

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2018

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2018

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Annual Filing Affidavit	1
	Independent Auditor's Report	2-4
	Management's Discussion and Analysis	5-12
 <u>BASIC FINANCIAL STATEMENTS</u>		
Government-Wide Statements:		
A-1	Statement of Net Position	13
B-1	Statement of Activities	14
 Governmental Funds Financial Statements:		
C-1	Balance Sheet	15
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances	17
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
 Fiduciary Funds Financial Statements:		
E-1	Statement of Net Position	19
	Notes to the Financial Statements	20-53
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>		
G-1	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	54
G-2	Schedule of Changes in Net Pension Liability and Related Ratios	55
G-3	Schedule of Contributions	56
	Notes to the Required Supplementary Information	57

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2018

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
<u>COMBINING SCHEDULES</u>	
H-1	58
H-2	59
<u>OTHER SCHEDULES</u>	
J-1	60
J-2	61
J-3	62
J-4	63
J-5	64
J-6	65
J-7	66
J-8	67
J-9	68
J-10	69
<u>REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS</u>	
	70-71
	72
	73
	74

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF: MOORE }

I, Daniel L. Krienke
(Name of Duly Authorized District Representative)

of the North Plains 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 Directors of the District on the ___ day of _____, 2019 its annual audit report for the fiscal year or period ended September 30, 2018, and that copies of the annual audit report have been filed in the District office, located at 603 East First, Dumas, Texas 79029.
(Address of District)

Date: _____, 20__.

By: _____
(Signature of District Representative)

Daniel L. Krienke - President
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this _____ day of _____, 2019.

(Seal)

(Signature of Notary)

My Commission Expires On: _____, _____, Notary Public in and for the State of Texas.

COY BARTON, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
116 EAST SEVENTH
P.O. BOX 800 • TELEPHONE 806-935-4188
DUMAS, TEXAS 79029

MEMBER OF
THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
THE AICPA'S PRIVATE COMPANIES
PRACTICE SECTION
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Unmodified Opinion on Basic Financial Statements Accompanied By Required Supplementary Information and Other Supplementary Information

To the Board of Directors
North Plains Groundwater Conservation District
P.O. Box 795
Dumas, Texas

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Plains Groundwater Conservation District (the District) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, each major fund, and the aggregate remaining fund information of North Plains Groundwater Conservation District, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 12 and 54 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. The District also included a Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions to the Texas County and District Retirement System in the required supplementary information. 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

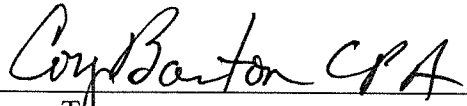
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Plains Groundwater Conservation District's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of North Plains 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 District's internal control over financial reporting and compliance.



Dumas, Texas

December 13, 2018

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Introductory To Management's Discussion and Analysis
For the Year Ended September 30, 2018

To the Taxpayers of North Plains Groundwater Conservation District:

The Annual Financial Report of North Plains Groundwater Conservation District for the year ended September 30, 2018, is hereby submitted. The District is responsible for the completeness and fairness of these financial statements.

The financial statements are presented in the following sections: Introductory, Management's Discussion and Analysis, Basic Financial Statements, Notes to the Financial Statements, Required Supplementary Information, Combining Schedules, Other Schedules, and Reports on Internal Control and on Compliance and Other Matters.

This financial report is designed to provide the taxpayers of our District information concerning the financial condition of the District.

Because long range planning is an important part of the District's operations, we know that the continued success of our conservation program is safeguarded. North Plains Groundwater Conservation District is financially strong and well positioned for water conservation issues in the future.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Walthour', with a long horizontal flourish extending to the right.

Steve Walthour
Manager

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of North Plains Groundwater Conservation District, discuss and analyze the District's financial performance for the year ended September 30, 2018. Please read it in conjunction with our transmittal letter on page 5, the Independent Auditor's Report on pages 2-4, and the District's Basic Financial Statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

The District's net position increased by \$0.28 million, or nearly 7.16%, as a result of this year's operations. Net position is accounted for in the governmental activities.

During the year, the District had expenditures that were \$0.28 million less than the \$2.72 million generated in tax and other revenues for governmental programs.

Total cost of all of the District's programs, after charges for services and operating grants, was \$2.05 million.

The General Fund ended the year with a fund balance of \$2.01 million, which is up from last year's balance of \$1.73 million.

The resources available for appropriation were \$0.11 million less than the expenditures budgeted for in the General Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 14). These 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.

Fund financial statements (starting on page 15) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. 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 remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

North Plains Groundwater Conservation District
Management's Discussion and Analysis (continued)

The section labeled Other Schedules contains more detailed information regarding the basic financial statements, other property tax information, and agency funds.

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 13. 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 which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided by the amount provided by the taxpayers, state grant funds, and miscellaneous revenues. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current year or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide 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, you should consider nonfinancial factors as well, such as changes in the District's property tax base.

In the Statement of Net Position and the Statement of Activities, we show the following activities for the District:

- Governmental activities – All of the District's basic services are reported here, including conservation education and protection of underground water supplies.
- Business-type activities – The District has no business-type activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 15 and provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds as special revenue funds. The District has no special revenue funds. The following describes the District's fund accounting approach:

North Plains Groundwater Conservation District
Management's Discussion and Analysis (continued)

- Governmental funds – Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money held for 2018 production penalties. The District's fiduciary activity is reported in the Statement of Net Position - Fiduciary Funds on page 19. We exclude this resource from the District's other financial statements because the District cannot use this asset to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District implemented GASBS Nos. 34 and 37 in prior years. We have presented both current and prior year data and discuss significant changes in the accounts. Our analysis, as follows, 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 increased from \$3.89 million to \$4.17 million. 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 \$2.13 million at September 30, 2018. The increase in governmental net position was the result of the District's revenues exceeding the expenditures by about \$0.28 million.

North Plains Groundwater Conservation District
Management's Discussion and Analysis (continued)

Table I
North Plains Groundwater Conservation District

NET POSITION			
(in thousands)			
	Governmental		
	Activities	Total	Total
	2018	2018	2017
Current and other assets	\$ 2,219	\$ 2,219	\$ 1,856
Capital assets	2,399	2,399	2,485
Total Assets	<u>4,618</u>	<u>4,618</u>	<u>4,341</u>
Deferred Outflows of Resources	<u>51</u>	<u>51</u>	<u>81</u>
Long-term liabilities	372	372	434
Other liabilities	<u>65</u>	<u>65</u>	<u>50</u>
Total Liabilities	<u>437</u>	<u>437</u>	<u>484</u>
Deferred Inflows of Resources	<u>59</u>	<u>59</u>	<u>44</u>
Net Position:			
Investment in capital assets	2,027	2,027	2,051
Restricted for Debt Service	12	12	11
Unrestricted	<u>2,134</u>	<u>2,134</u>	<u>1,832</u>
Total Net Position	<u>\$ 4,173</u>	<u>\$ 4,173</u>	<u>\$ 3,894</u>

North Plains Groundwater Conservation District
Management's Discussion and Analysis (continued)

Table II
North Plains Groundwater Conservation District

CHANGES IN NET POSITION
(in thousands)

	Governmental Activities 2018	Total 2018	Total 2017
Revenues:			
Program Revenues:			
Charges for services	\$ 214	\$ 214	\$ 279
Operating grants and contributions	172	172	301
General Revenues:			
Taxes	2,256	2,256	2,247
Interest revenue	13	13	7
Miscellaneous	61	61	74
Total Revenues	<u>2,716</u>	<u>2,716</u>	<u>2,908</u>
Expenses:			
Personnel	1,079	1,079	1,165
Professional fees	136	136	198
Contracted services	95	95	111
Technology, communication, and utilities	127	127	121
Vehicle, repairs, and supplies	79	79	80
Administrative expenditures	177	177	198
Conservation outreach	274	274	258
Conservation demonstration project	188	188	205
Aquifer science	32	32	34
Debt service	1	1	1
Depreciation - unallocated	249	249	268
Total Expenses	<u>2,437</u>	<u>2,437</u>	<u>2,639</u>
Increase (decrease) in net position before transfers and special items	279	279	269
Net Position at Beginning of Year	<u>3,894</u>	<u>3,894</u>	<u>3,625</u>
Net Position at End of Year	<u>\$ 4,173</u>	<u>\$ 4,173</u>	<u>\$ 3,894</u>

North Plains Groundwater Conservation District
Management's Discussion and Analysis (continued)

The District took actions this year to compensate for some increases in costs:

- Expenditures were monitored monthly by management.
- Costs were analyzed on a regular basis to ensure the District was getting the best price and value.

