employee payroll	4.47%	4.44%	5.28%	5.29%

Rusk County Groundwater Conservation District  
Notes to Schedule of Contributions  
For the Year Ended August 31, 2019

**Valuation Date:** Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	1.8 years
Asset Valuation Method	5-yr smoothed market
Inflation	3.00%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial variation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously, Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

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## Compliance Section

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**Morgan LaGrone, CPA, PLLC**  
**Certified Public Accountant**

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Telephone: 903.657.0240  
Fax: 903.655.1324

116 S Marshall  
Henderson TX 75654

**Independent Auditor's Report**

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*

January 27, 2020

Board of Directors  
Rusk County Groundwater Conservation District  
P.O. Box 97  
Henderson, TX 75653

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Rusk County Groundwater Conservation District as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2020.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Rusk County Groundwater Conservation 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 opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Rusk County Groundwater Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rusk County Groundwater Conservation 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.

**MEMBER**

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Our consideration of the 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

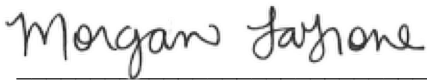
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rusk County Groundwater Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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. The 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.

Respectfully submitted,



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Morgan LaGrone  
Certified Public Accountant