

# Headwaters Groundwater Conservation District

Annual Financial Report  
For the Year Ended September 30, 2022

**RECORDS**  
**MANAGEMENT**  
**PERMANENT**

*Ede & Company, LLC*  
*Certified Public Accountants*

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

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS X  
COUNTY OF KERR X

I, JOHN Elliott  
(Name of duly authorized District Representative)

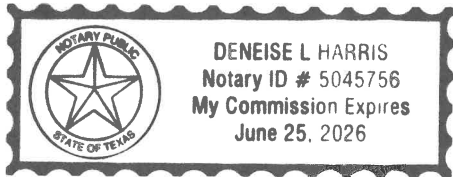
of the Headwaters Groundwater Conservation District hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the Board of Directors of the District on the 11th day of January, 2023 its annual audit report for the fiscal year ended September 30, 2022 and that copies of the annual audit report have been filed in the district office located in Kerrville, Texas.

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

Date: 01/11/23  
John R Elliott  
(Signature of District Representative)

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

Sworn to and subscribed to before me this 11th day of JANUARY 2023



(Seal)

Deneise Harris  
(Signature of Notary)

My commission expires on 6/25/2026, Notary Public in and for the State of Texas.

# EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede, CPA  
Donna Ede Jones, CPA

133 N. Camp St.  
Uvalde, Texas 78801  
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Email ede@edecpa.com

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Headwaters Groundwater Conservation District  
125 Lehmann Dr.  
Suite 201  
Kerrville, Texas 78028

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Headwaters Groundwater Conservation 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, each major fund, and the aggregate remaining fund information of the Headwater Groundwater 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 Opinions

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 Headwater Groundwater Conservation 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 Headwaters Groundwater Conservation 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 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, 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 Headwaters Groundwater Conservation 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 Headwaters Groundwater Conservation 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 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 Information**

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Delinquent Taxes but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Ede & Company, LLC  
Certified Public Accountants  
Uvalde, Texas

January 6, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of the Headwaters Groundwater Conservation District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2022. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Total Governmental Funds" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$1,464.6 at September 30, 2022.
- During the year, the District's expenses were \$920 more than the \$506,659 generated in taxes, service fees and other revenues for governmental activities.
- The total cost of the District's programs were higher than last year, due to capital purchases
- The general fund reported a fund balance this year of \$528,087.
- The District's governmental fund balance decreased \$197,859 which represents a 27.25 percent decrease from 2021.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District: The *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled "Total Governmental Funds") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health. The *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances* includes a column (titled "Total Governmental Funds") that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$1,464.6 thousand at September 30, 2022. (See Table A-1).

**Table A-1**  
**Headwaters Groundwater Conservation District**  
*(in thousands dollars)*

	Governmental Activities		Total Percentage Change
	2022	2021	2022 - 2021
<b>Current assets:</b>			
Cash and cash equivalents	\$ 528.1	\$ 746.1	-29.2%
Property taxes receivable	23.3	23.2	0.4%
Due from other governments	2.0	0.9	122.2%
Total current assets	<u>553.4</u>	<u>770.2</u>	<u>-28.1%</u>
<b>Noncurrent assets:</b>			
Capital Assets	1,533.1	1,224.8	25.2%
Less accumulated depreciation	(579.9)	(567.2)	2.2%
Total noncurrent assets	<u>953.2</u>	<u>657.6</u>	<u>45.0%</u>
<b>Total Assets</b>	<u>1,506.6</u>	<u>1,427.8</u>	<u>5.5%</u>
<b>Current liabilities:</b>			
Accounts payable	0.2	18.1	-98.9%
Payroll taxes & retirement	1.8	3.0	-40.0%
Current portion - Lease payable	18.3	-	100.0%
Total current liabilities	<u>20.3</u>	<u>21.1</u>	<u>-3.8%</u>
<b>Noncurrent liabilities:</b>			
Leases payable - Long -term	21.7	-	100.0%
<b>Total Liabilities</b>	<u>42.0</u>	<u>21.1</u>	<u>99.1%</u>
<b>Net Position:</b>			
Invested in capital assets	913.3	657.6	38.9%
Unrestricted	<u>551.3</u>	<u>749.1</u>	<u>-26.4%</u>
<b>Total Net Position</b>	<u>\$ 1,464.6</u>	<u>\$ 1,406.7</u>	<u>4.1%</u>

