

**Reeves County Groundwater Conservation District**

**Annual Financial Report**

**For the Year Ended December 31, 2022**

**Reeves County Groundwater Conservation District**  
**Annual Financial Report**  
**For the Year Ended December 31, 2022**

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## ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF

Reeves

I,

Larry Turnbough

of the

(Name of Duly Authorized District Representative)

Reeves 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 12/31/2022 and those copies of the annual audit report have been filed in the district office, located at:

119 S. Cedar, Pecos, Texas 79772

(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)

Larry Turnbough, Director

(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 West Lunday Drive**

**Pecos, Texas 79772**

**Independent Auditor's Report**

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

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Reeves County Groundwater Conservation District (the District), as of and for the year ended December 31, 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 Reeves County Groundwater Conservation District, as of December 31, 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 21, 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  
April 17, 2023

**REEVES COUNTY GROUNDWATER CONSERVATION DISTRICT**  
PO Box 809  
Pecos, Texas 79772

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial Report, we, the managers of Reeves County Groundwater Conservation District, discuss and analyze the District's financial performance for the fiscal year ended December 31, 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 \$1,472,648 at December 31, 2021 to \$1,694,644 as a result of this year's operations. The result was that net position of governmental activities increased by \$221,996 year-over-year. This resulted in a 15.1% increase.

During the year, the District had \$379,300 in total expenses and \$576,513 in ad valorem tax revenues. An additional \$24,782 was recognized as interest income for the year.

The District purchased \$61,685 in capital assets and depreciation expense was \$7,980 for the year ended December 31, 2022.

The general fund ended the year with a total fund balance of \$1,629,277, which was an increase of \$179,552 from the prior year amount of \$1,449,725.

The budget for the District revealed \$22,225 more in revenues than were budgeted for, which included recognized ad valorem taxes, miscellaneous revenues, and interest, while \$157,332 less expenses were incurred than were budgeted for the year. The net effect of the budget variance was a positive \$179,553.

**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 (starting 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 \$1,472,648 to \$1,694,644 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 \$1,629,277 at December 31, 2022.

**Table I**  
**Reeves County Groundwater Conservation District**  
**Net Position**

	Governmental Activities		Year over Year Change	
	12/31/22	12/30/21	\$	%
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,505,646	\$ 1,168,915	\$ 336,731	28.8%
Accounts Receivable, net	218,444	400,301	(181,857)	-45.4%
Prepaid Assets	3,425	-	3,425	0.0%
Capital Assets, net	65,367	22,923	42,444	185.2%
<b>Total Assets</b>	<b>\$ 1,792,883</b>	<b>\$ 1,592,138</b>	<b>\$ 200,743</b>	<b>12.6%</b>
<b>Liabilities</b>				
Accounts Payable	\$ 1,324	\$ 4,906	\$ (3,582)	-73.0%
Payroll Liabilities	1,963	1,841	122	6.6%
<b>Total Liabilities</b>	<b>3,287</b>	<b>6,747</b>	<b>(3,460)</b>	<b>-51.3%</b>
<b>Deferred Inflows of Resources</b>				
Deferred Revenues	\$ 94,952	\$ 112,744	\$ (17,791)	-15.8%
<b>Total Deferred Inflows of Resources</b>	<b>94,952</b>	<b>112,744</b>	<b>(17,791)</b>	<b>-15.8%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	65,367	22,923	42,444	185.2%
Unrestricted Net Position	1,629,277	1,449,725	179,552	12.4%
<b>Total Net Position</b>	<b>1,694,644</b>	<b>1,472,648</b>	<b>221,996</b>	<b>15.1%</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 1,792,883</b>	<b>\$ 1,592,138</b>	<b>\$ 200,745</b>	<b>12.6%</b>

