

TEXANA GROUNDWATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

**TEXANA GROUNDWATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

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Goldman, Hunt & Notz, L.L.P.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Texana Groundwater Conservation District
Edna, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Texana Groundwater Conservation District, as of and for the year ended September 30, 2020, 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 generally accepted accounting principles as adopted by the American Institute of Certified Public Accountants; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with generally accepted government auditing standards adopted by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Texana Groundwater Conservation District, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with generally accepted accounting principles as adopted by the American Institute of Certified Public Accountants.

Other Matters

Required Supplementary Information

Accounting principles as adopted by the American Institute of Certified Public Accountants require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 18-19 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 generally accepted government auditing standards adopted by the American Institute of Certified Public Accountants, 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.



Goldman, Hunt & Notz, L.L.P.

January 21, 2021

**TEXANA GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

As management of Texana Groundwater Conservation District (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 September 30, 2020. This discussion and analysis is intended to be an easily readable analysis of the District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

In addition to the Management's Discussion and Analysis (MD&A), the report consists of basic financial statements, notes to the financial statements, and required supplementary information. The basic financial statements are highly condensed and present a government-wide view of the District's finances. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the District. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide basic financial statements.

Basic Financial Statements

- The Statement of Net Position and Balance Sheet – Governmental Funds is the first of two governmental fund and government-wide financial statements which focus on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the District owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. The presentation is similar to a private-sector business.
- The second governmental fund and government-wide financial statement is called the Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position – Governmental Funds. This statement summarizes the District's revenues and expenditures for the year. Once again, the presentation is similar to a private-sector business.
- The notes to the financial statements provide additional disclosure required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

The discussion and analysis of the District's financial performance provides an overall review of its financial activities for the year ended September 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

**TEXANA GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

Financial Highlights

- The assets of Texana Groundwater Conservation District exceeded its liabilities at the close of the fiscal year ended September 30, 2020 by \$527,707 (net position). Of this amount, \$516,274 of unrestricted net position is available to meet the District's ongoing obligations.
- At September 30, 2020, unassigned fund balance for the General Fund was \$252,109 or 144% of total General Fund expenditures.
- The total cost of all District activities was \$166,938 for the fiscal year.

Government-wide Overall Financial Analysis

**Texana Groundwater Conservation District
Components of Net Position
September 30, 2020
With Comparative Totals for September 30, 2019
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>		
Current and other assets	\$ 539	\$ 496	\$ 539	\$ 496	\$ 43	9%
Capital assets	12	3	12	3	9	300%
Total assets	<u>551</u>	<u>499</u>	<u>551</u>	<u>499</u>	<u>52</u>	<u>10%</u>
Current and other liabilities	24	56	24	56	(32)	-57%
Total liabilities	<u>24</u>	<u>56</u>	<u>24</u>	<u>56</u>	<u>(32)</u>	<u>-57%</u>
Net position:						
Net investment in capital assets	11	3	11	3	8	267%
Unrestricted	516	440	516	440	76	17%
Total net position	<u>\$ 527</u>	<u>\$ 443</u>	<u>\$ 527</u>	<u>\$ 443</u>	<u>\$ 84</u>	<u>19%</u>

The total net assets increased by approximately \$84,000. The increase was the result of a \$46,000 increase in cash, \$2,000 decrease in other assets, \$8,000 increase in net capital assets as well as \$32,000 decrease in accounts payable and other liabilities.

