

TEXANA GROUNDWATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended September 30, 2023

**TEXANA GROUNDWATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Texana Groundwater Conservation District (the District) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 19-20 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 July 18, 2024 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 solely 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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.



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

July 18, 2024

**TEXANA GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

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, 2023. 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, 2023. 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, 2023**

Financial Highlights

- The assets of Texana Groundwater Conservation District exceeded its liabilities at the close of the fiscal year ended September 30, 2023 by \$920,614 (net position). Of this amount, \$899,614 of unrestricted net position is available to meet the District's ongoing obligations.
- At September 30, 2023, unassigned fund balance for the General Fund was \$258,843 or 165% of total General Fund expenditures.
- The total cost of all District activities was \$144,215 for the fiscal year.

Government-wide Overall Financial Analysis

**Texana Groundwater Conservation District
Components of Net Position
September 30, 2023
With Comparative Totals for September 30, 2022
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>		
Current and other assets	\$ 928	\$ 784	\$ 928	\$ 784	\$ 144	18%
Capital assets	21	9	21	9	12	133%
Total assets	<u>949</u>	<u>793</u>	<u>949</u>	<u>793</u>	<u>156</u>	<u>20%</u>
Current and other liabilities	28	26	28	26	2	8%
Total liabilities	<u>28</u>	<u>26</u>	<u>28</u>	<u>26</u>	<u>2</u>	<u>8%</u>
Net position:						
Net investment in capital assets	21	9	21	9	12	133%
Unrestricted	900	758	900	758	142	19%
Total net position	<u>\$ 921</u>	<u>\$ 767</u>	<u>\$ 921</u>	<u>\$ 767</u>	<u>\$ 154</u>	<u>20%</u>

The total net position increased by approximately \$154,000. The increase was the result of a \$140,000 increase in cash, a \$4,000 increase in taxes receivable, a \$12,000 increase in capital assets as well as a \$2,000 increase in accounts payable and other liabilities.

**TEXANA GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

Government-wide Overall Financial Analysis (Concluded)

**Texana Groundwater Conservation District
Condensed Statement of Activities
For the Year Ended September 30, 2023
With Comparative Totals for the Year Ended September 30, 2022
(in thousands)**

	<u>Governmental Activities</u>		<u>Total Government</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>		
Revenues						
General revenues						
Property taxes	\$ 274	\$ 268	\$ 274	\$ 268	\$ 6	2%
Other revenue	24	3	24	3	21	700%
Total revenues	<u>298</u>	<u>271</u>	<u>298</u>	<u>271</u>	<u>27</u>	<u>10%</u>
Expenses						
Professional fees	18	18	18	18	-	0%
Professional and technical services	109	100	109	100	9	9%
Utilities	5	4	5	4	1	25%
Administrative	8	6	8	6	2	33%
Depreciation	4	3	4	3	1	33%
Total expenses	<u>144</u>	<u>131</u>	<u>144</u>	<u>131</u>	<u>13</u>	<u>10%</u>
Increase (decrease) in net position	154	140	154	140	14	10%
Net position - beginning	767	627	767	627	140	22%
Net position - ending	<u>\$ 921</u>	<u>\$ 767</u>	<u>\$ 921</u>	<u>\$ 767</u>	<u>\$ 154</u>	<u>20%</u>

Revenues increased by \$27,000 from the prior year with the increase driven by a \$6,000 increase in property tax revenue and a \$21,000 increase in interest income. Expenses increased by approximately \$13,000 primarily due to an increase in professional and technical services of \$9,000, an increase in administrative expense of \$2,000 and a \$2,000 increase in other expenses.

Budgetary Highlights

Actual revenues in the General Fund were greater than budgeted revenues by \$25,112. Actual General Fund expenditures were \$102,136 less than budgeted expenditures. The District did not amend the budget during the fiscal year ended September 30, 2023.

**TEXANA GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

Capital Assets

At September 30, 2023 the District had \$21,000 invested in net capital assets.

