

CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Calhoun County Groundwater Conservation District
Port Lavaca, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the Calhoun County Groundwater Conservation District as of and for the year ended September 30, 2021, 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 governmental 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 the Calhoun County Groundwater Conservation District, as of September 30, 2021, 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.

March 28, 2022

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

As management of Calhoun County 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, 2021. 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 Balance Sheet and Net Position – 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, 2021. 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.

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

Financial Highlights

- The assets of Calhoun County Groundwater Conservation District exceeded its liabilities at the close of the fiscal year ended September 30, 2021 by \$1,524,510 (net position). Of this amount, \$1,524,332 of unrestricted net position is available to meet the District's ongoing obligations.
- At September 30, 2021 the District's General Fund reported a combined ending fund balance of \$1,517,267 of which \$1,247,267 was committed, \$2,028 was nonspendable for prepayments, and \$267,972 was unassigned.
- At September 30, 2021, unassigned fund balance for the General Fund was \$267,972 or 187% of total General Fund expenditures.
- The total cost of all District activities was \$145,060 for the fiscal year.

Government-wide Overall Financial Analysis

**Calhoun County Groundwater Conservation District
Components of Net Position
September 30, 2021
With Comparative Totals for September 30, 2020
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>		
Current and other assets	\$ 1,533	\$ 1,263	\$ 1,533	\$ 1,263	\$ 270	21%
Capital assets	-	2	-	2	(2)	-100%
Total assets	<u>1,533</u>	<u>1,265</u>	<u>1,533</u>	<u>1,265</u>	<u>268</u>	21%
Current and other liabilities	8	14	8	14	(6)	-43%
Total liabilities	<u>8</u>	<u>14</u>	<u>8</u>	<u>14</u>	<u>(6)</u>	-43%
Net position:						
Net investment in capital assets	-	2	-	2	(2)	-100%
Unrestricted	1,525	1,249	1,525	1,249	276	22%
Total net position	<u>\$ 1,525</u>	<u>\$ 1,251</u>	<u>\$ 1,525</u>	<u>\$ 1,251</u>	<u>\$ 274</u>	22%

The total net position increased by approximately \$274,000. This increase is primarily driven by increases in cash and other assets of \$270,000, a decrease in capital of assets of \$2,000 due to depreciation, and a decrease in liabilities of \$6,000.

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

Government-wide Overall Financial Analysis (Concluded)

**Calhoun County Groundwater Conservation District
Condensed Statement of Activities
For the Year Ended September 30, 2021
With Comparative Totals for the Year Ended September 30, 2020
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>		
Revenues						
General revenues						
Taxes	\$ 416	\$ 388	\$ 416	\$ 388	\$ 28	7%
Other income	2	2	2	2	-	0%
Total revenues	<u>418</u>	<u>390</u>	<u>418</u>	<u>390</u>	<u>28</u>	<u>7%</u>
Expenses						
Personnel	-	4	-	4	(4)	-100%
Professional fees	121	101	121	101	20	20%
Administrative	19	19	19	19	-	0%
Educational materials	2	7	2	7	(5)	-71%
Depreciation	2	2	2	2	-	0%
Total expenses	<u>144</u>	<u>133</u>	<u>144</u>	<u>133</u>	<u>11</u>	<u>8%</u>
Increase (decrease) in net position	274	257	274	257	17	7%
Net position - beginning	1,251	994	1,251	994	257	26%
Net position - ending	<u>\$ 1,525</u>	<u>\$ 1,251</u>	<u>\$ 1,525</u>	<u>\$ 1,251</u>	<u>\$ 274</u>	<u>22%</u>

Total revenues increased by \$28,000 primarily due to an increase in the taxable value of the property in the County. Total expenses increased by \$11,000 due to a decrease in personnel expense of \$4,000 (the District outsourced its operations to Victoria County Groundwater Conservation District in 2020, eliminating the majority of its personnel expense), an increase in professional fees of \$20,000 (primarily driven by the outsourcing of operations), and a decrease in sponsorship and maintenance of \$5,000. This resulted in an overall increase in the change in net position of \$17,000.

Budgetary Highlights

Actual revenues in the General Fund exceeded budgeted revenues by \$81,648. Actual General Fund expenditures were \$126,612 less than budgeted expenditures. The District did not revise its budget for the General Fund during the fiscal year ended September 30, 2021.

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

Capital Assets

At September 30, 2021, the District had \$178 invested in net capital assets. Depreciation on assets was \$1,672 for the year.

