

**NORTH TEXAS GROUNDWATER  
CONSERVATION DISTRICT**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2012**

RUTHERFORD, TAYLOR & COMPANY, P.C.  
*Certified Public Accountants*  
2802 Washington Street  
Greenville, Texas 75401  
(903) 455-6252

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
 ANNUAL FINANCIAL REPORT  
 YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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Members of the Board:

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Texas Groundwater Conservation District (District), as of and for the year ended December 31, 2012, 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 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 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 account 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 governmental activities and each major fund of the North Texas Groundwater Conservation District as of December 31, 2012, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

August 7, 2013  
Greenville, Texas

RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.  
*Certified Public Accountants*

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2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

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*

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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 and each major fund of the North Texas Groundwater Conservation District (District), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 7, 2013.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

Report on Internal Control – Continued

**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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 7, 2013  
Greenville, Texas

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2012

North Texas Groundwater Conservation District (District) is pleased to present its financial statements. This required supplementary information presents our discussion and analysis of the District's financial performance during the year ended December 31, 2012. Please read this section in conjunction with the basic financial statements which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total net position was negative \$ 18,063 at December 31, 2012.
- During the year, the District's expenses were \$ 420,998 less than the \$ 855,336 generated from groundwater production fees and other revenues.
- The General Fund presents a year end fund balance of \$ 882,795 at December 31, 2012.

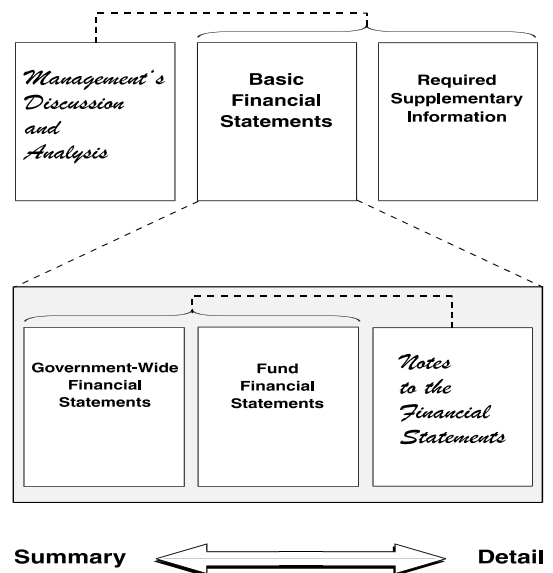
**OVERVIEW OF THE FINANCIAL STATEMENTS**

In addition to this Management's Discussion and Analysis, this report consists of government-wide financial statements, fund financial statements, and the notes to the financial statements. The first two statements are condensed and present a government-wide view of the District's finances. The government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the District.

*Basic Financial Statements*

- The Statement of Net Position focuses on resources available for future operations. In simple terms, the statement presents a snapshot of the assets of the District, the liabilities it owes, and the net difference. The net difference is further separated into amounts restricted for specific purposes, if any, and unrestricted amounts. The information presented in this statement is reported on the accrual basis of accounting.
- The Statement of Activities focuses on gross and net costs of the District's programs and the extent to which such programs rely on general revenues. The statement summarizes and simplifies the users analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on individual funds, including assets liabilities and fuel equity. Separate revenues and expenditures analysis are presented to each major fund.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

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



NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net position may serve over time as a useful indicator of a government's financial position. For the District, the total combined net position was negative \$ 18,063 at year end. A comparative condensed summary of the District's statements of net position for years ended December 31, 2012 and 2011 is presented here:

<b>North Texas Groundwater Conservation District's Net Position</b>			<b>Table A-1</b>
	2012	2011	Total Percentage Change 2011 - 2012
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 474,202	\$ 474,879	-0.14%
Accounts Receivable and other Current Assets	467,714	2,109	22077.05%
Capital Assets, Net of Accumulated Depreciation	13,457	15,832	-15.00%
<b>Total Assets</b>	<b>\$ 955,373</b>	<b>\$ 492,820</b>	<b>93.86%</b>
<b>Liabilities:</b>			
Current Liabilities	\$ 309,081	\$ 165,849	86.36%
Long-term Liabilities	664,355	766,032	-13.27%
<b>Total Liabilities</b>	<b>\$ 973,436</b>	<b>\$ 931,881</b>	<b>4.46%</b>
<b>Net Position:</b>			
Invested in Capital Assets, Net of Related Debt	\$ 13,457	\$ 15,832	-15.00%
Unrestricted	(31,520)	(454,893)	-93.07%
<b>Total Net Position</b>	<b>\$ (18,063)</b>	<b>\$ (439,061)</b>	<b>-95.89%</b>

At current year end, the largest portion of the District's total assets, (49.6%), represents its cash and cash equivalents. These assets are available for future spending, which is why they are a major component of unrestricted net position in the financial statements. 49.0% represents prepaid expenses and accounts receivable for groundwater production fees, while the remaining 1.4% represents the District's investment in fixed assets, net of accumulated depreciation.