The cost of all governmental activities this year was \$2.44 million. However, as shown in the Statement of Activities on page 14, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$2.05 million because some of the costs were paid by those who directly benefited from the programs (\$0.21 million) or by other governments that subsidized certain programs with grants (\$0.17 million).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$2.03 million, which is more than last year's total of \$1.74 million. Included in this year's total change in fund balance is an increase of \$0.29 million in the District's General Fund.

The Board of Directors revised the District's budget during the year. These budget amendments fell into one category. This category involved amendments not increasing the budget.

The District's General Fund balance of \$2.01 million reported on page 15 differs from the General Fund's budgetary fund balance of \$1.85 million reported in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund on page 54. This is principally due to less expenditures than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had \$2.40 million invested in a broad range of capital assets, including facilities and equipment for water conservation. This amount represents a net decrease of just over \$0.09 million or 3.45% less than last year.

North Plains Groundwater Conservation District
Management's Discussion and Analysis (continued)

This year's major additions included (in thousands):

Buildings and improvements	\$	59
Machinery and equipment		86
Construction in progress		19
Total	\$	<u>164</u>

More detailed information about the District's capital assets is presented in Note III.G. to the financial statements.

Debt

At year-end, the District had \$0.37 million in long-term loans. More detailed information about the District's long-term liabilities is presented in Note III.L. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2019 budget tax rates. Some of those factors were grant aid from the state and water conservation issues.

These indicators were taken into account when adopting the General Fund budget for 2019. Amounts available for appropriation in the General Fund budget are \$3.01 million, an increase of 0.12% from the final 2018 budget. The District will use its revenues to finance programs currently offered. Budgeted expenditures are expected to increase nearly 11.01% to approximately \$3.14 million from approximately \$2.83 million in 2018. The District has grant programs for the 2019 budget.

If these estimates are realized, the District's budgetary General Fund balance is expected to decrease by \$0.12 million at the close of 2019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors 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, contact the District's office at North Plains Groundwater Conservation District, P.O. Box 795, Dumas, Texas, 79029.

BASIC FINANCIAL STATEMENTS

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Statement of Net Position
September 30, 2018

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 2,042,941
Taxes Receivable, Net	44,222
Due from Other Governments	39,069
Prepaid Items	9,958
Capital Assets:	
Land	301,497
Buildings and Improvements, Net	568,984
Furniture and Equipment, Net	1,509,488
Construction in Progress	19,236
Net Pension Asset	83,094
Total Assets	4,618,489
DEFERRED OUTFLOW OF RESOURCES	
Deferred Outflow Related to Pension Plan	51,368
Total Deferred Outflows of Resources	51,368
LIABILITIES	
Accounts Payable	34,981
Compensated Absences Payable	30,949
Accrued Interest Payable	273
Noncurrent Liabilities:	
Debt Due Within One Year	62,000
Due in More Than One Year	310,000
Total Liabilities	438,203
DEFERRED INFLOW OF RESOURCES	
Deferred Inflow Related to Pension Plan	59,021
Total Deferred Inflows of Resources	59,021
NET POSITION	
Net Investment in Capital Assets	2,027,205
Restricted for Debt Service	11,325
Unrestricted	2,134,103
Total Net Position	\$ 4,172,633

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

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Statement of Activities
For the Year Ended September 30, 2018

EXHIBIT B-1

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Personnel	\$ 1,078,760	\$ 50,000	\$ -	\$ (1,028,760)
Professional Fees	136,393	-	-	(136,393)
Contracted Services	95,184	-	-	(95,184)
Technology, Communication, and Utilities	127,207	-	-	(127,207)
Vehicles, Repairs, and Supplies	78,425	-	-	(78,425)
Administration Expenditures	177,362	164,059	-	(13,303)
Conservation Demonstration Project	187,642	-	141,637	(46,005)
Aquifer Science	32,418	-	-	(32,418)
Conservation Outreach	273,675	-	30,000	(243,675)
Interest on Debt	432	-	-	(432)
Depreciation - Unallocated	249,282	-	-	(249,282)
TOTAL PRIMARY GOVERNMENT	\$ 2,436,780	\$ 214,059	\$ 171,637	(2,051,084)

General Revenues:

Taxes:		
Property Taxes, Levied for General Purposes	2,256,339	
Penalty and Interest on Taxes	18,524	
Investment Earnings	13,222	
Miscellaneous Revenue	41,873	
Total General Revenues	2,329,958	
Change in Net Position	278,874	
Net Position-- Beginning	3,893,759	
Net Position--Ending	\$ 4,172,633	

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

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT

EXHIBIT C-1

Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,031,616	\$ 11,325	\$ 2,042,941
Taxes Receivable	49,135	-	49,135
Allowance for Uncollectible Taxes (credit)	(4,913)	-	(4,913)
Due from Other Governments	39,069	-	39,069
Prepaid Items	9,958	-	9,958
Total Assets	<u>\$ 2,124,865</u>	<u>\$ 11,325</u>	<u>\$ 2,136,190</u>
LIABILITIES			
Accounts Payable	\$ 34,981	\$ -	\$ 34,981
Compensated Absences Payable	30,949	-	30,949
Total Liabilities	<u>65,930</u>	<u>-</u>	<u>65,930</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	44,222	-	44,222
Total Deferred Inflows of Resources	<u>44,222</u>	<u>-</u>	<u>44,222</u>
FUND BALANCES			
Nonspendable Fund Balance:			
Prepaid Items	9,958	-	9,958
Restricted Fund Balance:			
Retirement of Long-Term Debt	-	11,325	11,325
Assigned Fund Balance:			
Groundwater Conservation Management Fund	2,004,755	-	2,004,755
Total Fund Balances	<u>2,014,713</u>	<u>11,325</u>	<u>2,026,038</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,124,865</u>	<u>\$ 11,325</u>	<u>\$ 2,136,190</u>

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

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Position
 September 30, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	2,026,038
Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. At the beginning of the year, the cost of the assets was \$4,005,997 and the accumulated depreciation was \$1,521,052. In addition, long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		2,050,945
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays and debt principal payments is to increase net position.		225,542
This is the fourth year of the implementation of GASB Statment No. 68 for the TCDRS Pension plan. This fiscal year required that the District report their net pension liability in the Government-Wide Statement of Net Position. The items reported as a result of this implementation included a Net Pension Asset of \$83,094, Deferred Resource Outflow of \$51,368, and Deferred Resource Inflow of \$59,021. The net effect of these was to increase the ending net position.		75,441
The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(249,282)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		43,949
Net Position of Governmental Activities	\$	4,172,633

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

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes:			
Property Taxes	\$ 2,256,222	\$ -	\$ 2,256,222
Penalty and Interest on Taxes	18,524	-	18,524
State Grants	141,637	-	141,637
Federal Grants	30,000	-	30,000
Fees for District Services	87,584	-	87,584
Investment Earnings	13,222	-	13,222
Other Revenue	168,348	-	168,348
Total Revenues	2,715,537	-	2,715,537
EXPENDITURES:			
Current:			
General Government:			
Personnel	1,094,882	-	1,094,882
Professional Fees	136,393	-	136,393
Contracted Services	95,184	-	95,184
Technology, Communication, and Utilities	127,207	-	127,207
Vehicles, Repairs, and Supplies	78,425	-	78,425
Administrative Expenditures	177,362	-	177,362
Conservation Demonstration Project	187,642	-	187,642
Aquifer Science	32,418	-	32,418
Conservation Outreach	273,675	-	273,675
Debt Service:			
Principal on Debt	-	62,000	62,000
Interest on Debt	-	477	477
Capital Outlay:			
Capital Outlay	163,542	-	163,542
Total Expenditures	2,366,730	62,477	2,429,207
Excess (Deficiency) of Revenues Over (Under) Expenditures	348,807	(62,477)	286,330
OTHER FINANCING SOURCES (USES):			
Transfers In	-	62,477	62,477
Transfers Out (Use)	(62,477)	-	(62,477)
Total Other Financing Sources (Uses)	(62,477)	62,477	-
Net Change in Fund Balances	286,330	-	286,330
Fund Balance - October 1 (Beginning)	1,728,383	11,325	1,739,708
Fund Balance - September 30 (Ending)	\$ 2,014,713	\$ 11,325	\$ 2,026,038

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

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended September 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	286,330
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to increase the change in net position.		225,542
The entries required by GASB Statement No. 68 require that some expenses on B-1 be adjusted. Total net credits to expenses were \$16,122. The net effect is an increase in the change in net position.		16,122
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(249,282)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.		162
Change in Net Position of Governmental Activities	<u>\$</u>	<u>278,874</u>

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

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Statement of Net Position
Fiduciary Funds
September 30, 2018

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 12,536
Total Assets	<u>\$ 12,536</u>
LIABILITIES	
Accounts Payable	\$ 12,536
Total Liabilities	<u>\$ 12,536</u>

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

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

North Plains Groundwater Conservation District was created on January 27, 1955, in accordance with Article 16, Section 59, of the Constitution of Texas, and Vernon's Civil Statutes. The District was formed for the purpose of encouraging the conservation and protection of underground water supplies and the more efficient use of water. The Board of Directors, a seven-member elected group, has governance responsibilities over all activities related to the conservation and protection of underground water supplies within the jurisdiction of North Plains Groundwater Conservation District. The Board of Directors has the authority to make decisions, appoint a manager, significantly influence operations, and has the primary accountability for fiscal matters. The basic financial statements of the District include all activities for which the Board exercises these governance responsibilities. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 56**, and it complies with the requirements of contracts and grants of agencies from which it receives funds. The District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, *The Financial Reporting Entity*. There are no component units included within the reporting entity.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the Statement of Activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

B. Basis of Presentation, Basis of Accounting (continued)

The District reports the following major governmental fund(s):

The General Fund – The District accounts for financial resources used for general operations in this fund. It is a budgeted fund, and any unassigned fund balances are considered resources available for current operations.