**Table II**  
**Reeves County Groundwater Conservation District**  
**Change in Net Position**

	Governmental Activities		Year over Year Change	
	12/31/22	12/30/21	\$	%
<b>Revenues</b>				
Operating Revenues	\$ 576,513	\$ 575,699	\$ 814	0.1%
Non-operating Revenues	24,782	330	24,452	7398.8%
<b>Total Revenues</b>	<b>601,296</b>	<b>576,030</b>	<b>25,266</b>	<b>4.4%</b>
<b>Expenses</b>				
Conservation Services	343,350	326,426	16,924	5.2%
Contractual Services	35,950	34,538	1,412	4.1%
<b>Total Expenses</b>	<b>379,300</b>	<b>360,964</b>	<b>18,336</b>	<b>5.1%</b>
Change in Net Position	221,996	215,066	6,930	3.2%
<b>Net Position - Beginning of Year</b>	<b>1,472,648</b>	<b>1,257,583</b>	<b>215,066</b>	<b>17.1%</b>
<b>Net Position - End of Year</b>	<b>\$ 1,694,644</b>	<b>\$ 1,472,648</b>	<b>\$ 221,995</b>	<b>15.1%</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 \$1,629,277 compared to a total fund balance of \$1,449,725 in the prior fiscal year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of December 31, 2022, the District had \$75,515 invested in property & equipment.

Table III  
Reeves County Groundwater Conservation District  
Capital Assets

	Governmental Activities		Year over Year Change	
	12/31/22	12/30/21	\$	%
<b>Assets</b>				
Machinery and Equipment	\$ 75,515	\$ 45,360	\$ 30,155	66.5%
<b>Total Assets</b>	<b>75,515</b>	<b>45,360</b>	<b>30,155</b>	<b>66.5%</b>
<b>Accumulated Depreciation</b>				
Accumulated Depreciation	(10,148)	(22,438)	12,289	-54.8%
<b>Total Accumulated Depreciation</b>	<b>(10,148)</b>	<b>(22,438)</b>	<b>12,289</b>	<b>-54.8%</b>
<b>Capital Assets, net</b>	<b>\$ 65,367</b>	<b>\$ 22,923</b>	<b>\$ 42,444</b>	<b>185.2%</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. There has been extensive oil and gas drilling in Reeves County and the mineral values have increased within the District. Management plans to be conservative in spending in an effort to assist Reeves County in keeping the tax rates low.

The fiscal year 2023 budget was adopted on August 18, 2022, with total expenditures of \$1,088,769, a \$511,959 or 88% increase from the fiscal year 2022 budgeted expenditures.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the Reeves 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 Reeves County Groundwater Conservation District, 119 S Cedar, Pecos, Texas 79772.

**Reeves County Groundwater Conservation District**

**Statement of Net Position**

**December 31, 2022**

	<b>Governmental Activities</b>
<b>Assets</b>	
Operating Cash	\$ 1,410,694
Restricted Cash	94,952
	<hr/>
<b>Total Cash and Cash Equivalents</b>	<b>1,505,646</b>
	<hr/>
Receivables, net	218,444
Prepaid Assets	3,425
Capital Assets, net	65,367
	<hr/>
<b>Total Assets</b>	<b>\$ 1,792,883</b>
	<hr/>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 1,324
Payroll Liabilities	1,963
	<hr/>
<b>Total Liabilities</b>	<b>3,287</b>
	<hr/>
<b>Deferred Inflows of Resources</b>	
Deferred Revenues	94,952
	<hr/>
<b>Total Deferred Inflows of Resources</b>	<b>94,952</b>
	<hr/>
<b>Net Position</b>	
Net Investment in Capital Assets	65,367
Unrestricted	1,629,277
	<hr/>
<b>Total Net Position</b>	<b>\$ 1,694,644</b>
	<hr/>

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

**Reeves County Groundwater Conservation District**

**Statement of Activities**

**For the Year Ended December 31, 2022**

	Program Revenues				Change in Net Position	
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	
			Grants and Contributions	Grants and Contributions		
Primary Government:						
Governmental Activities:						
Conservation Services	\$ 343,350	\$ -	\$ -	\$ -	\$ (343,350)	
Contractual Services	35,950	-	-	-	(35,950)	
Total Expenses	<u>\$ 379,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(379,300)</u>	
General Revenues:						
Property Taxes					576,513	
Interest					22,543	
Gain on Sale of an Asset					2,239	
Total General Revenues					<u>601,296</u>	
Change in Net Position					221,996	
Beginning Net Position, restated					1,472,648	
Ending Net Position					<u>\$ 1,694,644</u>	

