

Culberson County Groundwater Conservation District

Annual Financial Report

For the Year Ended September 30, 2022

**Culberson County Groundwater Conservation District**  
**Annual Financial Report**  
**For the Year Ended September 30, 2022**

**Table of Contents**

	<u>Page</u>
<b>Annual Filing Affidavit</b>	1
<b>Independent Auditor's Report</b>	2
<b>Management's Discussion and Analysis</b>	4
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	8
Statement of Net Position	9
Statement of Activities	
Governmental Funds Financial Statements	10
Governmental Funds Balance Sheet	
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	11
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	12
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	13
Notes to the Basic Financial Statements	14
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	23





# ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF Culberson

I, \_\_\_\_\_ of the

(Name of Duly Authorized District Representative)

Culberson County Groundwater Conservation District

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the \_\_\_\_ day of \_\_\_\_\_ its annual audit report for the fiscal year or period ended September 30, 2022 and those copies of the annual audit report have been filed in the district office, located at:

PO Box 1295 Van Horn, Texas 79855

(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: \_\_\_\_\_ By: \_\_\_\_\_

(Signature of District Representative)

\_\_\_\_\_  
(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this \_\_\_\_ day of \_\_\_\_\_

(SEAL)

\_\_\_\_\_  
(Signature of Notary)

My Commission Expires On: \_\_\_\_\_

Notary Public in the State of Texas.



Painter and Associates, P.C.  
Certified Public Accountants

1208 W Lunday Drive  
Pecos, Texas 79772

**Independent Auditor's Report**

Board of Directors and Management  
Culberson County Groundwater Conservation District  
Pecos, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Culberson County Groundwater Conservation District (the District), as of and for the year ended September 30, 2022, 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 the Culberson County Groundwater Conservation District, as of September 30, 2022, 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 Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Responsibility 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 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit
- Identify and assess the risk 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 judgement, 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 the budgetary comparison information on pages 4-7 and 23, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Painter and Associates, P.C.*

Painter and Associates, P. C.

Pecos, Texas  
January 15, 2024



# CULBERSON COUNTY GROUNDWATER CONSERVATION DISTRICT

PO Box 1295  
Van Horn, Texas 79855

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of Culberson County Groundwater Conservation District, discuss and analyze the District's financial performance for the fiscal year ended September 30, 2022. Please read it in conjunction with, the independent auditors' report beginning on page 2, and the District's basic financial statements, which begin on page 8.

### FINANCIAL HIGHLIGHTS

During the year total net position of the District increased from \$450,309 at September 30, 2021 to \$469,759 at fiscal year end as a result of this year's operations. The result was that net position of governmental activities increased by \$19,453 year-over-year. This resulted in a 4.3% increase.

During the year, the District had \$178,848 in expenses and \$198,301 in recognized revenues which resulted in a change in net position of \$19,453 for the fiscal year.

The District purchase three capital assets during the fiscal year totaling \$4,063 and depreciation expense was \$30,681 for the year ended September 30, 2022.

The general fund ended the year with a total fund balance of \$462,281, which was an increase of \$46,069 from the prior year amount of \$416,212.

The budget for the District revealed \$3,852 more in operating revenues than were budgeted for, which included recognized ad valorem taxes, drilling fees and permit fees, while \$35,358 less expenses were incurred than were budgeted for the fiscal year. The net effect of the budget variance was a positive \$40,105.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements, beginning on page 14, provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.



## REPORTING THE DISTRICT AS A WHOLE

### *The Statement of Net Position and the Statement of Activities*

The analysis of the District's overall financial condition and operations begins on page 8. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting and measure the inflows and outflows of economic resources.

These two statements report the District's net position and changes in net position. The District's net position, the difference between assets, liabilities and deferred inflows of resources, provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, one should consider nonfinancial factors as well.

In the Statement of Net Position and the Statement of Activities we present the District as one kind of activity.

#### Governmental Activities

The only fund reported by the District correspond with the general operations of the entity.

### **Reporting the District's Most Significant Funds**

#### *Fund Financial Statements*

Laws and contracts require the District to establish some funds by state law and bond covenants.

#### Governmental Funds

Only the District's general operating funds are reported in governmental funds. These use modified-accrual accounting, a method that measures the current financial resources of revenues and expenditures and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's activities.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$450,306 to \$469,760 for the fiscal year end. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was \$462,281 at September 30, 2022.