Additionally, the District reports the following fund type(s):

Governmental Funds:

Debt Service Funds – This fund accounts for financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt of governmental activities.

Fiduciary Funds:

Agency Funds - 2018 Late Reporting Fund – The District accounts for funds received for penalties assessed by the District for late reporting for the 2017 production period. The money is held in trust to be refunded to persons assessed a penalty for late filing of 2017 Production Reports who file their 2018 Annual Groundwater Production Reports by January 15, 2019. This is not a budgeted fund. These funds have no equity, assets are equal to liabilities, and do not include revenues or expenditures for general operations of the District.

C. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These 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 at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, the revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

C. Measurement Focus, Basis of Accounting (continued)

Grant funds are considered earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

The fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

D. Pensions

The fiduciary net position of the Texas County and District Retirement System (TCDRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, and information about assets, liabilities and additions to/deductions from TCERS' fiduciary net position. For this purpose, 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.

E. Fund Balance Classification

Non-spendable: This classification includes amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

E. Fund Balance Classification (continued)

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned: This classification includes amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Under the District's adopted policy, the General Manager may assign amounts for specific purposes.

Unassigned: This classification includes the residual fund balance for the General Fund.

The District would typically use Restricted fund balances first, followed by Committed resources, then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

F. Financial Statement Amounts

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest according to the District's Investment Policy. Investments for the District are reported at fair value.

2. Property Taxes

Property taxes are levied by October 1st on assessed value listed as of the prior January 1st for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 31st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of September 30, 2018, the amount deemed uncollectible by this estimate was \$4,913. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

F. Financial Statement Amounts (continued)

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

Asset Class	Estimated Useful Lives
Infrastructure	10-50
Buildings and improvements	20-50
Vehicles	7-10
Machinery and equipment	5-20

4. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide Statement of Net Position.

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

F. Financial Statement Amounts (continued)

5. Long-Term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District has long-term obligations as of September 30, 2018, to the Texas Water Development Board-Agricultural Water Conservation Fund.

6. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

7. Infrastructure Assets

The District had no infrastructure assets for the year ended September 30, 2018. The District is a Phase 3 governmental entity and elected to report infrastructure on a prospective basis beginning October 1, 2003.

8. Encumbrances

Appropriations lapse at September 30th, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances as of September 30, 2018.

9. Health Care Coverage

Beginning October 1, 2009, the District provided health care coverage for employees only and offered dependent insurance coverage at the employees' expense. All contributions for health care were paid to Texas Municipal League Intergovernmental Employee Benefits Pool. The terms of coverage and premium costs are included in the contractual provisions with the insurer. The District also has a health reimbursement account for each employee in which the District contributes up to \$1,000 per year. This health reimbursement account is managed by Texas Municipal League Intergovernmental Employee Benefits Pool. The total health care expense to the District for the year ended September 30, 2018, was \$98,005.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

F. Financial Statement Amounts (continued)

10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the District purchased insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past five fiscal years.

11. Shared Facilities

North Plains Groundwater Conservation District had no shared facilities or other contractual relationships with other entities that would be required to be reported.

12. New Financial Accounting Standards

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* (GASB 75). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB) and improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability, an inter-period equity, and creating additional transparency. This Statement supersedes Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This Statement is effective for fiscal years beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of areas including issues related to postemployment benefits. This Statement addresses the following areas:

- a) Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

F. Financial Statement Amounts (continued)

12. New Financial Accounting Standards (continued)

- b) Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- c) Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- d) Classifying employer-paid member contributions for OPEB;
- e) Simplifying certain aspects of the alternative measurement method for OPEB;
- f) Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The budget is formally adopted by the Board of Directors at a duly advertised public meeting, in accordance with law prior to the expenditure of funds.

The Board of Directors adopts an "appropriated budget" for the General Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in Exhibit G-1.

Should any change in the approved budget be required, budget amendment requests are presented to the Board of Directors for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year, the budget was properly amended in accordance with the above procedures. The District amended the budget with no change in the total budget during the year ended September 30, 2018. The District decreased personnel by \$65,000; professional fees by \$40,000; conservation outreach by \$35,000; and conservation demonstration project by \$25,000; and increased technology, communication, and utilities by \$5,000 and capital outlay by \$160,000.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

B. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash, Cash Equivalents, and Investments

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

During the year, the District's deposits were covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. At September 30, 2018, the District's deposits were covered with depository insurance in the amount of \$1,474,261 and collateralized with securities held by the pledging financial institution's trust department or agent in the District's name in the amount of \$1,971,016.

Foreign Currency Risk

The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by limiting all deposits denominated in a foreign currency. The District was not exposed to any foreign currency risk at September 30, 2018.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

A. Cash, Cash Equivalents, and Investments (continued)

As of September 30, 2018, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less than 1 Year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity in Over 10 Years</u>	<u>Credit Rating</u>
FDIC Insured Accounts	\$ 2,042,934	100%	\$ 2,042,934	\$ -	\$ -	N/A
Petty Cash	7	-	7	-	-	N/A
Total Cash and Cash Equivalents	\$ 2,042,941	100%	\$ 2,042,941	\$ -	\$ -	

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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 a governmental entity 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 and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) no load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. North Plains Groundwater Conservation District is in substantial compliance with the requirements of the Act and with local policies.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

A. Cash, Cash Equivalents, and Investments (continued)

Additional policies and contractual provisions governing investments for North Plains Groundwater Conservation District are specified below:

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments that comply with the Public Funds Investment Act and all federal, state, and local statutes, rules, or regulations. As of September 30, 2018, the District had no investments.

Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. The District had no investments at September 30, 2018.

Concentration of Credit Risk

To limit the risk of loss attributed to the magnitude of the District's investment in a single issuer, the District's investment policy emphasizes safety of principal and liquidity. The policy requires prudence with respect to single investments. The District was not exposed to any concentration of credit risk for the year ended September 30, 2018.

Investment Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that internally created pool fund groups have a maximum dollar weighted maturity of 180 days and other investments shall not exceed one year from time of purchase unless specifically authorized by the Board for a given investment. The District was not exposed to any investment rate risk at September 30, 2018.

Other Credit Risk Exposure

The District had no other known credit risk exposure at September 30, 2018.

Defaults and Recovery of Prior Period Losses

The District had no defaults or prior period losses for the year ended September 30, 2018.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

A. Cash, Cash Equivalents, and Investments (continued)

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurement in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of September 30, 2018, North Plains Groundwater Conservation District had no investments subject to the fair value measurement.

B. Disaggregation of Receivables

Receivables at September 30, 2018, were as follows:

	Property Taxes (net)	Due from Other Governments	Due from Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 44,222	\$ 39,069	\$ -	\$ -	\$ 83,291
Total Governmental Activities	<u>\$ 44,222</u>	<u>\$ 39,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,291</u>

C. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1st in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1st of the year following the October 1st levy date.

The assessed value of the property tax roll on August 1, 2017, upon which the levy for the 2017-2018 fiscal year was based, was \$7,279,332,450. Taxes are delinquent if not paid by June 30th. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Property tax revenues are considered available (1) when they become due or past due and receivable within the current period, and (2) when they are expected to be collected during a 60-day period after the close of the District's fiscal year.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

C. Property Taxes (continued)

The tax rate assessed for the year ended September 30, 2018, to finance General Fund operations was \$0.033714 per \$100 valuation. Current tax collections for the year ended September 30, 2018, were 98.33% of the year-end current tax levy.

