

*ANNUAL FINANCIAL REPORT*

of the

**Lone Star Groundwater Conservation District**

For the Year Ended  
December 31, 2017

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# Lone Star Groundwater Conservation District

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December 31, 2017

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## *INDEPENDENT AUDITOR'S REPORT*

To the Board of Directors of the  
Lone Star Groundwater Conservation District  
655 Conroe Park North Drive  
Conroe, Texas 77303

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Lone Star Groundwater Conservation District (the "District"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Lone Star Groundwater Conservation District's basic financial statements as listed in the table of contents.

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

Lone Star Groundwater Conservation District's 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Lone Star Groundwater Conservation District, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

*Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lone Star Groundwater Conservation District's basic financial statements. The accompanying Other Supplementary Information section Texas Supplementary Information section, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These 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 it.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly slanted font.

Brooks Watson & Co.  
Certified Public Accountants  
Houston, Texas  
March 29, 2018

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

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# Lone Star Groundwater Conservation District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2017

As management of the Lone Star Groundwater Conservation District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2017.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities (net position) at December 31, 2017 by \$1,072,819.
- The District's total net position decreased by \$1,078,439.
- At the end of the fiscal year unrestricted portion of net position was negative \$534,114.
- The deficit in net position is primarily due to litigation expense challenging groundwater use regulations in Montgomery County since 2015.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### Financial Statements

The District is designated as a special-purpose government engaged only in business-type activities consistent with GASB 34. Governments engaged only in business-type activities should present only the financial statements required for enterprise funds. As a result, the financial statements presented within this report consist of the enterprise fund financial statements (i.e., the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows). The District has one enterprise fund.

#### *Enterprise Fund Types*

Enterprise funds are used to account for activities that are similar to those often found in the private sector. For the District this covers all activities. The measurement focus is on determination of net income, financial position, and cash flows. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Enterprise fund types follow Generally Accepted Accounting Principles "GAAP" as prescribed by the Governmental Accounting Standards Board "GASB".

# **Lone Star Groundwater Conservation District**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**For the Year Ended December 31, 2017**

### **Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found after the financial statements within this report.

### **Other Information**

In addition to basic financial statements and accompanying notes, this report also presents certain other supplementary information. A budgetary comparison schedule for the general fund has been included as a part of the other supplementary information. Additionally, Texas Supplementary Information (TSI) has been included to comply with state reporting requirements.

### **DISTRICT FINANCIAL ANALYSIS**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,072,819 at the close of the most recent fiscal year.

An important portion of the District's net position, assets, \$1,606,933, reflects its investments in capital assets (e.g., land, building, machinery, equipment, infrastructure, etc.), less any debt used to acquire those assets that is still outstanding. The District uses its capital assets, and a significant portion of its expenses, to develop, promote, and implement water conservation, augmentation, and management strategies to protect water resources for the benefit of the citizens of Montgomery County; consequently, these capital assets are not available for future spending. The District can choose to leverage or liquidate capital assets to generate future cash flows if determined necessary. Currently, the District has a line of credit that is collateralized with capital assets.

# Lone Star Groundwater Conservation District

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2017

### Statement of Net Position:

The following table reflects the condensed Statement of Net Position as of December 31:

	<b>Business-Type Activities</b>	
	<b>2017</b>	<b>2016</b>
Current and other assets	\$ 787,533	\$ 1,346,703
Capital assets, net	1,606,933	1,671,024
<b>Total Assets</b>	<b>2,394,466</b>	<b>3,017,727</b>
Accounts payable & accrued expenses	381,176	151,894
Unearned revenue	940,471	714,575
<b>Total Liabilities</b>	<b>1,321,647</b>	<b>866,469</b>
Net position:		
Net investment in capital assets	1,606,933	1,671,024
Unrestricted	(534,114)	480,234
<b>Total Net Position</b>	<b>\$ 1,072,819</b>	<b>\$ 2,151,258</b>

Since its creation in 2001, the District has worked to develop a multi-phased regulatory plan designed to manage and protect groundwater resources within Montgomery County. The District Regulatory Plan (DRP) Phase II (B), effective 1/1/16, mandated that all large volume groundwater user's annual production be limited to seventy percent (70%) of their total qualifying demand, as determined through public hearings conducted by the District. To achieve this goal, a benchmark was established; to reduce groundwater pumped beginning in 2016 and annually thereafter by thirty percent (30%) of the total qualifying demand, based on 2009 permitted allocations.

The District began the year continuing to defend its policies in two (2) separate lawsuits. During 2017, the District incurred \$1,090,727 in litigation expenses; \$936,891 paid to attorneys; \$153,836 paid to engineering consultants. Sixteen of the 18 claims originally filed by City of Conroe et al against LSGCD, its directors, and general manager have been dismissed or eliminated including all claims against its directors and general manager. Recommended changes to the District's desired future conditions approved by the Lone Star board in October 2017 led to a settlement with the cities of Conroe and Magnolia involving an appeal of the previous desired future conditions.