**TEXANA GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

Government-wide Overall Financial Analysis (Concluded)

**Texana Groundwater Conservation District
Condensed Statement of Activities
For the Year Ended September 30, 2020
With Comparative Totals for the Year Ended September 30, 2019
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>		
Revenues						
General revenues						
Property taxes	\$ 250	\$ 224	\$ 250	\$ 224	\$ 26	12%
Miscellaneous	1	10	1	10	(9)	-90%
Total revenues	<u>251</u>	<u>234</u>	<u>251</u>	<u>234</u>	<u>17</u>	<u>7%</u>
Expenses						
Personnel (including benefits)	1	42	1	42	(41)	-98%
Professional fees	64	25	64	25	39	156%
Professional and technical services	85	58	85	58	27	47%
Utilities	3	1	3	1	2	200%
Administrative	12	8	12	8	4	50%
Depreciation	2	1	2	1	1	100%
Total expenses	<u>167</u>	<u>135</u>	<u>167</u>	<u>135</u>	<u>32</u>	<u>24%</u>
Increase (decrease) in net position	84	99	84	99	(15)	-15%
Net position - beginning	443	344	443	344	99	29%
Net position - ending	<u>\$ 527</u>	<u>\$ 443</u>	<u>\$ 527</u>	<u>\$ 443</u>	<u>\$ 84</u>	<u>19%</u>

Revenues increased approximately \$17,000 due to an increase in property taxes of \$26,000 and a decrease in other revenues of \$9,000. Expenses increased by approximately \$32,000 primarily due to a decrease of personnel expense of \$41,000, an increase in professional fees of \$39,000, an increase in professional and technical services of \$27,000, and a net increase in all other expense balances of \$7,000.

Budgetary Highlights

Actual revenues in the General Fund were higher than budgeted revenues by \$972. Actual General Fund expenditures were \$28,912 less than budgeted expenditures. The District did not amend the budget during the fiscal year ended September 30, 2020.

**TEXANA GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

Capital Assets

At September 30, 2020 the District had \$11,433 invested in net capital assets.

**Texana Groundwater Conservation District
Capital Assets
September 30, 2020
With Comparative Totals for September 30, 2019
(in thousands)**

	<u>Governmental Activities</u>		<u>Total Government</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>		
Equipment	\$ 20	\$ 9	\$ 20	\$ 9	\$ 11	122%
Subtotal	<u>20</u>	<u>9</u>	<u>20</u>	<u>9</u>	<u>11</u>	<u>122%</u>
Accumulated depreciation	8	6	8	6	2	33%
Capital assets, net	<u>\$ 12</u>	<u>\$ 3</u>	<u>\$ 12</u>	<u>\$ 3</u>	<u>\$ 9</u>	<u>300%</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

Debt Outstanding

At year-end, the District had no debt outstanding.

Economic Factors and Next Year's Budgets and Rates

The District's property tax rate for 2020/2021 is \$0.0091/\$100 valuation. The net taxable value is \$2,720,791,209 for total tax revenue of \$247,592.

The District has budgeted \$252,137 in revenues and \$252,110 in expenditures for 2020/2021.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District Manager at the Jackson County Services Building, 411 N. Wells, Room 118, Edna, Texas 77957.

BASIC FINANCIAL STATEMENTS

TEXANA GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF BALANCE SHEET AND NET POSITION - GOVERNMENTAL FUNDS
September 30, 2020

	General Fund	Total	Adjustments	Statement of Net Position
Assets				
Cash and investments	\$ 523,974	\$ 523,974	\$ -	\$ 523,974
Taxes receivable	11,660	11,660	-	11,660
Other assets	4,633	4,633	-	4,633
Capital assets (net of accumulated depreciation)		-	11,433	11,433
Total assets	\$ 540,267	\$ 540,267	\$ 11,433	\$ 551,700
Liabilities				
Accounts payable	\$ 17,893	\$ 17,893	\$ -	\$ 17,893
Other liabilities	6,100	6,100	-	6,100
Total liabilities	23,993	23,993	-	23,993
Deferred inflows of resources				
Unavailable taxes	11,430	11,430	(11,430)	-
Total deferred inflows of resources	11,430	11,430	(11,430)	-
Fund balance				
Committed for legal and professional services	36,105	36,105	(36,105)	-
Committed for research and consultation	216,630	216,630	(216,630)	-
Unassigned	252,109	252,109	(252,109)	-
Total fund balance	504,844	504,844	(504,844)	-
Total liabilities, deferred inflows of resources, and fund balance	\$ 540,267	\$ 540,267		
Net investment in capital assets			11,433	11,433
Unrestricted			516,274	516,274
Total net position			\$ 527,707	\$ 527,707