Delinquent taxes are deposited into the General Fund. Allowances for uncollectible taxes within the General Fund are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

As of September 30, 2018, property taxes receivable, net of estimated uncollectible taxes, totaled \$44,222 for the General Fund. The following is a summary of net property taxes receivable:

Delinquent taxes receivable at September 30, 2018	\$	49,135
Allowance for uncollectible taxes (credit)		(4,913)
Net Property Taxes Receivable at September 30, 2018	\$	44,222

The allowance for uncollectible taxes is calculated by the District at 10% of delinquent taxes receivable at year end.

D. Due from Other Governments

Due from other governments at September 30, 2018, consisted of the following:

		General Fund
Receivable - Hutchinson County Tax Assessor/Collector - property taxes	\$	269
Receivable - Sherman County Appraisal District - property taxes		489
Receivable - Lipscomb County Tax Assessor/Collector - property taxes		284
Receivable - Moore County Tax Assessor/Collector - property taxes		615
Receivable - Hartley County Appraisal District - property taxes		233
Receivable - Ochiltree County Appraisal District - property taxes		926
Receivable - Hansford County Tax Assessor/Collector - property taxes		49
Receivable - USDA Natural Resources Conservation Services - federal grant		30,000
Receivable - Texas Water Development Board		6,204
Total Due From Other Governments	\$	39,069

All due from other governments are expected to be collected within one year.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

E. Interfund Balances and Transfers

The District had no interfund balances for the year ended September 30, 2018.

The District had the following interfund transfers at September 30, 2018:

Transfers to Other Nonmajor Governmental Funds from:	
General Fund	<u>\$62,477</u>

F. Deferred Outflows of Resources

In addition to assets, the Statement of Net Position 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 that applies to a future period(s) and therefore will *not* be recognized as an outflow of resources (expenditure/expense) until that time. The District has only one type of item, which arises only under a full accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *Deferred Outflows Related to TCDRS*, is reported only in the Government-wide Statement of Net Position. The Government-wide Statement of Net Position reports the District's share of the unrecognized plan deferred outflows of resources which TCDRS uses in calculating the ending net pension liability, as well as the District's contributions to TCDRS in the current fiscal year. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

G. Capital Asset Activity

Capital asset activity for the District for the year ended September 30, 2018, was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements	Other Additions/Deletions	
Governmental Activities:					
Land	\$ 301,497	\$ -	\$ -	\$ -	\$ 301,497
Total Assets Not Being Depreciated	301,497	-	-	-	301,497
Buildings and improvements	918,821	58,560	-	-	977,381
Machinery and equipment	2,785,679	85,746	85,795	-	2,785,630
Totals Assets Being Depreciated	3,704,500	144,306	85,795	-	3,763,011
Construction in progress	-	19,236	-	-	19,236
Totals at Historical Cost	4,005,997	163,542	85,795	-	4,083,744
Less Accumulated Depreciation for:					
Buildings and improvements	382,163	26,234	-	-	408,397
Machinery and equipment	1,138,889	223,048	85,795	-	1,276,142
Total Accumulated Depreciation	1,521,052	249,282	85,795	-	1,684,539
Governmental Activities					
Capital Assets, Net	<u>\$ 2,484,945</u>	<u>\$ (85,740)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,399,205</u>

Construction in progress consists of two projects. These projects are as follows:

Projects:	Construction in				Estimated Completion Date
	Total Estimated Project Cost	Progress at 9/30/2018	Percent Complete at 9/30/2018		
North Plains Water Conservation Center Sign Project	\$ 15,700	\$ 5,836	37%		November 2018
First Place Parking Structure West Lot	\$ 67,000	\$ 13,400	20%		November 2018

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

G. Capital Asset Activity (continued)

Depreciation expense was charged to governmental activities as follows:

Buildings and improvements	\$	26,234
Machinery and equipment		223,048
 Total Depreciation Expense	 \$	 249,282

The depreciation expense was recorded as unallocated depreciation for the current year.

H. Disaggregation of Payables

Payables at September 30, 2018, were as follows:

	Accounts Payable	Accrued Wages and Salaries	Due to Other Funds	Compensated Absences	Other	Total
Governmental Activities:						
General Fund	\$ 34,981	\$ -	\$ -	\$ 30,949	\$ -	\$ 65,930
Total Governmental Activities	\$ 34,981	\$ -	\$ -	\$ 30,949	\$ -	\$ 65,930

I. Deferred Inflows of Resources

In addition to liabilities, both the Governmental Funds Balance Sheet and the Statement of Net 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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. One item, which arises only under a modified accrual basis of accounting, is *unavailable revenue*. Unavailable revenue is reported only in the Governmental Funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. The next item is *Deferred Inflow Related to TCDRS*, which arises only under a full accrual basis of accounting, and is reported only in the Government-wide Statement of Net Position. The Government-wide Statement of Net Position reports the District's share of unrecognized plan deferred inflows of resources which TCDRS uses in calculating the ending net pension liability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Capital Leases

The District had no capital leases at September 30, 2018.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

K. Compensated Absences

During the year ended September 30, 2018, compensated absences consisted of the following:

Annual Leave	<u>\$ 30,949</u>
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Full-time employees accrue annual leave as follows:

<u>Years of Employment</u>	<u>Annual Leave Accrual per Month</u>
0-5	8 hours
5-10	10 hours
11 or more	12 hours

The District will continue to allow employees to accumulate annual leave to a maximum of 36 days.

Full-time employees accrue one working day of sick leave each month of employment. Employees may accumulate sick leave to a maximum of 60 days. An employee will not be paid sick leave upon termination of employment. Because the employee does not vest sick leave, no sick leave has been accrued at September 30, 2018. The District's contingent liability for sick leave at September 30, 2018, was \$83,729 because the sick leave was contingent on continued employment of the employee.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

L. Long-Term Debt

A summary of changes in long-term debt for year ended September 30, 2018, is as follows:

Description	Interest Rate Payable	Original Issue Amount	Interest Current Year	Amount Outstanding October 1, 2017	Issued	Retired	Other Increases (Decreases)	Amount Outstanding September 30, 2018	Amount Due within One Year
Long-term Loans									
Texas Water Development Board - Agricultural Water Conservation Fund	0.11%	\$ 620,000	\$ 477	\$ 434,000	\$ -	\$ 62,000	\$ -	\$ 372,000	\$ 62,000
Net Pension Liability									
Unfunded Defined Benefit Retirement Plan Obligation	N/A	N/A	N/A	-	-	-	-	-	-
Total Obligations of the District				\$ 434,000	\$ -	\$ 62,000	\$ -	372,000	\$ 62,000
Due within one year								(62,000)	
Due in more than one year								\$ 310,000	

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan. The unfunded status of the plan as of September 30, 2018, was \$-0-. At the time of the audit, the latest information available from the actuaries was as of December 31, 2017. There was no unfunded liability at that date. The District has a Net Pension Asset reported in the Statement of Net Position (Exhibit A-1).

The District entered into a loan agreement with Texas Water Development Board dated October 21, 2014, in the amount of \$620,000. The loan is from the Agricultural Water Conservation Fund to finance the project identified as Project No. 21743. The District qualifies for a loan under 31 TAC Chapter 367 and agreed under TWDB Resolution No. 14-42. This loan is authorized and required by the Agricultural Water Conservation Bond Program, Texas Water Code Sect. 17.871-17.912. The purpose of the loan is to upgrade the District's irrigation system facilities in order to demonstrate the application of practical water-conservation strategies using the latest on-farm irrigation management technologies and conservation methods. The interest rate is 0.11%. The principal was due beginning February 1, 2015, in the amount of \$62,000. Principal and interest is paid each February 1st until the maturity date of February 1, 2024. The amount of interest paid in fiscal year 2018 was \$477.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

M. Debt Service Requirements - Long-Term Debt

Debt service requirements for long-term debt are as follows:

<u>Governmental Activities</u>			
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 62,000	\$ 409	\$ 62,409
2020	62,000	341	62,341
2021	62,000	273	62,273
2022	62,000	205	62,205
2023	62,000	136	62,136
Thereafter	62,000	68	62,068
Total Governmental Activities	<u>\$ 372,000</u>	<u>\$ 1,432</u>	<u>\$ 373,432</u>

N. Commitments under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2018, in the General Fund as follows:

<u>Year Ending September 30,</u>	
2019	\$ 10,657
2020	7,105
2021	-
2022	-
2023	-
Total Minimum Rentals	<u>\$ 17,762</u>

Rental expenditures in the General Fund for the year ended September 30, 2018, were \$19,675.

The imputed interest on the leases was approximately 7%.