The District's liabilities consist of accounts payable for items or services received during the year, but not paid out in cash until after year end, as well as interest payable on long-term debt and deferred revenues, which represents cash receipts from participating counties but not yet recognized as revenue or intergovernmental support.

Unrestricted net position represents amounts available for future spending.



NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012

**CHANGES IN NET POSITION**

The District's total revenues were \$ 855,336, including intergovernmental support and interest earned on cash deposits.

The total cost of all services was \$ 434,338, for legal fees and administration of the program.

A condensed summary of the District's statements of activities and changes in net position for the years ended December 31, 2012 and 2011 is presented here:

<b>Changes in North Texas Groundwater Conservation District's Net Position</b>			<b>Table A-2</b>
	2012	2011	Total Percentage Change 2011 - 2012
Operating Revenues:			
Charges for Services	\$ 827,522	\$ -	100.00%
Total Revenues	\$ 827,522	\$ -	100.00%
Operating Expenses:			
Administrative Services	\$ 434,338	\$ 355,231	22.27%
Total Expenses	\$ 434,338	\$ 355,231	22.27%
Nonoperating Revenues (Expenses):			
Interest Income	\$ 1,669	\$ 2,885	-42.15%
Intergovernmental Support	26,145	25,242	100.00%
Total Nonoperating Revenues (Expenses)	\$ 27,814	\$ 28,127	-1.11%
Increase (Decrease) in Net Position	\$ 420,998	\$ (327,104)	-228.70%

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The governmental funds of the District reported general revenues in the amount of \$ 827,522 during the current year, and earned \$ 1,669 in interest income on cash deposits.

**BUDGETARY HIGHLIGHTS**

The District's Board of Directors adopted a final operating budget for the 2012 fiscal year, based on actual receipts and expenditures (unaudited), prior to year end. The budget encompasses all the activities of the District, including both revenues and expenditures.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2012

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2012, the District had invested \$ 16,624 in fixed assets.

<b>North Texas Groundwater Conservation District's Capital Assets</b>			<b>Table A-3</b>
	2012	2011	Total Percentage Change 2011 - 2012
Vehicles	\$ 16,624	\$ 16,624	0.00%
Totals at Historical Cost	\$ 16,624	\$ 16,624	0.00%
Total Accumulated Depreciation	(3,167)	(792)	299.87%
Net Capital Assets	<u>\$ 13,457</u>	<u>\$ 15,832</u>	-15.00%

**Debt**

The District maintains a loan payable, received from the Counties participating in the District, for organizational costs and administration of the program. At December 31, 2012, the District's outstanding debt balance was \$ 766,032.

<b>North Texas Groundwater Conservation District's Long Term Debt</b>			<b>Table A-4</b>
	2012	2011	Total Percentage Change 2011 - 2012
Loans Payable	\$ 766,032	\$ 766,032	0.00%
Total Debt Payable	<u>\$ 766,032</u>	<u>\$ 766,032</u>	0.00%

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

The District adopted the next year's budget to provide for the developing nature of the services provided by the District, which will increase over the current year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jerry Chapman, General Manager of the District.

BASIC FINANCIAL STATEMENTS

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2012

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 474,202
Accounts Receivable	465,940
Prepaid Expenses	<u>1,774</u>
Total Current Assets	<u>\$ 941,916</u>
Non-Current Assets:	
Capital Assets	
Vehicles, Net	<u>\$ 13,457</u>
Total Non Current Assets	<u>\$ 13,457</u>
<b>Total Assets</b>	<b><u>\$ 955,373</u></b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 59,121
Interest Payable	65,702
Deferred Revenue	82,581
Current Portion of Long-term Debt	<u>101,677</u>
Total Current Liabilities	<u>\$ 309,081</u>
Non-Current Liabilities:	
Long-term Debt, less Current Portion	<u>\$ 664,355</u>
Total Non-Current Liabilities	<u>\$ 664,355</u>
Total Liabilities	<u>\$ 973,436</u>
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	\$ 13,457
Unrestricted	<u>(31,520)</u>
Total Net Position	<b><u>\$ (18,063)</u></b>