In October 2017 the LSGCD board of directors approved the "Strategic Water Resources Planning Study," which includes recommendations for future increases in groundwater pumping in Montgomery County. Based on survey responses and groundwater modeling results included in the study, the board of directors identified a new recommended planning goal for aquifers in Montgomery County that would allow increased groundwater pumping from the current goal of 64,000 acre-feet per year to 100,000 acre-feet per year by the year 2070. In order to be finally

# Lone Star Groundwater Conservation District

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2017

approved, such a proposal requires a technical evaluation and public hearings process and must receive an affirmative vote from at least four out of the five-member groundwater conservation districts in GMA 14.

LSGCD continues to defend its position in the lawsuit regarding the District's authority to establish regulations to manage Montgomery County groundwater resources.

### Statement of Revenues, Expenses, and Changes in Net Position:

The following table provides a summary of the District's changes in net position for the years ended December 31:

	Governmental Activities	
	2017	2016
<b>Revenues</b>		
Water use fees	\$ 1,750,609	\$ 1,464,993
Interest and other	13,452	11,274
<b>Total Revenues</b>	1,764,061	1,476,267
<b>Expenses</b>		
Programs	409,522	364,986
Personnel	755,172	630,895
Legal	129,421	266,317
Litigation / engineering & technical support	1,090,727	295,225
Education and public awareness	56,912	158,451
Other	336,655	472,169
Depreciation	64,091	66,845
<b>Total Expenses</b>	2,842,500	2,254,888
<b>Change in Net Position</b>	(1,078,439)	(778,621)
Beginning Net Position	2,151,258	2,929,879
<b>Ending Net Position</b>	\$ 1,072,819	\$ 2,151,258

Water use fees increased by \$285,616, due to an increase of \$.015 per 1,000 gallons; from \$.06 to \$.075. The rate of \$.06 per 1,000 gallons had remained unchanged since 2010.

Litigation expenses of \$1,090,727 comprised 38% of the total expenses; see Note 5.C. Due to this inordinate increase, education and public awareness disbursements were reduced \$101,539, and engineering disbursements (not including litigation consultants) were reduced \$110,298; respectively from 2016 to 2017. Other normal operating expenses were comparable to 2016.

# **Lone Star Groundwater Conservation District**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**For the Year Ended December 31, 2017**

### **BUDGETARY HIGHLIGHTS**

The Budget and Finance Committee conducted numerous budget meetings during 2016 to develop the budget for 2017, in an effort to sustain the District and enable it to accomplish the purposes for which it was created, in spite of the continuing depletion of cash reserves. As a result of those meetings, the water rate was increased from \$.06 to \$.075, per 1,000 gallons. However, a net loss of (\$624,460) was anticipated in 2017, for which District cash reserves were to be used to fund operations. The actual deficit of revenue over expenses of (\$1,078,439), was due to litigation expenses in excess of budgeted amounts.

Actual revenues were greater than final budgeted revenues by \$68,214 during the year. Water use fees were under budgeted amounts by \$61,971. Actual expenses were over the final budget by \$458,102. The most significant expense grouping over budget was litigation at \$670,727.

### **CAPITAL ASSETS**

As of the end of the year, the District had invested \$1,606,933 in a variety of capital assets and infrastructure, net of accumulated depreciation.

There were no major capital asset acquisitions or dispositions during the current year.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District's appointed officials are responsive to the District's declining net position. In an effort to impede the decline in net position, the District raised water use fees in 2017. The increase in 2017 was from \$0.06 to \$0.075, per 1,000 gallons. The increase was effective for all groundwater, other than "agricultural use" permitted in the Gulf Coast Aquifer. Water use fees for groundwater produced from the Catahoula as an alternative water supply remained unchanged.

The Board, facing a third year deficit in net position, and escalating litigation expenses, again raised the water use rate for 2018 to \$.105, per 1,000 gallons. This was necessary to balance the budget and establish a positive cash flow.

The district officials and staff remain committed to the District plan to ensure a sustainable, adequate, high quality and cost effective water supply, now, and in the future.

The 2017 budget was amended and adopted on March 14, 2017. The 2018 budget was presented and adopted by the Board on December 12, 2017.

# **Lone Star Groundwater Conservation District**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)***

**For the Year Ended December 31, 2017**

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the District's finances to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the General Manager at 655 Conroe Park North Drive, Conroe, TX 77303.