O. Governmental 457 Retirement Plan

On May 11, 2004, the District adopted the North Plains Groundwater Conservation District 457 Plan. This Governmental 457 Plan includes all employees except part-time employees who normally work less than 20 hours per week and top-heavy, highly compensated employees within the meaning of Title I of ERISA. The effective date of the Plan was June 15, 2004, with a plan year ending December 31st. A participant attains normal retirement age when the participant attains age 65. Employees are eligible to participate in the Plan at age 18 and 3 months of continuous service. The Plan entry dates are each January 1st, April 1st, July 1st, and

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

O. Governmental 457 Retirement Plan (continued)

October 1st. The employee's salary reduction contributions have no limitations except under federal income tax laws. The trustee of the Plan is Amarillo National Bank. The District contributed up to 7% for any employee that will at least match the District's contribution on a one-to-one basis until December 31, 2012. The Plan allows for employees to take out loans on the value of their respective retirement accounts. The loans are paid back in equal bi-weekly installments. Currently, six employees have loans outstanding with varying amounts.

Annual Report Year	Net Assets of Plan	Liabilities of Plan	Fiscal Year Covered Payroll	Fiscal Year Employer Contributions
2004	\$ 267,601	\$ -	\$ 281,011	\$ 21,012
2005	339,166	-	407,775	21,639
2006	384,850	-	415,290	17,121
2007	149,488	-	415,608	21,654
2008	113,076	-	464,751	23,112
2009	196,047	-	529,173	31,694
2010	287,253	-	588,185	36,607
2011	340,160	-	672,455	39,305
2012	450,148	-	240,079	10,886
2013	494,471	-	58,499	-
2014	501,898	-	243,882	-
2015	499,624	-	256,564	-
2016	491,814	-	133,755	-
2017	504,539	-	136,355	-

The fair value of the Plan assets at September 30, 2018, was \$504,539. There was no unfunded obligation to the District from this Plan at September 30, 2018. The Plan assets are not an asset of the District.

P. Defined Benefit Pension Plans

1. Plan Description

North Plains Groundwater Conservation District (the District) participates in a statewide agent multi-employer public employee retirement system consisting of 760 non-traditional defined benefit pension plans. The plan is administered by the Texas County and District Retirement System (TCDRS). TCDRS in the aggregate issues an annual financial report on a calendar year basis. All full-time employees of the District are covered by the system. The annual financial report is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-2034.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

P. Defined Benefit Pension Plans (continued)

2. Benefits Provided

TCDRS provides retirement, disability, and survivor benefits for all full-time and part-time non-temporary employees. 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 age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions upon termination of employment forfeit contributions made by their employer. Beginning January 1, 2000, the service of retirees of any employer electing lump-sum payment option may choose to receive at retirement a lump-sum payment up to the amount of the employee's accumulated contributions, with interest (personal account balance), with a corresponding reduction in his or her monthly retirement benefit.

Benefit amounts are determined by the sum of the employee's personal account balance 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 expected benefits can 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 deposits, with interest, and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

3. Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	3
Active employees	14
	17

4. Contributions

TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions, and investment income.

- a) The deposit rate for employees is 7% of compensation, as adopted by the employer's governing body.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

P. Defined Benefit Pension Plans (continued)

4. Contributions (continued)

- b) Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. The District's contribution rate is 7%.
- c) Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements, and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

The Board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

- a) Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments;
- b) Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits; and
- c) Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

P. Defined Benefit Pension Plans (continued)

4. Contributions (continued)

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method, and the actuarial assumptions.

5. Actuarial Cost Method

TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level of percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

6. Amortization Policy

The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-of-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains and losses, as well as any plan benefit changes elected by the employer for that year.

Benefit enhancements are amortized over a 15-year closed period. All other changes in the UAAL are amortized over 20-year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law.

Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20-year period.

If the plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30-year open amortization period.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

P. Defined Benefit Pension Plans (continued)

7. Asset Valuation Method

When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

In addition, TCDRS has the ability to set aside reserves from investment earnings that are used to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by TCDRS. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels during a low point in a market cycle.

8. Actuarial Assumptions

The District's net pension liability was measured as of December 31, 2017, and the total pension liability that was used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

P. Defined Benefit Pension Plans (continued)

8. Actuarial Assumptions (continued)

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.9 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of 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	130% of the RP-2014 Healthy Annuitant Mortality Table for males, and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014
Changes in Plan Provisions Reflected in the Schedule	New annuity purchase rates were reflected for benefits earned after 2017.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown on the following page are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016, for more details.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

P. Defined Benefit Pension Plans (continued)

8. Actuarial Assumptions (continued)

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA (net)	11.00%	4.55%
International Equities - Emerging	MSCI EM Standard (net) Index	8.00%	5.55%
Investment Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT Index	2.00%	4.05%
Master Limited Partnerships (MLP's)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.15%
Total		100.00%	

9. Discount Rate

The discount rate used to measure the total pension liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

P. Defined Benefit Pension Plans (continued)

10. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/16	\$ 505,399	\$ 527,758	\$ (22,359)
Changes for the year:			
Service Cost	111,665	-	111,665
Interest on total pension liability	49,837	-	49,837
Effect on plan changes	-	-	-
Effect of economic/demographic gains or losses	(14,773)	-	(14,773)
Effect of assumptions, changes, or inputs	1,299	-	1,299
Refund of contributions	-	-	-
Benefit payments	(3,654)	(3,654)	-
Administrative expenses	-	(487)	487
Member contributions	-	64,270	(64,270)
Net investment income	-	79,043	(79,043)
Employer contributions	-	64,270	(64,270)
Other	2	1,669	(1,667)
Balances at 12/31/17	<u>\$ 649,775</u>	<u>\$ 732,869</u>	<u>\$ (83,094)</u>

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

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District net pension liability 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.

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total Pension Liability	\$ 739,970	\$ 649,775	\$ 573,890
Fiduciary Net Position	732,869	732,869	732,869
Pension Liability/(Asset)	<u>\$ 7,101</u>	<u>\$ (83,094)</u>	<u>\$ (158,979)</u>

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

P. Defined Benefit Pension Plans (continued)

12. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Changes Since the Prior Actuarial Valuation

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

1. TCDRS System-Wide Economic Assumptions

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. (See Table 1 for Merit Salary Increases.)

2. Employer-Specific Economic Assumptions

Growth in membership	0.00%
Payroll growth for funding calculations	0.00%

The payroll growth assumption is for the aggregate covered payroll of an employer.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

P. Defined Benefit Pension Plans (continued)

12. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

3. Mortality Assumptions

For depositing members the Mortality Assumption was 90% of the RP-2014 Active Employee Mortality for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 ultimate scale after 2014.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended December 31, 2017, the District recognized pension expense of \$42,467. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 50,485	\$ 2,717
Changes in assumptions	-	3,796
Difference between projected and actual earnings	8,536	-
Contributions paid to TCDRS subsequent to the measurement date	-	44,855
Total at September 30, 2018	\$ 59,021	\$ 51,368

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended December 31:	
2018	\$ (5,829)
2019	(6,905)
2020	(12,360)
2021	(13,863)
2022	(6,776)
Thereafter	(6,776)

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

Q. Other Post-Employment Benefits

The District has no post-employment benefit liability under GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*.

R. Commitments and Contingencies

The District participates in state grant programs which are governed by rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the District's opinion, there were no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded for such contingencies.

S. Fund Balances – Governmental Funds

As of September 30, 2018, fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of North Plains Groundwater Conservation District's Board of Directors. North Plains Groundwater Conservation District's Board of Directors is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by North Plains Groundwater Conservation District's Board of Directors.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the General Manager may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

S. Fund Balances – Governmental Funds (continued)

As of September 30, 2018, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:			
Prepays	\$ 9,958	\$ -	\$ 9,958
Restricted:			
Long-term Debt	-	11,325	11,325
Committed:	-	-	-
Assigned:			
Groundwater Conservation Management Fund	2,004,755	-	2,004,755
Unassigned funds:	-	-	-
Total Fund Balances	<u>\$ 2,014,713</u>	<u>\$ 11,325</u>	<u>\$ 2,026,038</u>

When an expenditure is incurred for purposes 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 the committed funds, then assigned funds, and finally unassigned funds, as needed, unless North Plains Groundwater Conservation District has provided otherwise in its commitment or assignment actions.

T. State and Federal Grants

In the normal course of operations, the District receives grant funds from various state and federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability reimbursed which may arise as the result of the audits is not believed to be material. The District received the following grants:

	CFDA#	Identifying Number	Federal Amount
Governmental Funds - Federal			
Soil Conservation and Domestic Allotment Act			
Passed through U.S. Department of Agriculture Natural Resources Conservation Service	10.902	68-7442-17-045	\$30,000
Total Federal Awards			<u>\$30,000</u>

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

T. State and Federal Grants (continued)

No Single Audit is required for federal purposes.