The accompanying notes are an integral part of these financial statements.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Administration	\$ 434,338	\$ 827,522	\$ 26,145	\$ 419,329
Total Governmental Activities	<u>\$ 434,338</u>	<u>\$ 827,522</u>	<u>\$ 26,145</u>	<u>\$ 419,329</u>
Total Primary Government	<u>\$ 434,338</u>	<u>\$ 827,522</u>	<u>\$ 26,145</u>	<u>\$ 419,329</u>
General Revenues:				
Interest Income				<u>\$ 1,669</u>
Total General Revenues				<u>\$ 1,669</u>
Change in Net Position				\$ 420,998
Net Position - Beginning (January 1)				<u>(439,061)</u>
Net Position - Ending (December 31)				<u>\$ (18,063)</u>

The accompanying notes are an integral part of these financial statements.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	General Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 474,202
Accounts Receivable	465,940
Prepaid Insurance, Supplies and Materials	1,774
Total Current Assets	\$ 941,916
<b>Total Assets</b>	<b>\$ 941,916</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 59,121
Total Current Liabilities	\$ 59,121
<b>Total Liabilities</b>	<b>\$ 59,121</b>
<b>Equity</b>	
Unrestricted	\$ 882,795
Total Equity	\$ 882,795
<b>Total Liabilities &amp; Equity</b>	<b>\$ 941,916</b>

The accompanying notes are an integral part of these financial statements.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS  
 BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 DECEMBER 31, 2012

Total fund balance - governmental funds (Exhibit C-1)	\$ 882,795
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore not reported in the balance sheet.	13,457
Interest portion of note proceeds recorded in the current period as deferred revenues are recognized as earned in the current period in the fund.	(82,581)
Noncurrent liabilities are not due and payable in the current period and therefore not reported in the funds	(766,032)
Interest payable on noncurrent liabilities is not due and payable in the current period and is not reported in the funds	(65,702)
Total net position - governmental activities (Exhibit A-1)	\$ (18,063)

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2012

		General Fund
<b>OPERATING REVENUES</b>		
Groundwater Usage Fees	\$	827,522
<hr/>		
Total Operating Revenues	\$	<u>827,522</u>
<b>OPERATING EXPENSES</b>		
Administration	\$	210,799
Legal Fees		46,406
Consulting Fees		134,298
<hr/>		
Total Operating Expenses	\$	<u>391,503</u>
Operating Revenue (Expenses)	\$	<u><b>436,019</b></u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Interest Income	\$	1,669
Total Non-Operating Revenue (Expenses)	\$	<u>1,669</u>
Net Change in Fund Balance	\$	<b>437,688</b>
Fund Balance - Beginning (January 1)		<u>445,107</u>
<b>Fund Balance - Ending (December 31)</b>	<b>\$</b>	<b><u><u>882,795</u></u></b>

The accompanying notes are an integral part of these financial statements.



NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCE OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2012

Net change in fund balance - total governmental funds (Exhibit C-3)	\$	437,688
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital asset cost is allocated over the estimated useful life and reported as depreciation in the Statement of Activities		(2,375)
Interest accrued in the current year is reported as an expense in the SOA		(40,460)
Intergovernmental Support is recognized as revenue in the SOA		26,145
		_____
Change in net position of governmental activities (Exhibit B-1)	\$	420,998

The accompanying notes are an integral part of these financial statements.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012

A. Summary of Significant Accounting Policies

The basic financial statements of the North Texas Groundwater Conservation District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The North Texas Groundwater Conservation District (District), is a political subdivision of the State of Texas, created under the authority of Article XVI, Section 59, Texas Constitution, and operating pursuant to the provisions of the Texas Water Code, Chapter 36, and Senate Bill 2497, Acts of the 81<sup>st</sup> Texas Legislature, Regular Session, 2010. The District encompasses the North Texas counties of Collin, Cooke, and Denton. The Board of Directors (Board), a nine member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities within the jurisdiction of the District. The Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Reporting Standards, since Board members are appointed, have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

As required by accounting principles generally accepted in the United States of America, the basic financial statements of the reporting entity include those of the District (primary government) and its component units. There are no component units included in these basic financial statements.

2. Basis of Presentation – Basis of Accounting

*Government-wide Statements* – The statement of net position (SNA) and the statement of activities (SOA) include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities (SOA) 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, and other 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 taxing entities allocations and investments, 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. Any remaining governmental funds are aggregated and reported as non-major funds.

District accounts are organized on the basis of funds, each of which is considered a separate accounting entity. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations or other appropriate requirements. The fund types and funds utilized by the District are described below:

Governmental fund types include the following –

The *General Fund* is used to account for financial resources used for general operations. This is a budgeted fund and any fund balances are considered resources available for current operations. All revenues and expenditures not required to be accounted for in other funds are accounted for in this fund.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012

A. Summary of Significant Accounting Policies (Continued)

3. Measurement Focus - Basis of Accounting

*Government-wide Statements* – These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxing entity allocations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Fund Financial Statements* – The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenue in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on general long term debt, which is recognized when due. Expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

4. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

B. Deposits, Securities and Investments

The District's funds are deposited and invested in the Independent Bank, McKinney, Texas. During the year ended December 31, 2012, all District cash deposits appeared to have been covered by FDIC insurance or by pledged securities held by other banks in the name of the depository bank. The District's deposits appear to have been properly secured throughout the fiscal year.