The District's unrestricted net position, which can be used to finance day to day operations, totaled \$551.3 thousand. The overall financial condition of the District decreases from 2021 to 2022

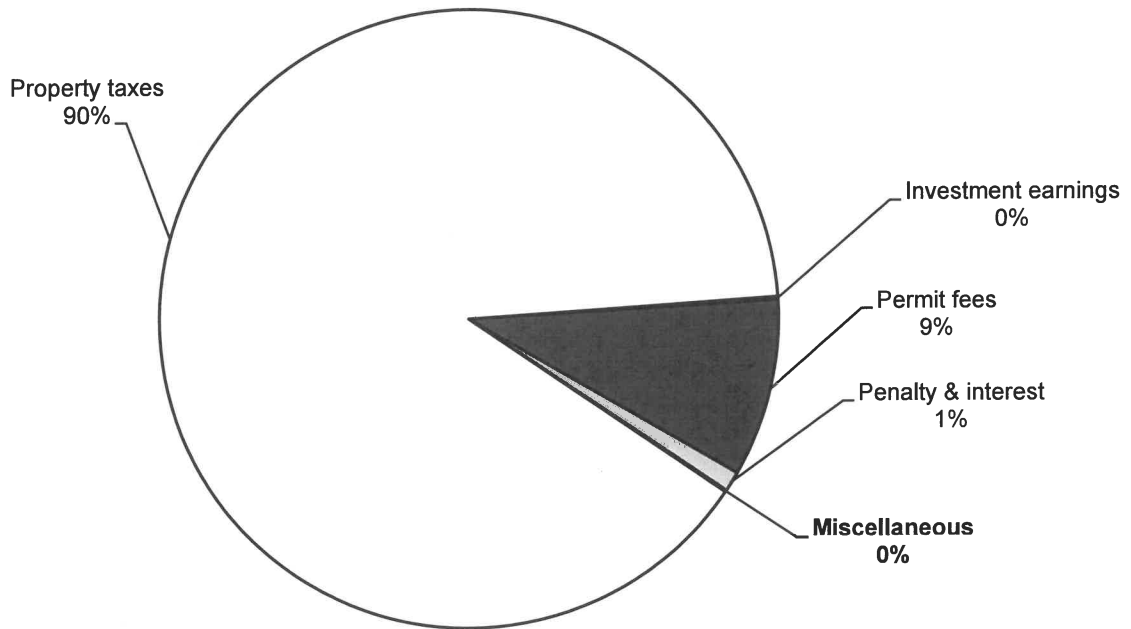
Changes in net position. The District's total revenues were \$506.7 thousand. A significant portion, 90 percent, of the District's revenue comes from property taxes. (See Figure A-3.) 1 percent comes from penalty & interest on property taxes, and 7 percent relates permits & fees.

The total cost of all programs and services was \$507.0 thousand; 100 percent of these costs are for General Government.

**Table A-2**  
**Changes in Headwaters Groundwater Conservation District's Net Position**  
*(In thousands dollars)*

	Governmental Activities		Total Percentage Change
	2022	2021	2022-2021
General Revenue			
Property Taxes	\$ 452.9	\$ 423.0	7.1%
Permits & fees	47.1	58.6	-19.6%
Other	6.7	50.0	-86.6%
<b>Total Revenue</b>	<b>506.7</b>	<b>531.6</b>	<b>-4.7%</b>
Program Expenses			
General Government	507.6	412.9	22.9%
<b>Total Expense</b>	<b>507.6</b>	<b>412.9</b>	<b>22.9%</b>
Excess (deficiency) of revenues over expenditures	\$ (0.9)	\$ 118.7	-100.8%