	Identifying Number	State Amount
Governmental Funds - State		
Texas Water Development Board - Efficient Irrigation Management via a Fully Intergrated System	1613581993	\$ 9,911
Texas Water Development Board - Irrigation Metering Grant	1513581860	<u>131,726</u>
Total State Awards		<u><u>\$ 141,637</u></u>

No State Single Audit is required for State of Texas Awards.

U. Chapter 312 Agreement – Tax Abatement

On July 18, 2017, North Plains Groundwater Conservation District approved and authorized a tax abatement agreement with OSLO Wind, LLC under the Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code, which authorizes counties, cities, and other tax units to provide temporary property tax abatements for limited periods of time as an inducement for the development or redevelopment of property. The Tax Abatement Agreement will contribute to the retention or expansion of primary employment or would attract major investments in the OSLO Reinvestment Zones that would be of benefit to the property that is within the OSLO Reinvestment Zones and the District. OSLO Wind, LLC has agreed to construct improvements consisting of a wind power facility of an estimated cost of \$482,625,000. The Tax Abatement begins January 1st of the calendar year after the project commences commercial operations and ending upon the conclusion of ten full calendar years. The Abatement percentage of value of eligible property that is to be abated each year is one hundred percent. The District may declare a default if the company breaches any material term or condition of the agreement. If the company fails to make proper improvements as provided by the agreement or fails to cure a default after proper notice and expiration of the period, the District will be entitled to cancel the agreement and recapture property tax lost as a result of the agreement, subject to right to cure and provisions regarding notice. There is no abatement of taxes for the year ended September 30, 2018.

In May 2011 North Plains Groundwater Conservation District entered into an agreement with Novus Wind VIII, LLC, and authorized a tax abatement governed by Chapter 312 of the Texas Tax Code, as amended.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

U. Chapter 312 Agreement – Tax Abatement (continued)

The abatement is for improvements for wind energy facilities. The tax abatement is as follows:

A.	1st year (2012) -	90%
B.	2nd year (2013) -	90%
C.	3rd year (2014) -	90%
D.	4th year (2015) -	80%
E.	5th year (2016) -	90%
F.	6th year (2017) -	70%
G.	7th year (2018) -	60%
H.	8th year (2019) -	50%
I.	9th year (2020) -	0%

The District may declare a default if the company breaches any material term or condition of the agreement. The District may recapture any lost property tax revenue upon default.

The 2017 assessed valuation for the company was \$3,241,000. The 2017 amended taxes for the company to North Plains Groundwater Conservation District was \$328.

V. Insurance Recoveries

The North Plains Groundwater Conservation District had the following insurance recoveries at September 30, 2018:

1. Texas Water Conservation Association Risk Management Fund –

On February 19, 2018, a 2011 Chevrolet Tahoe was involved in a collision. On February 28, 2018, \$1,726 was received for damages sustained. The vehicle was purchased in 2011 at a cost of \$35,000 and had a book value of \$-0- at the time of the collision. The economic loss was \$-0-. The vehicle was fully repaired and there was no impairment of this asset as of September 30, 2018.

2. Texas Water Conservation Association Risk Management Fund –

On August 13, 2017, a 2010 Chevrolet Silverado pickup had damages from hail. On October 3, 2017, \$2,749 was received for the damages sustained. The vehicle was purchased in 2011 at a cost of \$27,331 and had a book value of \$-0- at the time the damages were sustained. The economic loss was \$-0-. The vehicle was fully repaired and there was no impairment of this asset as of September 30, 2018.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Financial Statements
September 30, 2018

V. Insurance Recoveries (continued)

3. Texas Water Conservation Association Risk Management Fund –

On August 13, 2017, a 2013 Chevrolet Silverado pickup had damages from hail. On October 3, 2017, \$4,645 was received for the damages sustained. The vehicle was purchased in 2013 at a cost of \$30,170 and had a book value of \$7,902 at the time the damages were sustained. The economic loss was \$-0-. The vehicle was fully repaired and there was no impairment of this asset as of September 30, 2018.

4. Texas Water Conservation Association Risk Management Fund –

On August 13, 2017, a 2014 Chevrolet Silverado pickup had damages from hail. On October 3, 2017, \$4,381 was received for the damages sustained. The vehicle was purchased in 2014 at a cost of \$34,562 and had a book value of \$15,635 at the time the damages were sustained. The economic loss was \$-0-. The vehicle is expected to be repaired within the next fiscal year. There was no impairment of this asset as of September 30, 2018.

5. Texas Water Conservation Association Risk Management Fund –

On August 13, 2017, a 2015 Chevrolet Silverado pickup had damages from hail. On October 3, 2017, \$5,589 was received for the damages sustained. The vehicle was purchased in 2015 at a cost of \$34,755 and had a book value of \$19,033 at the time the damages were sustained. The economic loss was \$-0-. The vehicle is expected to be repaired within the next fiscal year. There was no impairment of this asset as of September 30, 2018.

W. Litigation

At September 30, 2018, North Plains Groundwater Conservation District had no known or threatened pending litigations which would materially affect the District's financial condition.

X. Debt Issuances and Defeased Debt

The District had no new debt issuances for the year ended September 30, 2018.

The District had no defeased debt for the year ended September 30, 2018.

Y. Subsequent Events

The District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued (December 13, 2018), and there were no material subsequent events required to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2018

EXHIBIT G-1

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 2,255,275	\$ 2,255,275	\$ 2,256,222	\$ 947
Penalty and Interest on Taxes	12,850	12,850	18,524	5,674
State Grants	-	-	141,637	141,637
Federal Grants	453,000	453,000	30,000	(423,000)
Fees for District Services	110,000	110,000	87,584	(22,416)
Investment Earnings	8,143	8,143	13,222	5,079
Other Revenue	170,000	170,000	168,348	(1,652)
Total Revenues	<u>3,009,268</u>	<u>3,009,268</u>	<u>2,715,537</u>	<u>(293,731)</u>
EXPENDITURES:				
Current:				
General Government:				
Personnel	1,210,571	1,145,571	1,094,882	50,689
Professional Fees	198,000	158,000	136,393	21,607
Contracted Services	111,550	111,550	95,184	16,366
Technology, Communication, and Utilities	128,000	133,000	127,207	5,793
Vehicles, Repairs, and Supplies	85,000	85,000	78,425	6,575
Administrative Expenditures	218,500	218,500	177,362	41,138
Conservation Demonstration Project	230,000	205,000	187,642	17,358
Aquifer Science	60,000	60,000	32,418	27,582
Conservation Outreach	465,000	430,000	273,675	156,325
Capital Outlay:				
Capital Outlay	120,000	280,000	163,542	116,458
Total Expenditures	<u>2,826,621</u>	<u>2,826,621</u>	<u>2,366,730</u>	<u>459,891</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>182,647</u>	<u>182,647</u>	<u>348,807</u>	<u>166,160</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out (Use)	(62,546)	(62,546)	(62,477)	69
Total Other Financing Sources (Uses)	<u>(62,546)</u>	<u>(62,546)</u>	<u>(62,477)</u>	<u>69</u>
Net Change	120,101	120,101	286,330	166,229
Fund Balance - October 1 (Beginning)	<u>1,728,383</u>	<u>1,728,383</u>	<u>1,728,383</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,848,484</u>	<u>\$ 1,848,484</u>	<u>\$ 2,014,713</u>	<u>\$ 166,229</u>

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Schedule of Changes in Net Pension Liability and Related Ratios
Texas County and District Retirement System
For the Year Ended September 30, 2018

EXHIBIT G-2

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
A. Total Pension Liability				
Service Cost	\$ 111,665	\$ 118,409	\$ 95,661	\$ 92,715
Interest (on the Total Pension Liability)	49,837	33,114	27,011	18,878
Changes of Benefit Terms	(13,474)	-0-	(12,606)	-0-
Difference between Expected and Actual Experience	-0-	3,622	(51,759)	(6,633)
Changes of Assumptions	-0-	-0-	4,024	-0-
Benefit Payments, including refunds of employee contributions	(3,651)	(1,004)	(3,641)	-0-
A. Total Pension Liability				
Net change in Total Pension Liability	\$ 144,377	\$ 154,141	\$ 58,690	\$ 104,960
Total Pension Liability - Beginning	505,398	351,257	292,567	187,607
Total Pension Liability - Ending	\$ 649,775	\$ 505,398	\$ 351,257	\$ 292,567
B. Total Fiduciary Net Position				
Contributions - Employer	\$ 64,270	\$ 67,751	\$ 63,696	\$ 56,712
Contributions - Employee	64,270	67,751	63,696	56,712
Net Investment Income	79,043	26,980	(3,231)	8,324
Benefit Payments, including refunds of employee contributions	(3,651)	(1,004)	(3,641)	-0-
Administrative Expense	(487)	(293)	(218)	(137)
Other	1,667	12,736	(26)	(10)
B. Total Fiduciary Net Position				
Net Change in Plan Fiduciary Net Position	\$ 205,112	\$ 173,921	\$ 120,276	\$ 121,601
Plan Fiduciary Net Position - Beginning	527,758	353,836	233,560	111,959
Plan Fiduciary Net Position - Ending	\$ 732,870	\$ 527,757	\$ 353,836	\$ 233,560
C. Net Pension Liability				
	\$ (83,095)	\$ (22,359)	\$ (2,579)	\$ 59,007
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability				
	112.79%	104.42%	100.73%	79.83%
E. Covered Payroll				
	\$ 918,142	\$ 967,868	\$ 909,948	\$ 810,178
F. Net Pension Liability as a Percentage of Covered Payroll				
	9.05%	(2.31%)	(0.28%)	7.28%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only four years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Schedule of Contributions
Texas County and District Retirement System
For the Fiscal Year 2018