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

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

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

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; injuries to employees; and natural disasters. During the year ended December 31, 2012, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the last fiscal year, and there were no settlements exceeding insurance coverage in the past year.

D. Litigation

The District does not appear to be involved in any pending litigation as of December 31, 2012.

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012

E. Capital Assets

The following is a summary of changes in capital assets during the year:

	Beginning Balances 1/01/2012	Additions and Reclassifications	Deletions	Ending Balances 12/31/2012
Vehicles	\$ 16,624	\$ -	\$ -	\$ 16,624
Totals at Historical Cost	\$ 16,624	\$ -	\$ -	\$ 16,624
Less Accumulated Depreciation for:				
Vehicles	\$ 792	\$ 2,375	\$ -	\$ 3,167
Total Accumulated Depreciation	\$ 792	\$ 2,375	\$ -	\$ 3,167
Net Capital Assets	\$ 15,832	\$ (2,375)	\$ -	\$ 13,457

F. Long-term Obligations

Changes In General Long Term Debt

	Beginning Balance 1/01/2012	Additions	Deletions	Ending Balance 12/31/2012	Current Portion of Debt
Loans Payable	\$ 766,032	\$ -	\$ -	\$ 766,032	\$ 101,677
Total Debt Payable	\$ 766,032	\$ -	\$ -	\$ 766,032	\$ 101,677

Loans

The District is obligated under a contract executed by the Board for the organizational and operational costs of the District prior to the receipt of revenues necessary for operations. This contract is with the participating counties, those of Collin, Cooke and Denton. This loan, in the contract-stated amount of \$ 900,000, incurs no interest and has a payback schedule that calls for full repayment of the loan, in equal annual payments to each county, beginning in 2013 and maturing fully in 2017. Though the contract terms of the agreement state that the loan carries no interest, GAAP requires that interest be imputed on long-term loans, thus converting \$ 133,968 of the loan repayment to interest, and causing the remaining \$ 766,032 to be reflected as principal payable on the Statement of Net Position. Interest expense, as imputed, will accrue in the 2012 year, and will be reflected as interest expense, but will not be paid out until the 2013 year, when the first annual payment is required. Amounts representing the current year portion of interest expense, calculated at 3.25% based on market rates for loans of similar amounts and terms, appear on the Statement of Net Position as "Interest Payable." Amounts representing subsequent years' portions of interest expense, having been received but not yet recognized, appear on the Statement of Net Position as "Deferred Revenue".

Year Ending December 31	Principal	Interest	Total Requirements
2013	\$ 101,677	\$ 26,935	\$ 128,612
2014	158,109	21,891	180,000
2015	163,319	16,681	180,000
2016	168,669	11,331	180,000
2017	174,258	5,742	180,000
Totals	\$ 766,032	\$ 82,580	\$ 848,612

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012

G. Subsequent Events

Subsequent events have been evaluated through August 7, 2013, which is the date the financial statements were available to be issued. There do not appear to be any events occurring after year end that could have an impact on the financial statements at December 31, 2012 as presented.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH TEXAS GROUNDWATER CONSERVATION DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Groundwater Usage Fees	\$ 234,619	\$ 313,200	\$ 827,522	\$ 514,322
Total Operating Revenues	\$ 234,619	\$ 313,200	\$ 827,522	\$ 514,322
<b>OPERATING EXPENSES</b>				
Administration	\$ 222,097	\$ 207,205	\$ 210,799	\$ (3,594)
Legal Fees	30,500	46,500	46,406	94
Consulting Fees	226,000	226,000	134,298	91,702
Total Operating Expenses	\$ 478,597	\$ 479,705	\$ 391,503	\$ 88,202
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	\$ 75	\$ -	\$ 1,669	\$ 1,669
Total Nonoperating Revenues (Expenses)	\$ 75	\$ -	\$ 1,669	\$ 1,669
Change in Net Assets	\$ (243,903)	\$ (166,505)	\$ 437,688	\$ 604,193
Net Assets - Beginning (January 1)	445,107	445,107	445,107	-
<b>Net Assets - Ending (December 31)</b>	<b>\$ 201,204</b>	<b>\$ 278,602</b>	<b>\$ 882,795</b>	<b>\$ 604,193</b>