**2022 Revenue Sources**





## 2022 Expenses

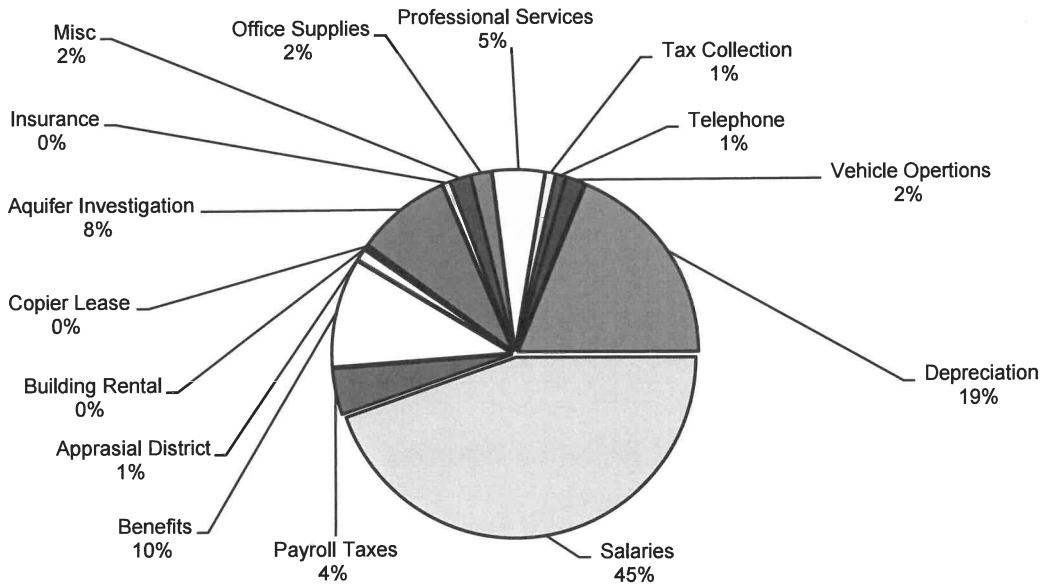


Table A-3 presents the cost of each of the District's largest functions as well as the major administrative categories.

- The cost of all *governmental* activities this year was \$507.6 thousand.
- The cost of all *governmental* activities in the previous year was \$412.9 thousand.

**Table A-3**

Net Cost of Selected District Functions & Major Administrative Categories  
(in thousands of dollars)

	Total Costs of Services		Percent Change
	2022	2021	
Salaries	226.8	179.1	26.6%
Payroll Taxes	21	16.9	24.3%
Benefits	49.5	37.8	31.0%
Appraisal District	5.3	5	6.0%
Building Rental	0.9	13.6	-93.4%
Copier Lease	1.3	4.6	-71.7%
Insurance	3.4	3	13.3%
Office Supplies	9.4	10.8	-13.0%
Aquifer Investigation	43.2	45.2	-4.4%
Telephone	4.8	4.4	9.1%
Vehicle Operations	8.5	8	6.3%
Tax Collections	4.5	4.3	4.7%
Professional Services	23.8	17.4	36.8%
Depreciation	95.5	58.7	62.7%

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS****General Fund Budgetary Highlights**

The District did not amend its original budget, Actual expenditures were \$181,958 below final budget amounts. Resources available were \$14,661 more than the final budgeted amount.

**CAPITAL ASSETS AND DEBT ADMINISTRATION****Capital Assets**

At the end of 2022, the District had invested \$1,533.2 thousand in a broad range of capital assets, including wells, equipment, and vehicles. (See Table A-4.)

**Table A-4**

District's Capital Assets  
(in thousands of dollars)

	Governmental Activities		Percentage Change 2022-2021
	2022	2021	
Wells, Vehicles and Equipment	\$ 1,533.2	\$ 1,224.7	25.2%
Totals at historical cost	1,533.2	1,224.7	25.2%
Total Accumulated Depreciation	(579.9)	(567.2)	2.2%
Net Capital Assets	\$ 953.3	\$ 657.5	45.0%

**Long-Term Debt**

The District had two Right to Use Leases Payable at the end of 2022.

Copier Lease Payable	\$ 11,288
Building Lease Payable	\$ 28,731

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

- Appraised value used for the 2023 budget will increase slightly. Tax rates will decrease slightly in 2023 to 7.003%/\$100.
- Tax revenue will increase slightly in 2023.

These indicators were taken into account when adopting the general fund budget for 2022. The adopted general fund budget will decrease slightly in 2023 to \$704,985..

If these estimates are realized, the District's budgetary general fund balance is expected to decrease by approximately \$161,000 by the close of 2023.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department.