**Texana Groundwater Conservation District
Capital Assets
September 30, 2023
With Comparative Totals for September 30, 2022
(in thousands)**

	<u>Governmental Activities</u>		<u>Total Government</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>		
Equipment	\$ 38	\$ 21	\$ 38	\$ 21	\$ 17	81%
Subtotal	<u>38</u>	<u>21</u>	<u>38</u>	<u>21</u>	<u>17</u>	81%
Accumulated depreciation	17	12	17	12	5	42%
Capital assets, net	<u>\$ 21</u>	<u>\$ 9</u>	<u>\$ 21</u>	<u>\$ 9</u>	<u>\$ 12</u>	133%

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 2023/2024 is \$0.0074/\$100 valuation. The net taxable value is \$3,744,843,789 for total tax revenue of \$277,174.

The District has budgeted \$283,400 in revenues and \$247,000 in expenditures for 2023/2024.

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, 2023

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets				
Cash and investments	\$ 909,084	\$ 909,084	\$ -	\$ 909,084
Taxes receivable	17,297	17,297	-	17,297
Other assets	1,472	1,472	-	1,472
Capital assets (net of accumulated depreciation)	-	-	21,000	21,000
Total assets	<u>\$ 927,853</u>	<u>\$ 927,853</u>	<u>\$ 21,000</u>	<u>\$ 948,853</u>
Liabilities				
Accounts payable	\$ 22,139	\$ 22,139	\$ -	\$ 22,139
Other liabilities	6,100	6,100	-	6,100
Total liabilities	<u>28,239</u>	<u>28,239</u>	<u>-</u>	<u>28,239</u>
Deferred inflows of resources				
Unavailable taxes	14,605	14,605	(14,605)	-
Total deferred inflows of resources	<u>14,605</u>	<u>14,605</u>	<u>(14,605)</u>	<u>-</u>
Fund balance				
Committed	626,166	626,166	(626,166)	
Unassigned	258,843	258,843	(258,843)	-
Total fund balance	<u>885,009</u>	<u>885,009</u>	<u>(885,009)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 927,853</u>	<u>\$ 927,853</u>		
Net investment in capital assets			21,000	21,000
Unrestricted			899,614	899,614
Total net position			<u>\$ 920,614</u>	<u>\$ 920,614</u>

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, 2023**

Amounts reported for governmental activities in the Statement of Net Position (page 8) are different because:

Total fund balance - governmental funds (page 8)	\$ 885,009
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	21,000
Delinquent taxes receivable are not considered available to pay for current period expenditures and therefore, are deferred in the funds.	<u>14,605</u>
Net position of governmental activities	<u><u>\$ 920,614</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, 2023**

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues				
Property taxes	\$ 272,803	\$ 272,803	\$ 1,494	\$ 274,297
Interest income	21,524	21,524	-	21,524
Fees	450	450	-	450
Miscellaneous	1,514	1,514	-	1,514
Total revenues	<u>296,291</u>	<u>296,291</u>	<u>1,494</u>	<u>297,785</u>
Expenditures/expenses				
Service operations:				
Professional fees	17,216	17,216	-	17,216
Professional and technical services	109,152	109,152	-	109,152
Utilities	5,029	5,029	-	5,029
Administrative	8,461	8,461	-	8,461
Capital outlay	16,851	16,851	(16,851)	-
Depreciation	-	-	4,357	4,357
Total expenditures/expenses	<u>156,709</u>	<u>156,709</u>	<u>(12,494)</u>	<u>144,215</u>
Excess of revenues over expenditures/expenses	139,582	139,582	13,988	153,570
Fund balance/net position:				
Beginning of the year	745,427	745,427	21,617	767,044
End of the year	<u>\$ 885,009</u>	<u>\$ 885,009</u>	<u>\$ 35,605</u>	<u>\$ 920,614</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, 2023**

Amounts reported for governmental activities in the Statement of Activities (page 10) are different because:

Net change in fund balance - total governmental funds	\$ 139,582
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.	16,851
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.	(4,357)
Some revenue reported in the governmental funds was earned in prior periods and is not reported in the government-wide statement of activities.	<u>1,494</u>
Change in net position of governmental activities	<u><u>\$ 153,570</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, 2023

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, 2023

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, 2023

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 as adopted by the American Institute of Certified Public Accountants. 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, 2023.

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 2022/2023 was \$0.0077 per \$100 valuation. The taxable value was \$3,489,336,952 which resulted in a tax levy of \$269,041. 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, 2023**

**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, 2023, the District paid \$87,236 in fees to Victoria County Groundwater Conservation District.