## ***FINANCIAL STATEMENTS***

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# Lone Star Groundwater Conservation District

## STATEMENT OF NET POSITION

December 31, 2017

<u>Assets</u>	<u>Business-Type Activities</u>
<b>Current Assets</b>	
Cash	\$ 571,097
Receivables, net	201,092
Prepaid expenses	15,344
<b>Total Current Assets</b>	<u>\$ 787,533</u>
<b>Noncurrent Assets</b>	
Capital assets, non-depreciable	260,187
Capital assets (net of accumulated depreciation)	1,346,746
<b>Total Assets</b>	<u>\$ 2,394,466</u>
<u>Liabilities</u>	
<b>Current Liabilities</b>	
Accounts payable and accrued expenses	\$ 381,176
Unearned revenue	940,471
<b>Total Current Liabilities</b>	<u>1,321,647</u>
<b>Net Position</b>	
Net investment in capital assets	1,606,933
Unrestricted	(534,114)
<b>Net Position</b>	<u>\$ 1,072,819</u>

See Notes to Financial Statements.

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# Lone Star Groundwater Conservation District

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Year Ended December 31, 2017

	<b>Business-Type Activities</b>
<b>Revenues</b>	
Water use fees	\$ 1,705,868
Administrative use fees	11,485
Application fees	27,542
Overpumpage fees	5,714
Penalty & interest on fees	6,225
Interest income	4,602
Export fees	2,625
<b>Total Revenues</b>	<b>1,764,061</b>
<b>Expenses</b>	
Programs	409,522
Personnel	755,172
Legal	129,421
Litigation / engineering & technical support	1,090,727
Audit	8,000
Engineering	37,515
Education & public awareness	56,912
Board expenses	56,953
Rebate on water use fees	89,741
Manager expenses	15,893
Computer support	29,856
Office expenses	8,362
Supplies & other	9,534
Advertising & public notices	6,222
Travel and training staff	3,751
Membership dues	3,692
Building maintenance & utilities	47,667
Vehicle costs	6,263
Insurance	11,749
Miscellaneous	1,457
Depreciation	64,091
<b>Total Expenses</b>	<b>2,842,500</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenses</b>	<b>(1,078,439)</b>
Beginning Net Position	2,151,258
<b>Ending Net Position</b>	<b>\$ 1,072,819</b>

See Notes to Financial Statements.

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# Lone Star Groundwater Conservation District

## STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

	<u>Business-Type Activities</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from customers	\$ 1,812,768
Payments to employees	(828,521)
Payments to suppliers	(1,634,380)
<b>Net Cash Provided by / (Used) in Operating Activities</b>	<b>(650,133)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(650,133)</b>
Beginning cash and cash equivalents	1,221,230
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 571,097</b>
<b><u>Reconciliation of Operating Income / (Loss) to Net Cash Provided by / (Used) in Operating Activities</u></b>	
Operating loss	\$ (1,078,439)
Adjustments to reconcile operating loss to net cash provided:	
Depreciation	64,091
<b>Changes in Operating Assets and Liabilities:</b>	
<b>(Increase) Decrease in:</b>	
Accounts receivable	(87,448)
Prepaid expenses	(3,515)
<b>Increase (Decrease) in:</b>	
Accounts payable and accrued liabilities	229,282
Unearned revenue	225,896
<b>Net Cash Provided by / (Used) in Operating Activities</b>	<b>\$ (650,133)</b>

See Notes to Financial Statements.

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# Lone Star Groundwater Conservation District

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

### NOTE 1 – CREATION OF DISTRICT

The Lone Star Groundwater Conservation District (District) was created by the 77th Legislature under the authority of Section 59, Article XVI, of the Texas Constitution and in accordance with Chapter 36 of the Texas Water Code to conserve, protect, and enhance the groundwater resources of Montgomery County, Texas.

The District was formed in 2001 and is governed by a board of directors who are appointed by various local government agencies and serve staggered four-year terms.

The mission of the District is to manage and protect the groundwater resources of Montgomery County, Texas and to work with others to ensure a sustainable, adequate, high quality and cost effective water supply for current and future needs.

The District is not a taxing authority. Operations of the District are funded by charges to water well users in the jurisdictions serviced by the District.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements and accounting policies of the District are prepared in conformity with generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

#### A. Reporting Entity

The District has adopted Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. In accordance with this statement, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is governed by a Board of Directors consisting of nine individuals who are appointed by local governing bodies. As required by generally accepted accounting principles, these financial statements present the activities of the District, which is considered to be the primary government as well as the reporting entity. There are no other organizations which meet the criteria for inclusion herein as part of the financial reporting entity.

# Lone Star Groundwater Conservation District

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2017

### B. Basis of presentation – financial statements

Since the District is not a taxing authority and earns all revenue through fees, no governmental funds exist for the District. The District is designated as a special-purpose government engaged only in business-type activities consistent with GASB 34. Governments engaged only in business-type activities should present only the financial statements required for enterprise funds. As a result, the financial statements presented within this report consist of the enterprise fund financial statements (i.e., the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows). The District has one enterprise fund.