## Basic Financial Statements

**Headwaters Groundwater Conservation District**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**September 30, 2022**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash and investments	\$ 528,073.10	\$ -	\$ 528,073.10
Taxes receivable	23,250.88	-	23,250.88
Due from other governments	1,985.82	-	1,985.82
Accrued Interest	-	-	-
Capital assets (net of accumulated depreciation)			
Wells, vehicles & equipment	-	953,294.17	953,294.17
Total assets	\$ 553,309.80	\$ 953,294.17	\$ 1,506,603.97
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 149.44	\$ -	\$ 149.44
Payroll taxes payable	-	-	-
Simple IRA Payable	1,822.16	-	1,822.16
Current Portion - Leases Payable	-	18,331.12	18,331.12
Total Current Liabilities	1,971.60	18,331.12	20,302.72
Lease Payable - Long-Term	-	21,687.48	21,687.48
Total liabilities	1,971.60	40,018.60	41,990.20
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable revenue- Property taxes	23,250.88	(23,250.88)	-
Total deferred inflows of resources	23,250.88	(23,250.88)	-
<b>FUND BALANCES/NET POSITION</b>			
Fund balances:			
Unassigned	528,087.32	(528,087.32)	-
Total fund balances	528,087.32	(528,087.32)	-
Total liabilities deferred infows and fund balances	\$ 553,309.80		
Net Position:			
Invested in capital assets, net of related debt		913,275.57	913,275.57
Unrestricted		551,338.20	551,338.20
Total net position		\$ 1,464,613.77	\$ 1,464,613.77

The accompanying notes are an integral part of this statement.

**Headwaters Groundwater Conservation District**  
**Statement of Activities and Governmental Funds**  
**Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended September 30, 2022**

	General Fund	Adjustments	Statement of Activities
<b>Revenues:</b>			
Property taxes	\$ 452,919.40	\$ (69.70)	\$ 452,849.70
Property taxes penalty & interest	5,419.04	-	5,419.04
Permit fees	47,100.00	-	47,100.00
Miscellaneous income	450.00	-	450.00
Investment earnings	840.05	-	840.05
Total revenues	506,728.49	(69.70)	506,658.79
<b>Expenditures/expenses:</b>			
<b>Service operations:</b>			
Salaries	226,822.53	-	226,822.53
Payroll taxes	21,000.29	-	21,000.29
Benefits	49,503.56	-	49,503.56
Advertising	566.00	-	566.00
Appraisal district	5,312.75	-	5,312.75
Building maintenance	819.56	-	819.56
Building rental	14,742.48	(13,836.13)	906.35
Copier lease	5,406.85	(4,074.79)	1,332.06
Dues & subscriptions	2,184.99	-	2,184.99
Election	-	-	-
Aquifer investigation	286,196.27	(242,958.62)	43,237.65
Insurance	3,369.24	-	3,369.24
Ground water management contibution	3,356.65	-	3,356.65
Office supplies	9,407.82	-	9,407.82
Postage	788.60	-	788.60
Professional services	23,760.37	-	23,760.37
Surety bond	546.00	-	546.00
Tax collection	4,512.81	-	4,512.81
Telephone	4,788.09	-	4,788.09
Travel & conference	1,358.86	-	1,358.86
Vehicle operations	40,143.67	(31,681.14)	8,462.53
Depreciation	-	95,542.08	95,542.08
Total expenditures/expenses	704,587.39	(197,008.60)	507,578.79
Excess (deficiency) of revenues over expenditures	(197,858.90)	196,938.90	
Other financing sources/uses: Sale of assets	-	-	
Excess (deficiency) of revenues and other sources over expenditures and other uses	(197,858.90)	196,938.90	
Change in net position		(920.00)	(920.00)
<b>Fund balance/net position:</b>			
Beginning of the year	725,946.22	739,587.55	1,465,533.77
End of the year	\$ 528,087.32	\$ 935,606.45	\$ 1,464,613.77

The accompanying notes are an integral part of this statement.