**Calhoun County Groundwater Conservation District
Capital Assets
(net of accumulated depreciation)
September 30, 2021
With Comparative Totals for September 30, 2020
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	2021	2020	2021	2020		
Office equipment	\$ 9	\$ 9	\$ 9	\$ 9	\$ -	0%
Subtotal	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>-</u>	0%
Accumulated depreciation	9	7	9	7	2	29%
Capital assets, net	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ (2)</u>	-100%

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

Debt Administration

The District made no borrowings and had no debt outstanding at year end.

Economic Factors and Next Year's Budgets and Rates

The District's property tax rate for 2021/2022 is \$0.0080 per \$100 valuation. The net taxable value is \$5,201,667,572 resulting in a tax levy of \$416,133.

The District budgeted \$417,145 in revenues and \$322,880 in expenditures for 2021/2022.

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 P. O. Box 1395, Port Lavaca, Texas 77979.

BASIC FINANCIAL STATEMENTS

CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF BALANCE SHEET AND NET POSITION - GOVERNMENTAL FUNDS
September 30, 2021

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets				
Cash and investments	\$ 1,520,824	\$ 1,520,824	\$ -	\$ 1,520,824
Taxes receivable	7,065	7,065	-	7,065
Other receivables	2,499	2,499	-	2,499
Prepayments	2,028	2,028	-	2,028
Capital assets (net of accumulated depreciation)	-	-	178	178
Total assets	<u>\$ 1,532,416</u>	<u>\$ 1,532,416</u>	<u>\$ 178</u>	<u>\$ 1,532,594</u>
Liabilities				
Accounts payable	\$ 8,084	\$ 8,084	\$ -	\$ 8,084
Total liabilities	<u>8,084</u>	<u>8,084</u>	<u>-</u>	<u>8,084</u>
Deferred inflows of resources				
Unavailable taxes	7,065	7,065	(7,065)	-
Total deferred inflows of resources	<u>7,065</u>	<u>7,065</u>	<u>(7,065)</u>	<u>-</u>
Fund balance				
Nonspendable	2,028	2,028	(2,028)	-
Committed	1,247,267	1,247,267	(1,247,267)	-
Unassigned	267,972	267,972	(267,972)	-
Total fund balance	<u>1,517,267</u>	<u>1,517,267</u>	<u>(1,517,267)</u>	<u>-</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 1,532,416</u>	 <u>\$ 1,532,416</u>		
Net position:				
Net investment in capital assets			178	178
Unrestricted			1,524,332	1,524,332
Total net position			<u>\$ 1,524,510</u>	<u>\$ 1,524,510</u>

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

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2021**

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

Total fund balance - governmental funds (page 7)	\$ 1,517,267
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	178
Delinquent taxes receivable are not considered available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>7,065</u>
Net position of governmental activities	<u><u>\$ 1,524,510</u></u>

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

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/NET POSITION - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021**

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues				
Property taxes	\$ 416,052	\$ 416,052	\$ (443)	\$ 415,609
Interest income	1,277	1,277	-	1,277
Other income	1,336	1,336	-	1,336
Total revenues	<u>418,665</u>	<u>418,665</u>	<u>(443)</u>	<u>418,222</u>
Expenditures/expenses				
Service operations:				
Professional fees	122,338	122,338	-	122,338
Sponsorship and education	1,754	1,754	-	1,754
Administrative	19,296	19,296	-	19,296
Depreciation	-	-	1,672	1,672
Total expenditures/expenses	<u>143,388</u>	<u>143,388</u>	<u>1,672</u>	<u>145,060</u>
Excess of revenues over expenditures/expenses	275,277	275,277	(2,115)	273,162
Fund balance/net position:				
Beginning of the year	1,241,990	1,241,990	9,358	1,251,348
End of the year	<u>\$ 1,517,267</u>	<u>\$ 1,517,267</u>	<u>\$ 7,243</u>	<u>\$ 1,524,510</u>

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

**CALHOUN COUNTY 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, 2021**

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

Net change in fund balance - total governmental funds	\$ 275,277
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.	(1,672)
Some revenue reported in the governmental funds was earned in prior periods and is not reported in the government-wide statement of activities.	<u>(443)</u>
Change in net position of governmental activities	<u><u>\$ 273,162</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

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.

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 present 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.

CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

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.

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

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

E. Inventory

There is no inventory at September 30, 2021.

F. Contracts

Retainer Agreement

On December 18, 2013, 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. This agreement is in effect until dissolution of the District or upon 30 days written notice by the District or Allison, Bass & Magee, L.L.P.

Interlocal Cooperation Agreement

The District has 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, 2021, the District paid \$71,856 in fees to Victoria County Groundwater Conservation District.