	2018	2017	2016
Actuarially Determined Contribution	\$ 40,582	\$ 54,201	\$ 51,594
Contributions in Relation to the Actuarially Determined Contributions	(64,270)	(67,751)	(63,696)
Contribution Deficiency (Excess)	\$ (23,688)	\$ (13,550)	\$ (12,102)
Covered Employee Payroll	\$ 918,142	\$ 967,868	\$ 909,948
Contributions as a Percentage of Covered Employee Payroll	7.00%	7.00%	7.00%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>2015</u>	
\$	40,914
	(56,712)
\$	<u>(15,798)</u>
\$	810,178
	7.00%

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Notes to the Required Supplementary Information
For the Year Ended September 30, 2018

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated each 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	0.9 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of 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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Plan Provisions Reflected in the Schedule	New annuity purchase rates were reflected for benefits earned after 2017.

COMBINING SCHEDULES

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2018

EXHIBIT H-1

	TWDB Contract	Default Reserve Account	Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 100	\$ 11,225	\$ 11,325	\$ 11,325
Total Assets	<u>\$ 100</u>	<u>\$ 11,225</u>	<u>\$ 11,325</u>	<u>\$ 11,325</u>
FUND BALANCES				
Restricted Fund Balance:				
Retirement of Long-Term Debt	100	11,225	11,325	11,325
Total Fund Balances	<u>100</u>	<u>11,225</u>	<u>11,325</u>	<u>11,325</u>
Total Liabilities and Fund Balances	<u>\$ 100</u>	<u>\$ 11,225</u>	<u>\$ 11,325</u>	<u>\$ 11,325</u>

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2018

	TWDB Contract	Default Reserve Account	Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
EXPENDITURES:				
Debt Service:				
Principal on Debt	62,000	-	62,000	62,000
Interest on Debt	477	-	477	477
Total Expenditures	<u>62,477</u>	<u>-</u>	<u>62,477</u>	<u>62,477</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(62,477)</u>	<u>-</u>	<u>(62,477)</u>	<u>(62,477)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	62,477	-	62,477	62,477
Total Other Financing Sources (Uses)	<u>62,477</u>	<u>-</u>	<u>62,477</u>	<u>62,477</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - October 1 (Beginning)	<u>100</u>	<u>11,225</u>	<u>11,325</u>	<u>11,325</u>
Fund Balance - September 30 (Ending)	<u>\$ 100</u>	<u>\$ 11,225</u>	<u>\$ 11,325</u>	<u>\$ 11,325</u>

OTHER SCHEDULES

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Debt Service Fund TWDB Contract
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
EXPENDITURES:				
Debt Service:				
Principal on Debt	\$ 62,000	\$ 62,000	\$ 62,000	\$ -
Interest on Debt	546	546	477	69
Total Expenditures	62,546	62,546	62,477	69
Excess (Deficiency) of Revenues Over (Under) Expenditures	(62,546)	(62,546)	(62,477)	69
OTHER FINANCING SOURCES (USES):				
Transfers In	62,546	62,546	62,477	(69)
Total Other Financing Sources (Uses)	62,546	62,546	62,477	(69)
Change in Fund Balance	-	-	-	-
Fund Balance - October 1 (Beginning)	100	100	100	-
Fund Balance - September 30 (Ending)	\$ 100	\$ 100	\$ 100	\$ -

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Debt Service Fund Default Reserve Account
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
Change in Fund Balance	-	-	-	-
Fund Balance - October 1 (Beginning)	11,225	11,225	11,225	-
Fund Balance - September 30 (Ending)	<u>\$ 11,225</u>	<u>\$ 11,225</u>	<u>\$ 11,225</u>	<u>\$ -</u>

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Schedule of General Fund Expenditures
For the Year Ended September 30, 2018

PERSONNEL (INCLUDING BENEFITS)	\$ 1,094,882
PROFESSIONAL FEES:	
Audit	22,000
Legal	48,000
Other professional fees	66,393
Total Professional Fees	136,393
CONTRACTED SERVICES:	
Appraisal District and Tax Collector fees expenses	82,546
Other	12,638
Total Contracted Services	95,184
TECHNOLOGY, COMMUNICATION, AND UTILITIES	127,207
VEHICLE, REPAIRS, AND SUPPLIES	78,425
ADMINISTRATIVE EXPENDITURES:	
Director's expenditures	42,475
Supplies	32,024
Insurance	12,255
Other administrative expenditures	90,608
Total Administrative Expenditures	177,362
CONSERVATION OUTREACH	273,675
CONSERVATION DEMONSTRATION PROJECT	187,642
AQUIFER SCIENCE	32,418
CAPITAL OUTLAY:	
Acquisition of fixed assets	163,542
DEBT SERVICES	-
TOTAL EXPENDITURES	\$ 2,366,730

Number of persons employed by the District: 13 Full-time 2 Part-time

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Schedule of Certificates of Deposit
For the Year Ended September 30, 2018

<u>Funds</u>	<u>Identification or Certification Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General Fund:				
Certificate of Deposit - Dalhart Federal Savings and Loan Dalhart, Texas	6026088088	1.25%	05/03/19	\$ 100,000
Certificate of Deposit - Dalhart Federal Savings and Loan Dalhart, Texas	6026091833	1.25%	02/16/19	150,000
Certificate of Deposit - First National Bank Dumas, Texas	82535	0.90%	11/16/18	100,000
Certificate of Deposit - Perryton National Bank Perryton, Texas	21457	1.45%	08/23/19	100,000
Certificate of Deposit - First State Bank Dumas, Texas	21046	1.50%	04/03/19	100,000
Certificate of Deposit - Happy State Bank Dumas, Texas	11297	0.60%	02/16/19	150,000
Certificate of Deposit - Happy State Bank Dumas, Texas	12046	1.26%	08/08/19	100,000
Certificate of Deposit - First Bank Southwest Perryton, Texas	10000222	1.15%	10/19/18	100,000
Certificate of Deposit - First State Bank Spearman, Texas	45152	0.90%	01/23/19	150,000
Certificate of Deposit - Gruver State Bank Gruver, Texas	20855	1.05%	02/18/19	<u>250,000</u>
TOTAL GENERAL FUND				<u>\$ 1,300,000</u>

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Analysis of Taxes Levied and Receivable
For the Year Ended September 30, 2018

	<u>Maintenance and Operating Taxes</u>
TAXES RECEIVABLE, BEGINNING OF THE YEAR	\$ 49,006
2017 Original Tax Levy (less adjustments plus supplements)	<u>2,256,352</u>
Total to be Accounted for	<u>2,305,358</u>
Tax Collections:	
Current Year	2,227,728
Prior Years	<u>28,495</u>
Total Collections	<u>2,256,223</u>
TAXES RECEIVABLE, END OF YEAR	<u><u>\$ 49,135</u></u>
TAX RECEIVABLE, BY YEARS	
2016 and Prior	\$ 29,755
2017	<u>19,380</u>
TAXES RECEIVABLE, END OF YEAR	<u><u>\$ 49,135</u></u>

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Property Valuation (Includes land improvements and personal property)	\$ 7,279,332,450	\$ 7,107,950,369	\$ 8,676,394,427	\$ 8,708,201,904	\$ 8,290,081,864
Tax Rates Per \$100 Value (Maintenance and operating only)	\$ 0.033714	\$ 0.034146	\$ 0.026829	\$ 0.025324	\$ 0.025652
Original Tax Levy (Before adjustments)	\$ 2,265,673	\$ 2,234,998	\$ 2,189,942	\$ 2,095,517	\$ 2,048,545
Percent of Taxes Collected to Taxes Levied	98.33%	99.39%	98.80%	98.77%	98.94%

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Comparative Schedule of Revenues and Expenditures - General Fund
For the Year Ended September 30, 2018