Table I  
Culberson County Groundwater Conservation District  
Net Position

	Governmental Activities		Year over Year Change	
	9/30/22	9/30/21	\$	%
<b>Assets</b>				
Cash and Cash Equivalents	\$ 447,175	\$ 395,943	\$ 51,231	12.9%
Accounts Receivable, net	35,025	38,085	(3,060)	-8.0%
Capital Assets, net	7,478	34,097	(26,618)	-78.1%
<b>Total Assets</b>	<b>\$ 489,678</b>	<b>\$ 468,125</b>	<b>\$ 21,553</b>	<b>4.6%</b>
<b>Liabilities</b>				
Accounts Payable	\$ 2,746	\$ 53	\$ 2,693	5098.4%
Payroll Liabilities	6,324	6,916	(591)	-8.5%
<b>Total Liabilities</b>	<b>9,070</b>	<b>6,969</b>	<b>2,102</b>	<b>30.2%</b>
<b>Deferred Inflows of Resources</b>				
Deferred Revenues	10,848	10,848	\$ -	0.0%
<b>Total Deferred Inflows of Resources</b>	<b>10,848</b>	<b>10,848</b>	<b>-</b>	<b>0.0%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	7,478	34,097	(26,618)	-78.1%
Unrestricted Net Position	462,281	416,212	46,069	11.1%
<b>Total Net Position</b>	<b>469,759</b>	<b>450,309</b>	<b>19,451</b>	<b>4.3%</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 489,678</b>	<b>\$ 468,125</b>	<b>\$ 21,553</b>	<b>4.6%</b>

Table II  
Culberson County Groundwater Conservation District  
Change in Net Position

	Governmental Activities		Year over Year Change	
	9/30/22	9/30/21	\$	%
<b>Revenues</b>				
Operating Revenues	\$ 195,301	\$ 195,298	\$ 3	0.0%
Non-operating Revenues	3,000	2,320	680	29.3%
<b>Total Revenues</b>	<b>198,301</b>	<b>197,618</b>	<b>683</b>	<b>0.3%</b>
<b>Expenses</b>				
Conservation Services	126,585	132,775	(6,191)	-4.7%
Contractual Services	52,263	46,413	5,851	12.6%
<b>Total Expenses</b>	<b>178,848</b>	<b>179,188</b>	<b>(340)</b>	<b>-0.2%</b>
Change in Net Position	19,453	18,430	1,023	5.5%
<b>Net Position - Beginning of Year</b>	<b>450,306</b>	<b>431,876</b>	<b>18,430</b>	<b>4.3%</b>
<b>Net Position - End of Year</b>	<b>\$ 469,760</b>	<b>\$ 450,306</b>	<b>\$ 19,454</b>	<b>4.3%</b>



## THE DISTRICT'S FUNDS

As the District completed the year, its General Fund, as presented in the Governmental Funds Balance Sheet, reported a fund balance of \$462,281 compared to a fund balance of \$416,212 in the prior fiscal year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2022, the District had \$149,586 invested in capital assets.

Table III  
Culberson County Groundwater Conservation District  
Capital Assets

	Governmental Activities		Year over Year Change	
	9/30/22	9/30/21	\$	%
<b>Assets</b>				
Furniture and Fixtures	\$ 1,646	\$ 1,646	\$ -	0.0%
Capital Assets	147,940	143,877	4,063	2.8%
<b>Total Assets</b>	<b>149,586</b>	<b>145,523</b>	<b>4,063</b>	<b>2.8%</b>
<b>Accumulated Depreciation</b>				
Accumulated Depreciation	(142,107)	(111,426)	(30,681)	27.5%
<b>Total Accumulated Depreciation</b>	<b>(142,107)</b>	<b>(111,426)</b>	<b>(30,681)</b>	<b>27.5%</b>
<b>Capital Assets, net</b>	<b>\$ 7,478</b>	<b>\$ 34,097</b>	<b>\$ (26,618)</b>	<b>-78.1%</b>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's officials consider many factors when setting the next year's budget. One of these factors is the economy. The District's management plans to be conservative in spending in an effort to assist Culberson County in keeping the tax rates low.

The fiscal year 2023 budget was adopted on September 26, 2022, with total expenditures of \$227,800, an increase of \$29,000 or 14.6% from the fiscal year 2021 budgeted expenditures.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the Culberson County Groundwater Conservation District, the participating taxing units, and other interested parties with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District Manager at the Culberson County Groundwater Conservation District, PO Box 1295, Van Horn, Texas 79855.