The District, along with twelve other groundwater districts which make up 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 \$2,375.

G. 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:

Vehicle and equipment	5 – 7 years
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H. Related Party Transactions

There are no material related party transactions.

I. 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.

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

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

J. 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 Calhoun County Tax Assessor/Collector collects and remits the property taxes to the District on a monthly basis. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

The tax rate for 2020/2021 was \$0.008280 per \$100 valuation. The net taxable value was \$5,001,059,972 which resulted in a tax levy of \$414,088. All tax monies are used for maintenance and operations.

K. 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.

NOTE 2: THE FINANCIAL REPORTING ENTITY

Creation of District

Calhoun County Groundwater Conservation District operates with a Board of Directors form of government. The District was created in 2011 during the 82nd regular session of the Texas Legislature. The Texas Legislature modified the enabling legislation of the District with the passage of Senate Bill 1835 in the 83rd regular session which confirmed the District. The District operated on a voluntary basis until January 2014 when it received funding in the form of a donation from Calhoun County Economic Development Corporation. 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 Calhoun County, Texas.

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

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. The District's deposits were fully collateralized at September 30, 2021. At year-end, the carrying amount of the District's deposits was \$1,520,824 and the respective bank balance totaled \$1,534,340. Of the total bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining \$1,284,340 was covered by additional securities pledged to the District at September 30, 2021. The fair value of the pledged securities at year end was \$1,996,620.

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, 2021 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 RECEIVABLES

At September 30, 2021, ad valorem taxes receivable of \$7,065 was considered delinquent and reported as unavailable revenue in the Government Fund financial statement.

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

NOTE 5: 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, 2021, 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 repair/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.

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 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 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.

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.

NOTE 6: CHANGES IN CAPITAL ASSETS

	Primary Government			Ending Balance
	Beginning Balance	Additions	Decreases	
Governmental activities:				
Capital assets				
Office equipment	\$ 9,102	\$ -	\$ -	\$ 9,102
Total capital assets	<u>9,102</u>	<u>-</u>	<u>-</u>	<u>9,102</u>
Less accumulated depreciation for:				
Office equipment	7,252	1,672	-	8,924
Total accumulated depreciation	<u>7,252</u>	<u>1,672</u>	<u>-</u>	<u>8,924</u>
Governmental activities capital assets, net	<u>\$ 1,850</u>	<u>\$ (1,672)</u>	<u>\$ -</u>	<u>\$ 178</u>

Depreciation expense was charged to primary government in the amount of \$1,672.

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

NOTE 7: OPERATING LEASE

The District leases office space from 301 South, LLC for \$750 per month plus a potential increase from year to year for Lessor's increased amount of maintenance, repair, clean up, and utilities provided; however, such increase shall not be more than five percent (5%) in any lease year. Total rent expense for the office space was \$9,000 for the year ended September 30, 2021. The lease expired April 30, 2021 but continues on a month to month basis under the same terms.

NOTE 8: FUND BALANCE

The Government committed the following fund balance types through formal action.

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

A schedule of fund balance is provided below;

	General Fund	Total Governmental Funds
FUND BALANCE		
Nonspendable	\$ 2,028	\$ 2,028
Committed:		
Groundwater conservation	178,181	178,181
Groundwater monitoring	178,181	178,181
Groundwater research	178,181	178,181
Groundwater management	178,181	178,181
Groundwater protection	178,181	178,181
Groundwater planning	178,181	178,181
Legal contingencies	178,181	178,181
Total committed	1,247,267	1,247,267
Unassigned	267,972	267,972
Total fund balance	\$ 1,517,267	\$ 1,517,267

NOTE 9: SUBSEQUENT EVENTS

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through March 28, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended September 30, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Property taxes	\$ 335,517	\$ 416,052	\$ 80,535
Interest income	1,500	1,277	(223)
Other income	-	1,336	1,336
Total revenues	<u>337,017</u>	<u>418,665</u>	<u>81,648</u>
Expenditures/expenses			
Service operations:			
Professional fees	197,750	122,338	75,412
Sponsorship and education	30,150	1,754	28,396
Repairs and maintenance	1,000	-	1,000
Administrative	26,100	19,296	6,804
Capital outlay	15,000	-	15,000
Total expenditures/expenses	<u>270,000</u>	<u>143,388</u>	<u>126,612</u>
Excess of revenues over expenditures/expenses	<u>\$ 67,017</u>	<u>\$ 275,277</u>	<u>\$ 208,260</u>

**CALHOUN COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2021**

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. The District revised its budget during the fiscal year ended September 30, 2021.