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

**Reeves County Groundwater Conservation District****Governmental Funds Balance Sheet****December 31, 2022**

	<b>General Fund</b>
<b>Assets</b>	
Operating Cash	\$ 1,410,694
Restricted Cash	94,952
	<hr/>
Total Cash and Cash Equivalents	1,505,646
	<hr/>
Receivables, net	218,444
Prepaid Assets	3,425
	<hr/>
Total Assets	<b>\$ 1,727,516</b>
	<hr/>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	\$ 1,324
Payroll Liabilities	1,963
Deferred Revenues	94,952
	<hr/>
Total Liabilities	98,239
	<hr/>
<b>Fund Balance</b>	
Non-spendable	3,425
Unassigned	1,625,852
	<hr/>
Total Fund Balance	<b>\$ 1,629,277</b>
	<hr/>

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

**Reeves County Groundwater Conservation District**  
Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
December 31, 2022

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

Total Fund Balances - Governmental Funds	\$ 1,629,277
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	65,367
<b>Total Net Position - Governmental Activities</b>	<b><u>\$ 1,694,644</u></b>

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

**Reeves County Groundwater Conservation District**  
**Governmental Funds Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Year Ended December 31, 2022**

	<u>General Fund</u>
<b>Operating Revenues</b>	
Property Taxes	\$ 576,513
<b>Total Operating Revenues</b>	<b><u>576,513</u></b>
<b>Operating Expenditures</b>	
Personnel	232,554
Administration	102,816
Contractual Services	35,950
Capital Outlay	48,185
<b>Total Operating Expenditures</b>	<b><u>419,505</u></b>
<b>Operating Income (Loss)</b>	<b><u>157,009</u></b>
<b>Non-operating Revenues (Expenditures)</b>	
Interest	22,543
<b>Total Non-operating Revenues (Expenditures)</b>	<b><u>22,543</u></b>
<b>Change in Fund Balance</b>	<b>179,552</b>
Beginning Fund Balance, restated	1,449,725
<b>Ending Fund Balance</b>	<b><u>\$ 1,629,277</u></b>

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

**Reeves 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 December 31, 2022**

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

Change in Fund Balances - Governmental Funds	\$ 179,552
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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.

42,444
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Change in Net Position - Governmental Activities	<u>\$ 221,996</u>
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The notes to the financial statements are an integral part of this statement

# REEVES COUNTY GROUNDWATER CONSERVATION DISTRICT

## Notes to the Financial Statements

December 31, 2022

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Organization

The Reeves County Groundwater Conservation District, (District) was created in 2016 under general provisions of the Texas Water Code. The District was created to conduct projects and works to promote conservation and monitor the use of groundwater in Reeves County, Texas. The District operates with seven appointed board members while having two full-time employees at fiscal year end. As a local government the District is exempt from federal income taxes, under Internal Revenue Code Section 115, and state sales tax.

#### B. Financial Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations within the District's reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards No. 14, *The Financial Reporting Entity*, is financial accountability. Financial accountability is defined as appointment of a voting majority of the board and either the ability to impose will by the primary government or the possibility that a component unit will provide a financial benefit to or impose a financial burden on the primary government. The District is a separate legal entity and is neither an oversight nor a component unit of any other entity. Specific elements of oversight and component unit responsibilities considered in the conclusion of the above were financial interdependency, designation of management, election of the governing body, the ability to significantly influence operations and accountability of fiscal matters.

#### C. Financial Statement Presentation

##### Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information for the reporting entity as a whole. They include all funds of the reporting entity. Governmental activities are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

##### Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories.

The funds of the financial reporting entity are described below:

##### Governmental Funds

The General Fund is the primary operating fund and only fund of the District and is always classified as a major fund. The fund is used to account for the activities provided to the general public.

##### Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

On the Governmental Funds Balance Sheet and the Governmental Funds Revenues, Expenditures and Changes in Fund Balances, transactions are presented using the modified accrual method of accounting. Under this method revenues and disbursements are measured when the items can be easily converted into cash or the liability is known and can be measured. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year they are collected.