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

**TEXANA GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2020**

Amounts reported for governmental activities in the Statement of Net Position
(page 7) are different because:

Total fund balance - governmental funds (page 7)	\$ 504,844
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	11,433
Delinquent taxes receivable are not considered available to pay for current period expenditures and therefore, are deferred in the funds.	<u>11,430</u>
Net position of governmental activities	<u><u>\$ 527,707</u></u>

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

TEXANA GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/NET POSITION - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues				
Property taxes	\$ 249,983	\$ 249,983	\$ (137)	\$ 249,846
Interest income	284	284	-	284
Fees	1,049	1,049	-	1,049
Total revenues	<u>251,316</u>	<u>251,316</u>	<u>(137)</u>	<u>251,179</u>
Expenditures/expenses				
Service operations:				
Personnel (including benefits)	303	303	-	303
Professional fees	64,159	64,159	-	64,159
Professional and technical services	84,610	84,610	-	84,610
Utilities	3,576	3,576	-	3,576
Administrative	12,243	12,243	-	12,243
Capital outlay	10,241	10,241	(10,241)	-
Depreciation	-	-	2,047	2,047
Total expenditures/expenses	<u>175,132</u>	<u>175,132</u>	<u>(8,194)</u>	<u>166,938</u>
Excess of revenues over expenditures/expenses	76,184	76,184	8,057	84,241
Fund balance/net position:				
Beginning of the year	428,660	428,660	14,806	443,466
End of the year	<u>\$ 504,844</u>	<u>\$ 504,844</u>	<u>\$ 22,863</u>	<u>\$ 527,707</u>

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

**TEXANA GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE/NET POSITION – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020**

Amounts reported for governmental activities in the Statement of Activities (page 9) are different because:

Net change in fund balance - total governmental funds	\$ 76,184
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	10,241
Depreciation expense on capital assets reported in the government-wide statement of activities does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(2,047)
Some revenue reported in the governmental funds was earned in prior periods and is not reported in the government-wide statement of activities.	<u>(137)</u>
Change in net position of governmental activities	<u><u>\$ 84,241</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

TEXANA GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING

Basis of Accounting/Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the District are described below.

A. Governmental Fund Financial Statements and Government-Wide Financial Statements

The governmental fund financial statements and government-wide financial statements are combined in the Statement of Balance Sheet and Net Position - Governmental Funds and the Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds. These statements present summaries of governmental activities for the District. Fiduciary activities of the District are not included in these statements.

Government-wide financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Balance Sheet and Net Position - Governmental Funds. The Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds presents changes in fund balance/net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in two categories: 1) property taxes and 2) service fees.

Governmental fund financial statements are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and current deferred inflows of resources are included on the Statement of Balance Sheet and Net Position - Governmental Funds. The Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and interest income. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

TEXANA GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Continued)

The following is the District's Governmental Fund type:

General Fund

The General Fund is the general operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

B. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Committed

Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, the Board of Directors. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned

Amounts the District intends to use for a specific purpose, but does not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Directors or by an official to which the District delegates the authority.

Unassigned

All other spendable amounts.

C. Restricted Resources

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

D. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposits with maturity dates of twelve months or less.

TEXANA GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Continued)

E. Budget

The Board of Directors prepares and votes on the adopted budget. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP) in the United States of America. Any revisions to the budget are approved by the Board of Directors. The original budget and final amended budget (when applicable) for the General Fund are used in this report.

F. Inventory

There is no inventory at September 30, 2020.

G. Property Tax

The Appraisal District annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest ultimately imposed for the year on the property. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based upon the aggregate appraisal value.

Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 and attach as an enforceable lien on the property as of July 1 of the following year. The Jackson County Tax Assessor/Collector collects and remits the property taxes to the District on a monthly basis. No allowance for uncollectable taxes has been provided as such amounts are not expected to be material.