# Headwaters Groundwater Conservation District

## Notes to the Financial Statements

### For the Year Ended September 30, 2022

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **A. Reporting Entity**

The Headwaters Groundwater Conservation District was created by Acts of House Bill No. 1463 of the State of Texas on July 16, 1991, under the provisions of Article 16, Section 59 of the constitution of the State of Texas. The District was established to provide for the conservation, preservation, protection, recharging, and prevention of waste of underground water reservoirs or their subdivisions. The boundaries of the District are coterminous with the boundaries of Kerr County. The District is governed by a board of directors who serve for terms of four years. One director is elected for each of the counties four precincts, and one director is elected at large.

The District's Board of Directors has governance responsibilities over all activities related to the District's operations within the jurisdiction of Headwaters Groundwater Conservation District. Because members of the Board of Directors are elected by the public, they have the primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial reporting Standards. In addition, there are no component units included in the District's reporting entity

##### **B. Government-wide and Fund Financial Statements**

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Total Governmental Funds" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net position and the statement of activities.

The government-wide financial statements report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates what the District did with the revenue it raised. The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government.

##### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The general fund column of the government-wide financial statements is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

# Headwaters Groundwater Conservation District

## Notes to the Financial Statements

### For the Year Ended September 30, 2022

#### Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

#### Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources.

Expendable assets are assigned to the various governmental funds according to the purpose for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

#### **D. Budgets and Budgetary Accounting**

Formal budgetary integration is employed as a management control device for the General Fund. The budget is proposed by the District Manager for the fiscal year commencing the following October 1, and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

#### **E. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### **F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance**

Cash and cash equivalents - The District's cash and cash equivalents are considered to be cash-on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies.

Capital Assets - General capital assets generally result from expenditures in the governmental funds. These assets are reported in the statement of net position column of the government-wide statement of net position but are not reported in the general fund column.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000 for equipment, and all additions to infrastructure are capitalized. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Wells, furniture and equipment of the District are depreciated using the straight-line method over the estimated useful lives. Wells 20 years and Equipment 5 years.

Ad Valorem Property Taxes -. The District does not maintain an allowances for uncollectible property taxes. Based upon historical experience in collecting property taxes the district feels these amounts are immaterial.



# Headwaters Groundwater Conservation District

## Notes to the Financial Statements

### For the Year Ended September 30, 2022

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

Compensated Absences - Accrued paid time off and sick leave laps at the end of the year.

Fund Balance -The District complies with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

*Nonspendable*- Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

*Restricted* - Amounts that can be spent only for specific purposes because of constraints imposed by external providers or imposed by constitutional provisions or enabling legislation.

*Committed* - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

*Assigned* -The Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose.

*Unassigned* -Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated authority to the General Manager to assign fund balance for a specific purpose. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

#### **G. Property Taxes**

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Kerr County Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred inflows of resources. Taxes receivables are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

**Headwaters Groundwater Conservation District**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

**H. Reconciliation of Government-wide and General Fund Financial Statements**

**Reconciliation of General Fund Balance to  
Net Position of Governmental Activities**

<b>Total Fund Balance - Government</b>	<b>\$</b>	<b>528,087.32</b>
<b>Amounts reported in governmental activities in the statement of net assets are different because:</b>		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the governmental funds. At the beginning of the year, the cost of these assets was \$1,282,676 and accumulated depreciation was \$508,479. In addition, long-term liabilities including right to use - lease liabilities are not due and payable in the current period , and therefore are not reported as liability in the governmental fund. The long-term debt at the beginning of the year was \$57,929.		
		716,266.97
Current year capital outlays and long-term debt principal payments are expended in the fund financial statements, but the should be shown as increases in capital assets and reduction in long-term debt in the government-wide financial statements. The net effect of including the capital outlays, and debt principal payments was to increase net position.		
		292,550.68
Accumulated depreciation has not been included in the general fund financial statements.		
		(95,542.80)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting		
		<u>23,250.88</u>
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>1,464,613.05</u></b>

**Headwaters Groundwater Conservation District**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities**

<b>Net Change in Governmental Fund Balances</b>	\$ (197,858.90)
 <b>Amounts reported for the governmental activities in the statement of activities are different because:</b>	
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis	
	(69.70)
 Current year capital outlay and long-term debt payments are expended in the fund financial statements, but should be shown as increase in capital assets and reductions in long- term debt in the government wide financial statements. The net effects of removing the 2022 capital outlays and debt principal payments is to increase net position	
	292,550.68
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net position.	
	<u>(95,542.08)</u>
 <b>Change in Net Position of Governmental Activities</b>	 <b>\$ <u>(920.00)</u></b>

NOTE 2 – DEPOSITS, SECURITIES AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

*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. As of September 30, 2020, the District's cash balance deposited in banks totaled \$198,930 and were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository. Since the District complies with this law, it has no custodial credit risk for deposits.