### C. Basis of presentation – fund financial statements

#### *Enterprise Fund Types*

Enterprise funds are used to account for activities that are similar to those often found in the private sector. For the District this covers all activities. The measurement focus is on determination of net income, financial position, and cash flows. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for fees. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Enterprise fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB).

### D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The accrual basis of accounting is used for the enterprise fund types. 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.

# Lone Star Groundwater Conservation District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### E. Assets, liabilities, and net position

#### 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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the District reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools
- SEC registered, no load money market mutual funds

#### 2. *Fair Value*

As of December 31, 2017, the District has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

#### 3. *Receivables*

All trade receivables are shown net of any allowance for uncollectible amounts. The District estimates the allowance for doubtful accounts based on collections after the balance sheet date. As of December 31, 2017, the allowance for doubtful accounts was \$22,904.

# Lone Star Groundwater Conservation District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### 4. *Capital Assets*

Capital assets, which include property, plant, equipment, are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Furniture, vehicles, and equipment	5 to 7 years

### 5. *Prepaid expenses*

Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenses) are recognized as expenses when utilized.

### 6. *Deferred outflows/inflows 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 so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, 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. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

# Lone Star Groundwater Conservation District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### 7. *Net position flow assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### 8. *Compensated absences*

The liability for compensated absences reported in the proprietary fund statements consist of unpaid, accumulated vacation and compensatory time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

The District's personnel policy grants its eligible employees vacation pay benefits in varying amounts to specified maximums depending on tenure with the District. District employees may carry forward into the subsequent year, with management approval, earned but unused vacation pay benefits up to specified maximums. Upon separation with the District, employees will be paid for their accrued and unused vacation pay benefits. At December 31, 2017, the accrued vacation pay benefit balance was \$14,377.

The District's personnel policy permits its eligible employees to accrue up to 160 hours of sick leave per year. Unused, accumulated sick leave may be carried forward into the subsequent year with management approval. Upon separation with the District, employees will not be paid for unused, accumulated sick leave.

### 9. *Estimates*

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make 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/expenses during the reporting period. Actual results could differ from those estimates.

# Lone Star Groundwater Conservation District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### 10. *Unearned revenue*

Unearned revenue represents revenues billed but not earned as of December 31, 2017. This is comprised of revenue for well permits billed in the current year that relate to the annual or quarterly periods following December 31, 2017. The revenue is deferred and recognized in the permit year. As of December 31, 2017, unearned revenue was \$940,471.

### NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The original budget is adopted by the Board of Directors prior to the beginning of the year. Management may not amend the budget without the approval of the Board.

The District has adopted a non-appropriated budget in accordance with Title 30 of the Texas Administrative Code, Section 293.97. The budget is prepared using the modified accrual method of accounting. The budgetary comparison schedule is presented as other supplementary information to the basic financial statements.

The legal level of control is the expense function for the District. Expenses exceeded budget for personnel, litigation, rebate on water use fees, travel and training staff, and building maintenance & utilities by \$8,340, \$670,727, \$39,741, \$251, and \$5,667, respectively, for the year ended December 31, 2017.

### NOTE 4 - DETAILED NOTES

#### A. Deposits and Investments

As of December 31, 2017, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (years)</u>
Money market funds	\$ 401,271	-
External investment pools	167,649	0.11
	<u>\$ 568,920</u>	
Portfolio weighted average maturity		0.03

*Interest rate risk.* In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed two years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the

# Lone Star Groundwater Conservation District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

*Credit risk.* The District's investment policy limits investments in money market mutual funds rated as to investment quality not less than AAA by Standard & Poor's. As of December 31, 2017, the District's investment in TexPool was rated AAAM by Standard & Poor's.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of December 31, 2017, the District's insurance plus pledged collateral covered all deposits.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the District's safekeeping account prior to the release of funds.

### **TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. At December 31, 2017, the carrying value for the position in TexPool recorded by the District approximates fair value of the shares.

# Lone Star Groundwater Conservation District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### B. Receivables

The following comprise the receivable balances at year end:

<u>Type</u>	<u>Total</u>
Permit receivables	\$ 223,996
Allowance for doubtful accounts	(22,904)
<b>Total</b>	<b>\$ 201,092</b>

### C. Capital Assets

A summary of changes in capital assets for the year ended is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 260,187	\$ -	\$ -	\$ 260,187
Total capital assets not being depreciated	260,187	-	-	260,187
Capital assets, being depreciated:				
Building	1,593,553	-	-	1,593,553
Furniture, vehicles & equipment	255,047	-	-	255,047
Total capital assets being depreciated	1,848,600	-	-	1,848,600
Less accumulated depreciation				
Building	(228,356)	(38,976)	-	(267,332)
Furniture, vehicles & equipment	(209,407)	(25,115)	-	(234,522)
Total accumulated depreciation	(437,763)	(64,091)	-	(501,854)
Net capital assets being depreciated	1,410,837	(64,091)	-	1,346,746
<b>Total capital assets</b>	<b>\$ 1,671,024</b>	<b>\$ (64,091)</b>	<b>\$ -</b>	<b>\$ 1,606,933</b>

Depreciation expense was \$64,091 for the year ended December 31, 2017.