Culberson County Groundwater Conservation District

Statement of Net Position

September 30, 2022

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 447,175
Receivables, net	35,025
Capital Assets, net	7,478
	<hr/>
Total Assets	489,678
	<hr/>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	2,746
Payroll Liabilities	6,324
	<hr/>
Total Liabilities	9,070
	<hr/>
Deferred Inflows of Resources	
Deferred Revenues	10,848
	<hr/>
Total Deferred Inflows of Resources	10,848
	<hr/>
<b>Net Position</b>	
Net Investment in Capital Assets	7,478
Unrestricted	462,281
	<hr/>
Total Net Position	\$ 469,759
	<hr/>

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



**Culberson County Groundwater Conservation District**  
**Statement of Activities**  
For the Year Ended September 30, 2022

	Expenses	Program Revenues		Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				Governmental Activities
Conservation Services	\$ 126,585	\$ 3,025	\$ -	\$ -
Contractual Services	52,263	-	-	-
Total Expenses	<u>\$ 178,848</u>	<u>\$ 3,025</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues:				
Ad Valorem Taxes				192,276
Interest				3,000
Total General Revenues				<u>195,276</u>
Change in Net Position				19,453
Beginning Net Position				450,306
Ending Net Position				<u>\$ 469,759</u>

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

**Culberson County Groundwater Conservation District**  
**Governmental Funds Balance Sheet**  
**September 30, 2022**

	<u>General Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 447,175
Receivables, net	35,025
<b>Total Assets</b>	<b>482,199</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	2,746
Payroll Liabilities	6,324
Other Liabilities	10,848
<b>Total Liabilities</b>	<b>19,918</b>
<b>Fund Balance</b>	
Unassigned	462,281
<b>Total Fund Balance</b>	<b>\$ 462,281</b>

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



**Culberson County Groundwater Conservation District**  
Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
September 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balances - Governmental Funds	\$ 462,281
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,478
Total Net Position - Governmental Activities	<u>\$ 469,759</u>

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

**Culberson County Groundwater Conservation District**  
**Governmental Funds Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Year Ended September 30, 2022**

	General Fund
Operating Revenues	
Ad Valorem Taxes	\$ 192,276
Drilling Fees - Exempt	150
Permit Fees - Exempt	650
Permit Fees - Non-Exempt	2,225
Total Operating Revenues	195,301
Operating Expenditures	
Personnel	75,250
Administration	20,656
Contractual Services	52,263
Capital Outlay	4,063
Total Operating Expenditures	152,232
Operating Income (Loss)	43,069
Non-operating Revenues (Expenditures)	
Interest	3,000
Total Non-operating Revenues (Expenditures)	3,000
Change in Fund Balance	46,069
Beginning Fund Balance	416,212
Ending Fund Balance	\$ 462,281

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



**Culberson County Groundwater Conservation District**  
 Reconciliation of Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balance to the Statement of Activities  
 For the Year Ended September 30, 2022

Amounts reported for governmental activities in the statement of net position are difference because:

Change in Fund Balances - Governmental Funds	\$	46,069
Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(26,616)
Change in Net Position - Governmental Activities	<u>\$</u>	<u>19,453</u>

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

**CULBERSON COUNTY GROUNDWATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

BASIS OF REPORTING AND ORGANIZATION - The Culberson County Groundwater Conservation District ("District") is a governmental agency created to conduct projects and works to promote conservation and monitor the use of groundwater in Culberson County, Texas. The District may contract for, sell, and distribute water from a water import authority or other entity. The District was established on May 7, 1998, to serve as a public use and benefit. The District has all the rights, powers, privileges, authority, functions, and duties provided by the Texas general law applicable to groundwater conservation districts.

In addition, because the Board of Directors (the "Board") is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB"). There are no component units included within the reporting entity.

GOVERNMENT-WIDE, FUND FINANCIAL STATEMENTS, AND FINANCIAL STATEMENT PRESENTATION

The District is a special purpose government which engages in a single-governmental program; therefore, the District only has one of the three fund categories – governmental, proprietary, and fiduciary. The District has a governmental fund which consists of its general fund.

The District follows Government Accounting Standards Board Statement Number 34, and related pronouncements, which requires the District's election to combine the presentation of the government-wide financial statements and the fund financial statements.

The Statement of Net Position and the Statement of Activities are government-wide financial statements. The column entitled "Governmental Activities" on the combined Statement of Net Position and General Fund Balance Sheet serves as the Statement of Net Position. The same entitlement on the Combined Statement of Activities and General Fund Statement of Revenue, Expenditures and Changes in Fund Balance serves as the Statement of Activities.

The General Fund Balance Sheet (column entitled "General Fund") and Statement of Revenue, Expenditures, and Changes in Fund Balance (column entitled "General Fund") financial statements provide reports on the financial condition and results of operations for the fund governmental fund category.

The column entitled "Reconciliation Between General Fund and Governmental Activities" reconciles individual line items of fund financial data to government wide data.