*Foreign Currency Risk* The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not participating in foreign currency transactions.

District Policies and Legal and Contractual Provisions Governing Investments

**Compliance with the Public Funds Investment Act**

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 a governmental entity 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.

# Headwaters Groundwater Conservation District

## Notes to the Financial Statements

### For the Year Ended September 30, 2022

Statutes authorize the entity to invest in (1) obligations of 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 entity 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.

Additional polices and contractual provisions governing deposits and investments are specified below:

*Credit Risk* To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to depository bank certificates of deposits and state sponsored investment pools.

*Custodial Credit Risk for Investments* To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent.

*Concentration of Credit Risk* To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District investments in both depository bank certificates of deposits and state sponsored investment pools.

*Interest Rate Risk* To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

*Foreign Currency Risk for investments* The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currencies.

#### NOTE 3 – DUE FROM OTHER GOVERNMENTS

This balance represents taxes and penalty and interest that were collected by the Tax Assessor-Collector, before September 30, 2022, but not remitted to the District.

#### NOTE 4 – CAPITAL ASSET ACTIVITY

Capital asset activity for the twelve months ended September 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets being depreciated:</i>				
Wells, Vehicles & Equipment	1,282,676	274,640	24,096	1,533,220
Total capital assets being depreciated	1,282,676	274,640	24,096	1,533,220
Less accumulated depreciation for:				
Wells, Vehicles & Equipment	508,479	95,542	24,096	579,926
Total accumulated depreciation	508,479	95,542	24,096	579,926
Total capital assets being depreciated, net	774,196	179,098	(0)	953,295

**Headwaters Groundwater Conservation District**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

**NOTE 5 – RIGHT TO USE LEASE LIABILITY**

The District leases a photocopier machine with 63-month terms. Payments of \$665 are made monthly which consist of principal and imputed annual interest of 2.50%.

The District leases a building with 60-month terms. Payments of \$1,229 are made monthly which consist of principal and imputed annual interest of 2.50%.

No assets were pledged as collateral for these leases.

A summary of Right-to-Use Lease arrangements for the year ended September 30, 2022, is as follows

Description	Date of Origination	Discount Rate	Current Year Interest	Principal Balance at 10/1/2021	New Lease Agreements	Principal Paid This Year	Principal Balance at 9/30/2022	Due Within One Year
Copy Machines	10/1/2019	2.5	305	15,363	-	4,075	11,288	4,145
Building	2/14/2020	2.5	906	42,567	-	13,836	28,731	14,186
			<u>\$ 1,211</u>	<u>\$ 57,930</u>	<u>\$ -</u>	<u>\$ 17,911</u>	<u>\$ 40,019</u>	<u>\$ 18,331</u>

Future principal and interest payments due to maturity as of the end of the fiscal year are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2023	\$ 18,331	\$ 791	\$ 19,122
2024	18,795	328	19,122
2025	2,893	27	2,920
Totals	<u>\$ 40,019</u>	<u>\$ 1,146</u>	<u>\$ 41,165</u>

**NOTE 6 – PENSION PLAN OBLIGATIONS**

The District sponsors a Simple IRA retirement plan covering qualified employees. The District matches the employee's contribution up to a maximum of three percent of the eligible employee's compensation. The Employees contributed approximately \$26,423.04 and the district matched \$6,619.44 in Simple IRA contributions for the years ended September 30, 2022.