	Amounts				
	2018	2017	2016	2015	2014
REVENUES:					
Taxes, penalties, and interest	\$ 2,274,746	\$2,256,612	\$2,196,444	\$ 2,097,893	\$2,062,234
Lease revenue	-	-	-	-	-
State grant revenue	141,637	257,215	219,788	319,419	25,000
Federal grant revenue	30,000	43,946	46,054	46,306	287,953
Interest revenue	13,222	6,860	7,498	12,310	11,792
Fees for District services	87,584	115,691	98,400	128,542	279,121
Miscellaneous revenues	168,348	220,652	184,607	184,823	139,515
TOTAL REVENUES	<u>2,715,537</u>	<u>2,900,976</u>	<u>2,752,791</u>	<u>2,789,293</u>	<u>2,805,615</u>
EXPENDITURES:					
Personnel	1,094,882	1,191,072	1,237,986	1,121,518	1,065,692
Professional fees	136,393	198,068	189,037	315,973	218,155
Contracted services	95,184	110,580	105,120	156,704	92,399
Technology, communication, and utilities	127,207	121,259	123,662	164,462	127,935
Vehicle, repairs, and supplies	78,425	80,563	78,089	134,676	112,303
Administrative expenditures	177,362	197,921	166,012	190,174	234,480
Conservation outreach	273,675	258,771	368,105	418,280	138,294
Conservation demonstration project	187,642	205,320	191,846	182,662	381,544
Aquifer science	32,418	34,091	19,591	191,406	242,026
Capital outlay	163,542	82,942	235,621	776,753	459,593
TOTAL EXPENDITURES	<u>2,366,730</u>	<u>2,480,587</u>	<u>2,715,069</u>	<u>3,652,608</u>	<u>3,072,421</u>
EXCESS (DEFICIENCY) OF					
REVENUES OVER (UNDER)					
EXPENDITURES	<u>\$ 348,807</u>	<u>\$ 420,389</u>	<u>\$ 37,722</u>	<u>\$ (863,315)</u>	<u>\$ (266,806)</u>

Percent of Fund Total Revenues				
2018	2017	2016	2015	2014
83.8	77.8	79.8	75.2	73.5
-	-	-	-	-
5.2	8.9	8.0	11.5	0.9
1.1	1.5	1.6	1.7	10.3
0.5	0.2	0.3	0.4	0.4
3.2	4.0	3.6	4.6	9.9
6.2	7.6	6.7	6.6	5.0
<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
40.3	41.1	45.0	40.2	38.0
5.0	6.8	6.9	11.3	7.7
3.5	3.8	3.8	5.6	3.3
4.7	4.2	4.5	5.9	4.6
2.9	2.8	2.8	4.8	4.0
6.5	6.9	6.0	6.8	8.4
10.1	8.9	13.4	15.0	4.9
6.9	7.1	7.0	6.5	13.6
1.2	1.1	0.7	6.9	8.6
6.1	2.8	8.6	27.9	16.4
<u>87.2</u>	<u>85.5</u>	<u>98.7</u>	<u>130.9</u>	<u>109.5</u>
<u>12.8</u>	<u>14.5</u>	<u>1.3</u>	<u>(30.9)</u>	<u>(9.5)</u>

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Insurance Coverage
For the Year Ended September 30, 2018

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Name</u>	<u>Policy Clause: Co-Insurance (Deductible)</u>
Blanket Bond	\$ 60,000	Western Surety Company	None
Automobile Liability Coverage	\$ 1,000,000	Texas Water Conservation Association Risk Management	\$1,000 deductible
General Liability	\$ 1,000,000	Texas Water Conservation Association Risk Management	\$1,000 deductible
Errors and Omissions Liability	\$ 1,000,000	Texas Water Conservation Association Risk Management	\$1,000 deductible
Property Coverage	\$ 2,133,071	Texas Water Conservation Association Risk Management	\$2,500 deductible
Automobile Physical Damage	Actual Cash Value	Texas Water Conservation Association Risk Management	Varies by Vehicle
Public Official	\$ 70,000	The Hartford	None

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Board Members, Key Personnel, and Consultants
For the Year Ended September 30, 2018

Complete District Mailing Address: P. O. Box 795, Dumas, Texas 79029-0795
District Business Telephone Number: (806) 935-6401

Names	Term of Office Elected and Expires	Title at Year End	Resident of District?
*Board Members:			
Harold Grall	Elected 5/14 - 11/18	President	Yes
Daniel L. Krienke	Elected 11/16 - 11/20	Vice-President	Yes
Bob Zimmer	Elected 11/16 - 11/20	Secretary	Yes
Gene Born	Elected 11/16 - 11/20	Director	Yes
Justin Crownover	Elected 5/14 - 11/18	Director	Yes
Mark Howard	Elected 5/14 - 11/18	Director	Yes
Zachary Yoder	Elected 5/14 - 11/18	Director	Yes

Names	Date Hired	Salary	Title at Year End	Resident of District?
Key Administrative Personnel:				
Steve Walthour	05/07	\$ 139,960	Manager	Yes
(General Manager and Investment Officer)				

Names	Date Hired	Fees and Expense Reimbursements	Title at Year End	Resident of District?
Consultants:				
Lemon, Shearer, Phillips & Good, P.C.	03/08/55	\$ 48,000	Attorney	Yes
Coy Barton, CPA	10/01/64	\$ 22,000	Auditor	Yes

* The 2015 Legislature amended the North Plains Groundwater Conservation District's enabling statute moving the election of board members from May to the November general election.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Schedule of Expenditure of Federal and State Awards
For the Year Ended September 30, 2018

<u>Name</u>	<u>CFDA Number or State Award Number</u>	<u>Expenditures</u>
Federal Awards		
Soil Conservation and Domestic Allotment Act		
Passed through U.S. Department of Agriculture Natural Resources Conservation Service	10.902	<u>\$ 30,000</u>
Texas Water Development Board - Efficient Irrigation Management via a Fully Intergrated System	1613581993	\$ 9,911
Texas Water Development Board - Irrigation Metering Grant	1513581860	<u>131,726</u>
Total State Awards		<u>\$ 141,637</u>

No Single Audit is required.

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Schedule of Delinquent Taxes Receivable
For the Year Ended September 30, 2018

<u>County</u>	<u>Beginning Balance 10/01/17</u>	<u>Current Year's Total Levy</u>	<u>Total Collections</u>	<u>Adjustments</u>	<u>Ending Balance 09/30/18</u>
Hansford	\$ 6,371	\$ 175,798	\$ 173,080	\$ (2,618)	\$ 6,471
Hartley	956	228,007	227,877	144	1,230
Hutchinson	2,504	38,443	37,657	(880)	2,410
Lipscomb	9,702	210,399	209,889	353	10,565
Moore	12,291	651,877	650,833	(269)	13,066
Ochiltree	10,358	491,636	488,683	(988)	12,323
Sherman	5,154	168,327	167,027	(1,954)	4,500
Dallam	1,670	301,186	301,177	(3,109)	(1,430)
Total	<u>\$ 49,006</u>	<u>\$ 2,265,673</u>	<u>\$ 2,256,223</u>	<u>\$ (9,321)</u>	<u>\$ 49,135</u>

**REPORTS ON INTERNAL CONTROL AND
ON COMPLIANCE AND OTHER MATTERS**

COY BARTON, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT

116 EAST SEVENTH

P.O. BOX 800 • TELEPHONE 806-935-4188

DUMAS, TEXAS 79029

MEMBER OF

THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE AICPA'S PRIVATE COMPANIES
PRACTICE SECTION

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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*

To the Board of Directors
North Plains Groundwater Conservation District
P.O. Box 795
Dumas, Texas

Members of the Board:

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 North Plains Groundwater Conservation District as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise North Plains Groundwater Conservation District's basic financial statements, and have issued our report thereon dated December 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Plains 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 North Plains Groundwater Conservation District's internal control. Accordingly we do not express an opinion on the effectiveness of North Plains 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 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.

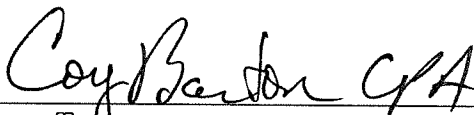
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 North Plains Groundwater Conservation District's financial statements are free from 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. 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.



Dumas, Texas

December 13, 2018

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Schedule of Findings and Responses
For the Year Ended September 30, 2018

Findings	Responses
None	None

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Schedule of Status of Prior Audit Findings
For the Year Ended September 30, 2018

<u>Findings</u>	<u>Status of Prior Year's Findings/Noncompliance</u>
None	None

NORTH PLAINS GROUNDWATER CONSERVATION DISTRICT
Corrective Action Plan
For the Year Ended September 30, 2018

<u>Findings</u>	<u>Corrective Action Plan</u>
None	None