The tax rate for 2019/2020 was \$0.01 per \$100 valuation. The taxable value was \$2,493,485,265 which resulted in a tax levy of \$249,496. All tax monies are used for maintenance and operations.

H. Deferred Inflows of Resources

The District reports deferred inflows of resources on its General Fund balance sheet. Deferred inflows of resources arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources also arise when the District receives resources before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred inflows of resources is removed from the balance sheet and revenue is recognized.

TEXANA GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Concluded)

I. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Equipment	3 – 10 years
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J. Related Party Transactions

There are no material related party transactions.

K. Contracts

Retainer Agreement

On September 16, 2010, the District entered into a Retainer Agreement for attorney services with the law firm of Allison, Bass & Magee, L.L.P. to advise and represent the District in legal matters as requested by the District.

Interlocal Cooperation Agreement

The District has entered into an Interlocal Cooperation Agreement with Victoria County Groundwater Conservation District (VCGCD) to provide office and field equipment incidental to the operation of the District. This contract is renewed annually. During the fiscal year ended September 30, 2020, the District paid \$75,773 in fees to Victoria County Groundwater Conservation District.

The District, along with twelve other groundwater districts which make up the Groundwater Management Area 15 (GMA 15), have entered into an interlocal agreement to divide the cost of groundwater studies on behalf of GMA 15. The District has contributed \$6,250 in support of this project, and is due a pro-rata share of any unexpended funds at the termination of the project. The District's current share of contributed but unexpended funds is \$4,032.

NOTE 2: THE FINANCIAL REPORTING ENTITY

Creation of District

Texana Groundwater Conservation District operates with a Board of Directors form of government. The District was created on November 6, 2001 under and subject to the authority, conditions, and restrictions of Section 59, Article XVI, Texas Constitution. It has the same boundaries as Jackson County, Texas, which covers an area of 829.5 square miles. The District's mission is to develop, promote, and implement water conservation, augmentation, and management strategies in order to protect water resources for the benefit of the citizens, economy, and environment of Jackson County, Texas.

TEXANA GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial Credit Risk - Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year-end, the carrying amount of the District's deposits was \$523,974. The District has cash deposits at two separate institutions, Citizens Bank and Prosperity Bank. The District's bank balance at Citizens Bank was \$144,738, of which the entire amount was covered by Federal Depository Insurance of \$250,000. The District's bank balance at Prosperity Bank was \$379,236, of which \$250,000 was covered by Federal Depository Insurance, and the remaining \$129,236 was covered by pledged collateral of \$462,034 with Federal Home Loan Banks.

Investments

In accordance with the Texas Government Code, Subtitle F, Chapter 2256, Subchapter A, Authorized Investments for Governmental Entities, the District can invest in the following, subject to requirements within the Code:

1. Obligations of, or guaranteed by Governmental Entities
2. Certificates of Deposit and share certificates
3. Repurchase agreements
4. Securities Lending Programs
5. Banker's Acceptance
6. Commercial Paper
7. Mutual Funds
8. Guaranteed Investment Contracts
9. Investment pools

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2020 the District had no investments.

Other Investment Risks

As the District does not have investments, it is not exposed to Credit Risk, Concentration of Credit Risk, or Interest Rate Risk.

NOTE 4: TAXES RECEIVABLE

At September 30, 2020, ad valorem taxes receivable of \$11,430 was considered delinquent and reported as unavailable revenue in the Governmental Fund financial statements.

TEXANA GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 5: CHANGES IN FIXED ASSETS

	Primary Government			Ending Balance
	Beginning Balance	Additions	Decreases	
Governmental activities:				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Other capital assets				
Equipment	9,298	10,241	-	19,539
Total other capital assets at historical cost	9,298	10,241	-	19,539
Total capital assets	9,298	10,241	-	19,539
Less accumulated depreciation for:				
Equipment	6,059	2,047	-	8,106
Total accumulated depreciation	6,059	2,047	-	8,106
Governmental activities capital assets, net	<u>\$ 3,239</u>	<u>\$ 8,194</u>	<u>\$ -</u>	<u>\$ 11,433</u>

Depreciation expense was charged to primary government in the amount of \$2,047.