**CULBERSON COUNTY GROUNDWATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2022**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement category represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement category represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due and is not applicable to the District.

**FUND ACCOUNTING**

A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities.

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental fund types. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The only



## CULBERSON COUNTY GROUNDWATER CONSERVATION DISTRICT

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

governmental fund type used by the District is the General Fund. The general operating fund of the District, accounts for all financial resources of the District that are not required to be accounted for in the special revenue funds.

**FUND BALANCE** – The District reports the following fund balance categories which describe the relative strength of the spending constraints:

- **Nonspendable fund balance** – Represents amounts that are not in spendable form, such as inventory, or required to be maintained intact.
- **Restricted fund balance** – Represents amounts constrained to specific purposes by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation.
- **Committed fund balance** – Represents amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, i.e., Board of Directors. To be reported as committed, amounts cannot be used for any other purpose unless the District's Board approves the changes Board Resolution.
- **Assigned fund balance** – Represents amounts the District intends to use for a specific purpose.
- **Unassigned fund balance** – represents amounts that are available for any purpose.

**ORDER OF EXPENDITURE** – When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its budget or its commitment or assignment actions.

**NET POSTITIONS** –Net Position on the Statement of Net Position includes the following:

- Investment in capital assets – this component of net position consists of capital assets, net accumulated depreciation.
- Restricted – this component of net position consists of restricted assets reduced by liabilities related to those assets.
- Unrestricted net position – this component of net position is the amount of assets and liabilities that are not included in the determination of the other categories described above.



**CULBERSON COUNTY GROUNDWATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2022**

OTHER ACCOUNTING POLICIES

CAPITAL ASSETS – Capital assets are defined by the District as assets with an initial, individual or project cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the time they are donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Computer equipment	6
Hydro labs	7
Furniture, equipment and meters	3.5

The meters are depreciated over the life of the agreement described in Note 4. In addition, the District utilizes the “Table of Class Lives and Recovery Periods” included in the IRS publication number 946 to determine the proper useful life.

DEPOSITS AND INVESTMENTS – The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank in an amount sufficient to protect district funds during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

*CUSTODIAL CREDIT RISK FOR DEPOSITS* – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

The District’s funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District’s agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the



**CULBERSON COUNTY GROUNDWATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2022**

contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At December 31, 2022, the carrying amount of the District's deposits (cash and temporary investments) was:

	Amount
Cash in Bank	\$ 455,914
Total Cash in Bank	455,914
FDIC Insured Amount	250,000
Collateralized with Pledged Securities	\$ 205,914

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas: (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. Although the District did not have any investments at year end, the District has implemented and publicized its investment policy and is in substantial compliance with the requirements of the Act and with local policies.

**ENCUMBRANCES** – The District did not utilize an encumbrance accounting system during the year. At year end, the District reviews commitments to determine amounts to encumber.

**USE OF ESTIMATES** – Preparation of Culberson County Groundwater Conservation District's financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**BUDGETARY DATA** – The budget for the District has been adopted essentially on a modified cash basis. As a result, capital outlay items and principal payment on debt are treated as expenses. Also, accounts



**CULBERSON COUNTY GROUNDWATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2022**

payable at year end are considered to be obligated during the fiscal year in which they are incurred and are included in expenses in the "budget and actual comparisons" for the fiscal year.

All annual appropriations lapse at year end and encumbrance accounting is not used.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the budget committee submits to the Board a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenses and the means of financing them.
2. Public hearings are conducted by the District to obtain comments. Then the budget is submitted to the board for their approval.
3. Prior to October 1, the Board legally adopts the fiscal year budget.

**2. CAPITAL ASSETS**

Property and equipment as of September 30, 2022, consisted of the following:

	Balance 9/30/21	Additions	(Reclass / Disposals)	Balance 9/30/22
<b>Assets</b>				
Furniture and Fixtures	\$ 1,646	\$ -	\$ -	\$ 1,646
Capital Assets	143,877	4,063	-	147,940
<b>Total Assets</b>	<u>145,523</u>	<u>4,063</u>	<u>-</u>	<u>149,586</u>
<b>Accumulated Depreciation</b>				
Accumulated Depreciation	(111,426)	(30,681)	-	(142,107)
<b>Total Accumulated Depreciation</b>	<u>(111,426)</u>	<u>(30,681)</u>	<u>-</u>	<u>(142,107)</u>
<b>Capital Assets, net</b>	<u>\$ 34,097</u>	<u>\$ (26,618)</u>	<u>\$ -</u>	<u>\$ 7,478</u>

Depreciation expense for the year ended September 30, 2022, amounted to \$30,681.