# Lone Star Groundwater Conservation District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### D. Line of Credit

On December 22, 2016, the Organization entered into a \$500,000 line of credit with a bank. The line of credit matures on December 22, 2018, and bears interest at a variable rate based on Prime. The line of credit is collateralized by the Organization's building.

As of December 31, 2017, the Organization hadn't made any draws on the line of credit, and therefore the balance outstanding was \$0.

### NOTE 5 – OTHER INFORMATION

#### A. The 401(a) - Money Purchase Plan (401a Plan)

The 401a Plan is an employer-sponsored deferred contribution plan established by the District to provide benefits at retirement for its employees. Participation in the 401a Plan is mandatory. 401a Plan participants are required to contribute 3% of their gross wages per year, not to exceed federal maximums. The District will match the employee's 3% contributions at a 2:1 ratio to a maximum of 6%. Any employee contribution greater than 3% will not be matched. Employer matching contributions vest according to the 401a Plan policy.

Unvested employer contributions will be used to pay administrative expenses of the 401a Plan, with any remainder being applied to reduce employer contributions. 401a Plan provisions and contribution requirements are established and may be amended by the District.

The assets of the 401a Plan are administered by ICMA Retirement Corporation. The District does not exercise any control over these assets.

District contributions to the 401a Plan for the year ended December 31, 2017 were \$26,828. Additional contributions from plan forfeitures were \$4,484.

# Lone Star Groundwater Conservation District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

### B. The 457 – Defined Contribution Plan (457 Plan)

The District also offers a defined contribution pension 457 Plan to its employees. Plans of deferred compensation described in Internal Revenue Code (IRC) section 457 are available to employees of certain state and local governments and non-governmental entities that are tax-exempt under IRC 501. As the District is a local government entity and is tax-exempt, the 457 Plan is a governmental eligible 457(b) plan. Plans eligible under 457(b) allow employees of sponsoring organizations to defer income taxation on retirement savings into future years. Employee participation in the District 457 Plan is optional. Employees contribute based on federal limits and guidelines. There is no District match. The Plan's assets are administered by ICMA Retirement Corporation. The District does not exercise any control over the plan assets.

In addition to its retirement plans, the District also makes contributions into the Social Security system. Effective January 1, 2000, the Internal Revenue Service determined that members of Boards of Directors are considered to be "employees" for federal payroll tax purposes only.

### C. 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; and natural disasters for which the District carries insurance coverage. There have been no significant reductions in coverage from the prior year.

The District is presently defending the following pending litigation; Cause No. 15-08-08942; City of Conroe et al v. Lone Star Groundwater Conservation District et al; in the 284th Judicial District Court of Montgomery County, Texas. In the suit, in addition to seeking recovery of attorneys' fees and costs, the Plaintiffs allege that the Defendants' actions with regard to adoption of its District Regulatory Plan exceed their statutory authority and constitute takings of their property without just compensation, but neither identify the specific property nor the dollar amount of their claims. The District have vigorously contested and defended themselves against the lawsuit. The District is unable to estimate the likelihood of a favorable or unfavorable outcome or estimated range of loss if an unfavorable outcome for the District were to occur.

## NOTE 6 – COMMITMENTS

The District renewed its agreement with Halff Associates, Inc. for hosting services for the on-line permitting and well registration database. The annual cost of the service is \$10,000; and will cover the period January 1, 2018 through December 31, 2018. Additionally, the District has contracted with Halff Associates, Inc. to add water quality graphing, QuickBooks support, and water level graph updates to the GIS Database. The

# Lone Star Groundwater Conservation District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

total of this task order is \$19,250; of which \$17,325 remains outstanding on the contract as of December 31, 2017.

On October 11, 2017, the District entered into a contract with INTERA Geoscience & Engineering Solutions to provide technical assistance with the development of well spacing rules. Technical activities will be conducted in 2018, and will not exceed \$11,000.

Near the end of 2014, the District's board of directors embarked on an updated Strategic Water Resources Planning Study (the "Strategic Plan") to serve as a guide in the conservation and management of groundwater resources in Montgomery County. This Strategic Plan is designed to evaluate potential opportunities for the additional development of groundwater resources, while ensuring the long-term viability of aquifers located in Montgomery County.