### **Basis of Accounting**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. Generally accepted accounting principles prescribed by the Financial Accounting Standards Board are applied unless they conflict with or contradict GASB pronouncements, or were issued after November 30, 1989.

In the Statement of Net Position and the Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditure, including capital outlay, are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

### **E. Budgetary Control**

The District Charter establishes the fiscal year as the twelve-month period beginning January 1<sup>st</sup>. A proposed budget is submitted to the Board of Directors for the year commencing the following January 1<sup>st</sup>. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with original and revised estimates for the current year and actual data for the preceding year.

Public hearings are conducted on the proposed budget to obtain taxpayer comments.

The Board, through passage, legally enacts the budget in the Board minutes establishing tax rates for the budgeted year. The Board of Directors is authorized to increase budgeted amounts within any function. Formal budgetary integration is employed as a management control device during the year for the one and only fund. No encumbrances have been recorded.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results. All appropriations lapse at year end.

### **F. Assets, Liabilities, and Equity**

#### **Cash and Cash Equivalents**

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

The District has elected to invest its funds in investment pools (TexPool). Investments in the pools are reported as cash investments. The State Comptroller oversees TexPool, an AAA rated pool, with Lehman Brothers and Federated Investors managing the daily operations of the pool under a contract with the Comptroller. These pools are 2(a)7 like funds, meaning that they are structured

similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest is accrued daily and paid monthly. The reported value of the pools is the same as fair value of the pool shares.

As of December 31, 2022, the District had \$1,443,851.41 in pooled investments.

As of December 31, 2022 the District had \$94,952.38 in restricted cash related to the ad valorem tax collections which occurred in October, November and December 2022 and were revenues which corresponds to the subsequent year.

### **Receivables**

In the government-wide statements and fund financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include tax revenues.

### **Prepaid Assets**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets in both the government-wide and fund financial statements. The cost of prepaid assets is recorded as expenditures/expenses when consumed rather than when purchased.

### **Capital Assets**

In the financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lived by type of asset is as follows:

Machinery & equipment	3-7 years
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### **Net Position / Fund Balance**

#### *Government-wide Statements*

GASB 34 requires the classification of fund equity into three components – net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

*Net Investment in Capital Assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This component of net position consists of constraints placed on asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – This component of net position consists of net assets that do not meet the definition of "restricted," or "invested in capital assets, net of related debt."

#### *Fund Financial Statements*

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The following fund types are required under GASB 54.

1. Non-spendable fund balance – Amounts are not in spendable form or are legally or contractually required to be maintained intact, such as inventories.
2. Restricted fund balance – Amounts are restricted to specific purposes by their providers, (grantors, bondholders, higher levels of government, etc...) or through constitutional provisions or enabling legislation.
3. Committed fund balance – Amounts are restricted for purposes which the Board of Directors, the District's highest level of decision-making authority, has designated for their use. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking formal Board action.
4. Assigned fund balance – Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.
5. Unassigned fund balance – Amounts that are available for any purpose that have not been restricted, committed or assigned for specific purposes.

## **G. Revenues, Expenditures, and Expenses**

### **Operating Revenues**

#### *Property Tax*

Property tax is levied each October 1<sup>st</sup> on the assessed (appraisal) value listed as of the prior January 1<sup>st</sup> for all real and business personal property located in the District. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the District Board.

Taxes are due on October 1<sup>st</sup>, the levy date, and are delinquent at the following January 31<sup>st</sup>. Tax liens are automatic on January 1<sup>st</sup> each year. The tax lien is part of a law suit for property that can be filed any time after taxes become delinquent (February 1<sup>st</sup>).

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with *Generally Accepted Accounting Principles* have been recognized as revenues.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed at least every three years; however, the District may, at its own expense, require annual reviews of appraisal values. The District may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this legislation the District continues to set tax rates on District property. However, if the effective tax rate, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the District may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

### **Expenditures/Expenses**

In the financial statements, expenditures / expenses are classified by function.

## **2. CASH AND INVESTMENTS**

### **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 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	Maturity	Quality Rating
Texpool	\$ 1,443,851	< 60 days - Weighted Average	AAAm
Cash in Bank	114,322		
<b>Total Cash in Bank</b>	<b><u>\$ 1,558,174</u></b>		

### **Investments**

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, and;
9. 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, and;
10. 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. The District is in substantial compliance with the requirements of the Act and with local policies.