**LEVY AND COLLECTION** – Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain established procedures relating to rendition, appraisal, appraisal review and judicial review. Property taxes are levied on October 1 of each year and are due and payable at that time. Taxes become delinquent on February 1, of the following year and are then subject to interest and penalty charges. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1)



## CULBERSON COUNTY GROUNDWATER CONSERVATION DISTRICT

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the District's fiscal year.

Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

TAX RATE – The tax rate adopted and set by the District was .034355 per \$100.00 of assessed valuation for the year ended September 30, 2022. However, see Note 4, Unearned Revenue.

LEGISLATION AFFECTING PROPERTY TAX POLICIES AND PROCEDURES – In 1979, the state legislature adopted a comprehensive property tax code which established a county-wide Appraisal District in each County within the State of Texas. The Culberson County Appraisal District (CCAD), is responsible for the appraisal of taxable property and the equalization of appraised values of property for the taxing entities within the Appraisal District. The CCAD is governed by a board of directors appointed by the governing bodies of certain taxing entities within the Appraisal District.

The property tax code enacted in 1979:

1. Requires that all taxing entities assess taxable property at 100% of appraised value;
2. Revised procedures for valuation of certain eligible farm, ranch and timberlands on a "production capacity" basis which was mandated by a 1978 amendment to the state constitution;
3. Requires that the value of real property within the Appraisal District be reviewed at least once every five years; and
4. Requires giving public notice and conducting public hearing before adopting a tax rate increase which is more than 3% above the effective tax rate calculated by the statutorily prescribed formula.



## **CULBERSON COUNTY GROUNDWATER CONSERVATION DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2022**

#### **4. UNEARNED REVENUE**

The property tax billing/collecting agent for the District did not update the tax rate prior to sending the 2013 tax assessments and, as a result, the taxpayers paid more tax than was actually due. As of date of this report, no decision had been made on how to remedy this property tax rate mistake. Accordingly, excess tax collections related to this issue, in the amount of \$10,848 are presented as unearned revenue in these financial statements.

#### **5. COMMITMENTS**

In the opinion of management, there are not contingent liabilities relating to compliance with the rules and regulations governing the District; therefore, no provision has been made in the accompanying financial statements.

#### **6. RISK MANAGEMENT**

Culberson County Groundwater Conservation 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. The board maintains insurance policies acquired from independent insurance carriers covering structural property, dishonesty, errors, and omissions, personal property, and general liability. There have been no significant reductions in insurance coverage from prior years and settlements did not exceed insurance coverage for each of the past three years.

#### **7. LITIGATION**

Through the ordinary course of its operations, the District becomes subject to various claims and litigation. As of the date of the financial statements, management is not aware of any claim or potential claim that would have a material adverse effect on the financial statements.

#### **8. RELATED PARTY TRANSACTIONS**

From time to time, the District may enter into transactions with related parties through the normal course of business. If a board member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred for the year ended September 30, 2022.

**CULBERSON COUNTY GROUNDWATER CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2022**

**9. SUBSEQUENT EVENTS**

In preparing the financial statements the management of the Culberson Country Groundwater Conservation District has evaluated events and transactions for potential recognition or disclosure through January 15, 2024, the date the financial statements were issued. No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date that would require adjustment to or further disclosure in the financial statements.



**Required Supplementary Information**

**Culberson County Groundwater Conservation District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2022**

	Budgeted Amounts		2022 Actual	Variance
	Original Budget	Final Budget		Final Budget Positive (Negative)
<b>Revenues</b>				
Ad Valorem Taxes	\$ 186,949	\$ 186,949	\$ 192,276	\$ 5,327
Drilling Fees - Exempt	500	500	150	(350)
Permit Fees - Exempt	1,000	1,000	650	(350)
Permit Fees - Non-Exempt	3,000	3,000	2,225	(775)
Total Revenues	191,449	191,449	195,301	3,852
<b>Expenditures</b>				
Personnel	75,190	75,190	75,250	(60)
Administration	31,150	31,150	20,656	10,494
Contractual Services	78,750	78,750	52,263	26,487
Capital Outlay	2,500	2,500	4,063	(1,563)
Total Expenditures	187,590	187,590	152,232	35,358
Operating Income (Loss)	3,859	3,859	43,069	39,210
<b>Non-operating Revenues (Expenditures)</b>				
Interest	2,105	2,105	3,000	895
Total Non-operating Revenues (Expenditures)	2,105	2,105	3,000	895
Change in Fund Balance	\$ 5,964	\$ 5,964	46,069	\$ 40,105
Beginning Fund Balance			416,212	
Ending Fund Balance			\$ 462,281	