This plan has three parts:

- 1) To study groundwater production and water-level data assessment
- 2) To review the Total Estimated Recoverable Storage (TERS)
- 3) To determine future groundwater availability

The board of directors approved the final report of the Strategic Water Resource Planning Study at their December 12, 2017 board meeting concluding the Strategic Plan. On October 4, 2017, the District authorized \$151,500 for data collection with the U.S. Geological Survey (USGS) for the calendar year 2018. This agreement covers two areas:

1) Ground Water Program: This program is responsible for (1) the inventory of select wells that can be incorporated into the ground-water network, (2) collection of groundwater quality in the Houston area, and (3) provide an annual report of water-level and water-quality data.

2) Water-level Monitoring Network: This program is responsible for (1) measure static ground-water levels in active Gulf Coast aquifer wells during the winter in Montgomery and adjacent counties, (2) prepare a report of water-level altitude changes in the Gulf Coast Aquifer System for the current year, and (3) measure pumping groundwater levels in active Gulf Coast aquifer wells during the summer in Montgomery and adjacent counties.

The District will contribute \$151,500 to the joint funding, and the USGS will contribute \$39,500. The District participated in a similar agreement during 2017; with a contract amount of \$231,375. The decrease in the agreement was due to the deletion of the Catahoula Water Chemistry Network segment in the 2017 joint agreement.

# Lone Star Groundwater Conservation District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended December 31, 2017

On January 31, 2017, the District entered into an inter-local cooperation contract with the State Office of Administrative Hearings (SOAH). SOAH was to conduct a contested case hearing regarding the petitions for appeal of desired future conditions, filed with the District by Quadvest and the Cities of Conroe and Magnolia, Texas (the petitioners). As pursuant to Section 36.1083(m) of the Texas Water Code, the petitioners are statutorily required to pay the costs associated with the hearing. Therefore, the City of Conroe deposited \$80,000 with the District on March 22, 2017. During 2017, the District paid \$9,454 to SOAH. As part of the settlement agreement (see legal footnote), the District agreed to pay half of the costs, incurred to date, during 2017. On January 30, 2018, the District reimbursed the City of Conroe \$75,273; the balance of the deposit, less the share of expenses paid by the District.

### NOTE 7 – RELATED PARTY

District board member, Mr. Wood, is also a stockholder with First Financial Bank, which holds the majority of the District's deposits and has issued a line of credit for the District. Mr. Wood abstains from voting on matters related to First Financial Bank.

### NOTE 8 – SUBSEQUENT EVENTS

No subsequent events warranting disclosure occurred for the District through the report issuance date.

The District evaluated subsequent events through March 29, 2018, the date the financial statements were available to be issued.

***OTHER SUPPLEMENTARY INFORMATION***

# Lone Star Groundwater Conservation District

## BUDGETARY COMPARISON - PROPRIETARY FUND (Page 1 of 2)

For the Year ended December 31, 2017

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Water use fees	\$ 1,643,897	\$ 1,643,897	\$ 1,705,868	\$ 61,971
Administrative use fees	10,550	10,550	11,485	935
Application fees	31,300	31,300	27,542	(3,758)
Overpumpage fees	5,500	5,500	5,714	214
Penalty & interest on fees	4,000	4,000	6,225	2,225
Interest income	-	-	4,602	4,602
Export fees	600	600	2,625	2,025
<b>Total Revenues</b>	<u>1,695,847</u>	<u>1,695,847</u>	<u>1,764,061</u>	<u>68,214</u>
<b>Expenses</b>				
Programs	385,375	450,375	409,522	40,853
Personnel	751,332	746,832	755,172	(8,340) *
Legal	180,000	180,000	129,421	50,579
Litigation / engineering & technical support	420,000	420,000	1,090,727	(670,727) *
Audit	8,000	8,000	8,000	-
Engineering	107,500	107,500	37,515	69,985
Education & public awareness	108,000	108,000	56,912	51,088
Board expenses	61,000	57,000	56,953	47
Rebate on water use fees	50,000	50,000	89,741	(39,741) *
Manager expenses	20,000	18,000	15,893	2,107
Computer support	30,000	30,000	29,856	144
Office expenses	21,500	21,500	8,362	13,138
Supplies & other	13,750	13,750	9,534	4,216
Advertising & public notices	9,000	9,000	6,222	2,778