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended September 30, 2020, the District purchased commercial insurance to cover these risks.

Hurricanes can cause flooding, particularly in coastal areas such as the area where the District is located. Hurricanes can also cause windstorm and other damage and hurricane induced flooding can submerge roadways connecting coastal areas with inland areas, thus preventing the evacuation of people and/or property. If a hurricane (or other natural disaster) destroyed all or part of the area in which the District operates, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or increase in the tax rate. Further, there can be no assurance that a casualty loss will be covered by insurance (certain casualties, including flood, are usually excluded unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged District property. Even if insurance proceeds are available and the District does repaired/rebuild damaged assets, there could be a lengthy period in which assessed values within the District could be adversely affected. The Gulf Coast region in which the District is located is subject to occasional destructive weather. There can be no assurance the District will not endure damage from future meteorological events.

The District operates in a regulated industry. As a result, various lawsuits, claims, and legal and regulatory proceedings can be instituted or asserted against the District.

**TEXANA GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

NOTE 6: RISK MANAGEMENT (Concluded)

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruptions through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. As a result, the outbreak has caused uncertainty in the financial markets. The District's operations are considered to be essential services, and as such, the District has remained open and continues to provide services to the community. The District's primary revenue stream, ad valorem tax revenue, is not expected to be materially impacted by this event.

NOTE 7: FUND BALANCE

The Government committed the following fund balance types by taking the following action:

<u>Committed Purpose</u>	<u>Amount</u>	<u>Action</u>
Legal and professional services	\$ 36,105	Through formal action
Research and consultation	\$ 216,630	Through formal action

The Government does not have a formal minimum fund balance policy.

A schedule of fund balance is provided below:

Fund balance	<u>General Fund</u>	<u>Total Governmental Funds</u>
Nonspendable	\$ -	\$ -
Committed:		
Groundwater conservation	36,105	36,105
Groundwater monitoring	36,105	36,105
Groundwater research	36,105	36,105
Groundwater management	36,105	36,105
Groundwater protections	36,105	36,105
Groundwater planning	36,105	36,105
Legal and profesional services	36,105	36,105
Unassigned	252,109	252,109
Total fund balance	<u>\$ 504,844</u>	<u>\$ 504,844</u>

NOTE 8: TAX ABATEMENT AGREEMENT

As of September 30, 2020, the District had not entered into any tax abatement agreements.

NOTE 9: SUBSEQUENT EVENTS

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through January 21, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**TEXANA GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended September 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Property taxes	\$ 239,375	\$ 250,060	\$ 249,983	\$ (77)
Interest income	-	284	284	-
Miscellaneous	-	-	1,049	1,049
Total revenues	<u>239,375</u>	<u>250,344</u>	<u>251,316</u>	<u>972</u>
Expenditures				
Service operations:				
Personnel (including benefits)	-	5,276	303	4,973
Professional fees	57,500	65,952	64,159	1,793
Professional and technical services	149,000	88,115	84,610	3,505
Utilities	4,500	3,576	3,576	-
Refunds	-	33,165	-	33,165
Administrative	10,200	7,960	12,243	(4,283)
Capital outlay	2,500	-	10,241	(10,241)
Total expenditures	<u>223,700</u>	<u>204,044</u>	<u>175,132</u>	<u>28,912</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 15,675</u>	<u>\$ 46,300</u>	<u>\$ 76,184</u>	<u>\$ 29,884</u>

**TEXANA GROUNDWATER CONSERVATION DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2020**

NOTE 1: BUDGET

The budget for the Governmental Fund adopted during the year by the District was prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The General Fund has a legally adopted budget.