### **Policies Governing Deposits and Investments**

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy does address the following risks:

- a) *Custodial Credit Risk - Deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is that eligible securities for collateralization are those securities defined as eligible securities by the Public Funds Collateral Act. The District was not exposed to any custodial credit risk.
- b) *Custodial Credit Risk - Investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.
- c) *Interest-rate Risk:* Interest-rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District does not purchase or sell debt securities and invests only with the designated bank depository and as such does not have a policy that addresses this issue.
- d) *Other Credit Risk Exposure:* The District does not have a policy regarding investment in debt securities held either directly or indirectly because the District does not invest in this type security, securities of the U.S. government or of agencies guaranteed by the U.S. government. The District does invest in a public funds investment pool as permitted by Government code 2256.016.
- e) *Concentration Risk:* The District invests only in securities backed by the U.S. Government and thus does not have a policy regarding a concentration of credit risk.

### **3. CAPITAL ASSETS**

The summary of changes in capital assets for governmental activities is as follows:

	Balance 12/30/21	Additions	Reclass Disposals	Balance 12/31/22
<b>Assets</b>				
Machinery and Equipment	\$ 45,360	\$ 61,685	\$ (31,530)	\$ 75,515
<b>Total Assets</b>	<b>45,360</b>	<b>61,685</b>	<b>(31,530)</b>	<b>75,515</b>
<b>Accumulated Depreciation</b>				
Accumulated Depreciation	(22,438)	(7,980)	20,269	(10,148)
<b>Total Accumulated Depreciation</b>	<b>(22,438)</b>	<b>(7,980)</b>	<b>20,269</b>	<b>(10,148)</b>
<b>Capital Assets, net</b>	<b>\$ 22,923</b>	<b>\$ 53,705</b>	<b>\$ (11,261)</b>	<b>\$ 65,367</b>

Depreciation expense for the fiscal year was \$7,980.

#### **4. CONTINGENCIES**

##### *Litigation*

In the normal course of providing services to the public the District from time to time is subjected to litigation claims. The District defends itself against such claims based on internal assessment of liability and risk. Litigation expenses and damages are recorded as expense in the period when services are rendered. No liabilities have been accrued in the financial statements relative to litigation in process for the year ended December 31, 2022.

#### **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. The District maintains insurance policies acquired from independent insurance carriers covering 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.

#### **6. RELATED PARTY TRANSACTIONS**

From time to time the District may enter into transactions with related parties through the normal course of business. If a member of the Board of Directors 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 December 31, 2022.

#### **7. SUBSEQUENT EVENTS**

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through April 17, 2023, 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 disclosure in the financial statements.

## **Required Supplementary Information**

**Reeves County Groundwater Conservation District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts			Variance	
	Original Budget	Final Budget	2022 Actual	Final Budget	
				Positive	(Negative)
<b>Revenues</b>					
Property Taxes	\$ 576,515	\$ 576,515	\$ 576,513	\$	(2)
<b>Total Revenues</b>	<b>576,515</b>	<b>576,515</b>	<b>576,513</b>		<b>(2)</b>
<b>Expenditures</b>					
Personnel	234,124	234,124	232,554		1,570
Administration	241,211	241,211	102,816		138,396
Contractual Services	51,500	51,500	35,950		15,551
Capital Outlay	50,000	50,000	48,185		1,815
<b>Total Expenditures</b>	<b>576,835</b>	<b>576,835</b>	<b>419,505</b>		<b>157,332</b>
Operating Income (Loss)	(320)	(320)	157,009		157,330
Non-operating Revenues (Expenditures)					
Interest	320	320	22,543		22,223
<b>Total Non-operating Revenues (Expenditures)</b>	<b>320</b>	<b>320</b>	<b>22,543</b>		<b>22,223</b>
Change in Fund Balance	\$ -	\$ -	179,552	\$	179,553
Beginning Fund Balance			1,449,725		
<b>Ending Fund Balance</b>			<b>\$ 1,629,277</b>		