# Lone Star Groundwater Conservation District

## BUDGETARY COMPARISON - PROPRIETARY FUND (Page 2 of 2)

For the Year ended December 31, 2017

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Positive (Negative)
<b>Expenses (continued)</b>				
Travel and training staff	9,500	3,500	3,751	(251) *
Membership dues	6,000	6,000	3,692	2,308
Building maintenance & utilities	45,100	42,000	47,667	(5,667) *
Vehicle costs	7,800	7,800	6,263	1,537
Insurance	13,050	13,050	11,749	1,301
Miscellaneous	3,000	3,000	1,457	1,543
Capital outlay - other	25,000	25,000	- <sup>1</sup>	25,000
<b>Total Expenses</b>	<b>\$ 2,274,907</b>	<b>\$ 2,320,307</b>	<b>\$ 2,778,409</b>	<b>\$ (458,102)</b>
<b>Revenues over (under) expenses</b>	<b>\$ (579,060)</b>	<b>\$ (624,460)</b>	<b>\$ (1,014,348)</b>	<b>\$ (389,888)</b>
Beginning Net Position			2,151,258	
<b>Ending Net Position - modified</b>			<b>\$ 1,136,910 <sup>1</sup></b>	
Capital outlay			-	
Depreciation expense			(64,091)	
<b>Ending Net Position</b>			<b>\$ 1,072,819</b>	

<sup>1</sup> Budget presented on modified accrual basis.

\* Expenditures exceeded budget at the legal level of control.

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***TEXAS SUPPLEMENTARY INFORMATION***

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# Lone Star Groundwater Conservation District

## SERVICE TYPE

For the Year Ended December 31, 2017

1. **Services provided by the District:**

<input type="checkbox"/>	Retail Water	<input type="checkbox"/>	Wholesale Water	<input type="checkbox"/>	Drainage
<input type="checkbox"/>	Retail Sewer	<input type="checkbox"/>	Wholesale Sewer	<input type="checkbox"/>	Irrigation
<input type="checkbox"/>	Parks/Recreation	<input type="checkbox"/>	Fire Protection	<input type="checkbox"/>	Security
<input type="checkbox"/>	Solid Waste/Garbage	<input type="checkbox"/>	Flood Control	<input type="checkbox"/>	Roads
<input type="checkbox"/>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<input checked="" type="checkbox"/>	Other (specify):	<u>Water conservation services</u>			

# Lone Star Groundwater Conservation District

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES

Last Five Years

	Amounts				
	2017	2016	2015	2014	2013
<b>Revenues</b>					
Application fees	\$ 27,542	\$ 33,400	\$ 34,850	\$ 44,460	\$ 42,939
Export fees	2,625	597	1,765	2,942	18,842
Water use fees	1,717,353	1,400,845	2,020,219	1,964,785	1,895,988
Interest income	4,602	3,542	4,657	5,096	6,744
Overpumpage fee	5,714	30,748	16,712	7,296	27,534
Miscellaneous	-	50	11,372	11,560	2,401
Penalty & interest	6,225	7,085	16,630	1,930	14,351
<b>Total Revenues</b>	<b>1,764,061</b>	<b>1,476,267</b>	<b>2,106,205</b>	<b>2,038,069</b>	<b>2,008,799</b>
<b>Total Expenses</b>	<b>2,842,500</b>	<b>2,254,888</b>	<b>2,203,781</b>	<b>1,902,987</b>	<b>1,668,815</b>
 <b>Revenues Over (Under)</b>					
<b>Expenditures</b>	<b>\$ (1,078,439)</b>	<b>\$ (778,621)</b>	<b>\$ (97,576)</b>	<b>\$ 135,082</b>	<b>\$ 339,984</b>

**Percent of Total Fund Revenues**

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
1.6 %	2.3 %	1.7 %	2.2 %	2.1 %
0.1 %	0.0 %	0.1 %	0.1 %	0.9 %
97.4 %	94.9 %	95.9 %	96.4 %	94.4 %
0.3 %	0.2 %	0.2 %	0.3 %	0.3 %
0.3 %	2.1 %	0.8 %	0.4 %	1.4 %
0.0 %	0.0 %	0.5 %	0.6 %	0.1 %
0.4 %	0.5 %	0.8 %	0.1 %	0.7 %
<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
<u>161.1 %</u>	<u>152.7 %</u>	<u>104.6 %</u>	<u>93.4 %</u>	<u>83.1 %</u>
<u>(61.1) %</u>	<u>(52.7) %</u>	<u>(4.6) %</u>	<u>6.6 %</u>	<u>16.9 %</u>