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, 2023

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 \$909,084. The District's bank balance at year end was \$909,598, of which \$250,000 was covered by Federal Depository Insurance. The remaining \$659,598 was covered by pledged collateral of \$862,325 with Prosperity Bank.

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, 2023 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, 2023, ad valorem taxes receivable of \$14,605 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, 2023**

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	21,052	16,851	-	37,903
Total other capital assets at historical cost	21,052	16,851	-	37,903
Total capital assets	21,052	16,851	-	37,903
Less accumulated depreciation for:				
Equipment	12,546	4,357	-	16,903
Total accumulated depreciation	12,546	4,357	-	16,903
Governmental activities capital assets, net	<u>\$ 8,506</u>	<u>\$ 12,494</u>	<u>\$ -</u>	<u>\$ 21,000</u>

Depreciation expense was charged to primary government in the amount of \$4,357.

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, 2023, 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.

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, 2023**

NOTE 7: 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		
Committed:		
Groundwater conservation	\$ 31,309	\$ 31,309
Groundwater monitoring	156,541	156,541
Groundwater research	31,309	31,309
Groundwater management	62,617	62,617
Groundwater protections	156,541	156,541
Groundwater planning	31,308	31,308
Legal and professional services	156,541	156,541
Total committed:	626,166	626,166
Unassigned	258,843	258,843
Total fund balance	\$ 885,009	\$ 885,009

NOTE 8: TAX ABATEMENT AGREEMENT

As of September 30, 2023, 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 July 18, 2024, 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, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Property taxes	\$ 268,679	\$ 272,803	\$ 4,124
Interest income	1,500	21,524	20,024
Fees	1,000	450	(550)
Miscellaneous	-	1,514	1,514
Total revenues	<u>271,179</u>	<u>296,291</u>	<u>25,112</u>
Expenditures			
Service operations:			
Professional fees	48,250	17,216	31,034
Professional and technical services	142,495	109,152	33,343
Utilities	7,050	5,029	2,021
Repairs and maintenance	10,500	-	10,500
Administrative	10,550	8,461	2,089
Capital outlay	40,000	16,851	23,149
Total expenditures	<u>258,845</u>	<u>156,709</u>	<u>102,136</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 12,334</u>	<u>\$ 139,582</u>	<u>\$ 127,248</u>

**TEXANA GROUNDWATER CONSERVATION DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2023**

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.

SUPPLEMENTARY INFORMATION

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

Certified Public Accountants

DONALD G. GOLDMAN, CPA
D. DALE HUNT, CPA
JAMIE K. NOTZ, CPA, CVA*

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TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

*CERTIFIED INFORMATION SYSTEMS AUDITOR

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

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 Texana Groundwater Conservation District (the District), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 18, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Lack of Controls over Annual Financial Reporting

We have drafted the annual financial statements and related note disclosures of the District at the District's request. This was done because, due to its limited resources, the District's internal personnel did not possess all of the skills and competencies necessary to prepare its own annual financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. However, we cannot be considered part of the District's internal controls – specifically, we cannot be a part of the financial reporting internal control that addresses the preparation of accurate annual financial statements and related note disclosures. Consequently, the inability of the District to prepare its own financial statements and related note disclosures is considered to be a control deficiency. The fact that we prepare the financial statements may give users more confidence that the financial statements are correct; however, it does not eliminate the control deficiency.

To remedy the control deficiency related to the preparation of the annual financial statements, the District would need to ensure that sufficient personnel are in place and that they have the appropriate knowledge and tools (i.e., current accounting literature, current disclosure checklist, etc.) to be an effective element of the internal control process over financial reporting. We understand that it is not feasible because of the District's size and limited resources. Management may make a conscious decision to accept the degree of risk in this control deficiency because of cost or other considerations.

Report on Compliance and Other Matters

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

Texana Groundwater Conservation District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described below. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Texana Groundwater Conservation District's Response to Identified Material Weakness

While the District does not prepare their own financial statements, the District prepares internal financial reports and investment reports, represented on a cash-basis, that accurately represent the account balances, financial transactions, and budget performance information throughout the fiscal year. However, due to limited resources, it is not feasible for Texana Groundwater Conservation District to employ qualified personnel who possess the competencies and skills to prepare our own financial statements.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

July 18, 2024