# Lone Star Groundwater Conservation District

## PROPRIETARY FUND EXPENDITURES

For the Years Ended December 31, 2017 and 2016

	2017	2016
<b><u>Current</u></b>		
<b>Personnel Services</b> (including benefits)	\$ 755,172	\$ 630,895
<b>Professional Fees:</b>		
Auditing	8,000	9,531
Legal	129,421	266,317
Litigation / engineering & technical support	1,090,727 *	295,225
Consulting - engineering	37,515	146,946
	1,265,663	718,019
 <b>Administrative programs</b>		
Directors' fees & payroll taxes	54,036	55,709
Office supplies & Postage	9,534	9,415
Insurance	11,749	9,349
	75,319	74,473
 <b>Community programs</b>		
Hydrogeological modeling	607	600
Strategic planning & other	177,540	113,011
USGS - joint funding agreement	231,375	251,375
	409,522	364,986
 <b>Other Expenditures</b>		
Building expense	47,667	57,047
Depreciation	64,091	66,843
Education & public awareness	56,912	158,451
Travel/training for staff & board	19,644	32,173
Computer support	29,856	29,415
Advertising	6,222	7,498
Membership dues & subscriptions	3,692	4,337
User fees rebates	89,741	76,576
Miscellaneous & other expenses	12,736	29,810
Field & technical	6,263	4,365
	336,824	466,515
<b>Total Expenditures</b>	\$ 2,842,500	\$ 2,254,888

\* This includes litigation expenses paid to attorneys and expert technical support pertaining to litigation matters. Refer to page 9 for additional details.

# Lone Star Groundwater Conservation District

## CASH AND TEMPORARY INVESTMENTS

December 31, 2017

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Balance</u>
Checking - operating	1049725	0.00%	N/A	\$ 2,025
Checking - money market	1026172	0.40%	N/A	401,271
TexPool	788420	0.48%	N/A	<u>167,801</u>
	<b>Total</b>			<u><u>\$ 571,097</u></u>

# Lone Star Groundwater Conservation District

## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

For the Year Ending December 31, 2017

District's Mailing Address:

655 Conroe Park North Drive  
Conroe, Texas 77303

District's Business Telephone Number:

(936) 494-3436

<u>Board Members</u>	<u>Term Expires</u>	<u>Fees</u>	<u>Expenses</u>	<u>Title</u>
Rick Moffatt	1/31/2019	\$ 8,750	\$ -	President
1 Richard J. Tramm	1/31/2017	\$ 1,000	\$ -	Former President
James M. Stinson	1/31/2019	\$ 4,500	\$ -	Vice President
Gregg Hope	1/31/2019	\$ 9,000	\$ -	Secretary
2 W.B. Wood	1/31/2019	\$ 7,750	\$ -	Treasurer
3 Webb Melder	1/31/2021	\$ 4,500	\$ -	Director
John Bleyl, PE	1/31/2021	\$ 6,750	\$ -	Director
Jace A. Houston	1/31/2021	\$ 6,500	\$ -	Director
Roy McCoy, Jr.	1/31/2021	\$ 1,500	\$ -	Director
M. Scott Weisinger, PG	1/31/2021	\$ -	\$ -	Director

1 Mr. Tramm's term expired on January 31, 2017.

2 Mr. Wood is a stockholder with First Financial Bank, which holds some of the District's deposits and has issued a line of credit for the District. Mr. Wood abstains from voting on matters related to First Financial Bank.

3 Mr. Melder was appointed to the board by the Montgomery County Commissioner's Court; he took office March 2, 2017.



<u>Name and Address</u>		<u>Amount</u>	<u>Title</u>
<b><u>Key Administrative Personnel</u></b>			
Kathy Turner Jones	Salary	\$ 130,810	General Manager
	Expenses	\$ 5,628	
	Auto allowance	\$ 12,000	
	Tuition reimbursement	\$ 2,460	
Samantha Reiter	Salary	\$ 77,357	Permitting Director/Asst. G.M.
	Expenses	\$ 292	
Paul Nelson (retired 6/30/2017)	Salary	\$ 25,542	Asst. G.M. Part-Time
	Expenses	\$ 1,530	
<b><u>Consultants</u></b>			
Sledge Law Group, PLLC		\$ 453,689	Legal
Martin Earl & Stilwell, LLP		\$ 46,383	Legal
Graves Dougherty Hearon & Moody		\$ 515,786	Legal
Smith, Robertson, Elliott & Douglas, LLP		\$ 1,775	Legal
Scott Douglass McConnico, LLP		\$ 20,178	Legal
Fowler Law Firm		\$ 2,254	Legal
Kristen Fancher		\$ 3,782	Legal
KSS Resolutions, LLC		\$ 11,962	HR Consultant
Gregory Ellis		\$ 5,352	Legal
Department of Interior - USGS		\$ 231,375	Research & development
Half Associates		\$ 29,467	Engineering
LBG-Guyton Associates		\$ 189,235	Engineering
Mark Lowry, PE		\$ 6,262	Engineering
Intra		\$ 27,302	Engineering
John Burke		\$ 4,950	Engineering
Freese & Nichols		\$ 34,101	Engineering
Mullican and Associates		\$ 98,497	Consultant
MCB Technologies		\$ 14,788	IT Consultant
BrooksWatson & Co., PLLC		\$ 8,000	Auditor

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