**NOTE 7 – RISK MANAGEMENT**

The District's risk management program includes coverage through third party insurance providers for commercial general liability, property, boiler and machinery, inland marine, pollution, automobile, public officials' liability, public officials' bond, and workers' compensation. During the year ended September 30, 2022, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

**Headwaters Groundwater Conservation District**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

**NOTE 8 – IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARD**

During the year the District implemented Governmental Accounting Standards Board Statement No. 87 - Leases ("GASB 87"). The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions in the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities

The District has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

## Required Supplementary Information

**Headwaters Groundwater Conservation District**  
**Budgetary Comparison Statement - General Fund**  
**For the Year Ended September 30, 2022**

	Actual	Original Budget	Final Amended Budget	Variance Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 452,919.40	\$ 450,917.00	\$ 450,917.00	\$ 2,002.40
Property taxes penalty & interest	5,419.04	-	-	5,419.04
Permit fees	47,100.00	40,500.00	40,500.00	6,600.00
Miscellaneous income	450.00			
Investment earnings	840.05	200.00	200.00	640.05
Total revenues	<u>506,728.49</u>	<u>491,617.00</u>	<u>491,617.00</u>	<u>14,661.49</u>
<b>Expenditures:</b>				
<b>Service operations:</b>				
Salaries	226,822.53	227,450.00	227,450.00	627.47
Payroll taxes	21,000.29	21,608.00	21,608.00	607.71
Benefits	49,503.56	52,424.00	52,424.00	2,920.44
Advertising	566.00	300.00	300.00	(266.00)
Appraisal district	5,312.75	5,300.00	5,300.00	(12.75)
Building maintenance	819.56	800.00	800.00	(19.56)
Building rental	14,742.48	15,000.00	15,000.00	257.52
Copier lease	5,406.85	4,800.00	4,800.00	(606.85)
Dues & subscriptions	2,184.99	2,000.00	2,000.00	(184.99)
Education	-	250.00	250.00	250.00
Election	-	-	-	-
Aquifer investigation	286,196.27	447,000.00	447,000.00	160,803.73
Insurance	3,369.24	3,438.00	3,438.00	68.76
Ground water management contribution	3,356.65	7,500.00	7,500.00	4,143.35
Office supplies	9,407.82	12,075.00	12,075.00	2,667.18
Postage	788.60	750.00	750.00	(38.60)
Professional services	23,760.37	32,525.00	32,525.00	8,764.63
Surety bond	546.00	416.00	416.00	(130.00)
Tax collection	4,512.81	4,509.00	4,509.00	(3.81)
Telephone	4,788.09	4,850.00	4,850.00	61.91
Travel & conference	1,358.86	2,800.00	2,800.00	1,441.14
Vehicle operations	40,143.67	39,750.00	39,750.00	(393.67)
Well plugging	-	1,000.00	1,000.00	1,000.00
Total expenditures	<u>704,587.39</u>	<u>886,545.00</u>	<u>886,545.00</u>	<u>181,957.61</u>
Excess (deficiency) of revenues over expenditures	(197,858.90)	(394,928.00)	(394,928.00)	197,069.10
<b>Other financing sources/uses:</b>				
Sale of assets	-	-	-	-
Change in fund balance	(197,858.90)	(394,928.00)	(394,928.00)	197,069.10
<b>Fund balance:</b>				
Beginning of the year	725,946.22	725,946.22	725,946.22	-
End of the year	<u>\$ 528,087.32</u>	<u>\$ 331,018.22</u>	<u>\$ 331,018.22</u>	<u>\$ 197,069.10</u>



## Other Schedules

**HEADWATERS GROUNDWATER CONSERVATION DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

<u>LAST TEN YEARS ENDED SEPTEMBER 30,</u>	<u>TAX RATE</u>	<u>ASSESSED VALUE FOR TAX PURPOSES (in thousands)</u>	<u>BEGINNING BALANCE 10/1/21</u>	<u>CURRENT YEAR TOTAL LEVY</u>	<u>ENTIRE YEAR'S ADJUSTMENTS</u>	<u>TOTAL COLLECTIONS</u>	<u>BALANCE 9/30/22</u>
Prior years			\$ 2,976.78	\$	\$ 0.00	\$ 685.60	\$ 2,291.18
2013	.007400	4,080,611	812.77		0.00	157.97	654.80
2014	.007400	4,129,978	892.27		0.00	166.77	725.50
2015	.007400	4,242,846	943.25		0.00	168.60	774.65
2016	.007400	4,508,221	1,139.82		0.00	222.72	917.10
2017	.007400	4,769,399	1,492.61		0.00	315.27	1,177.34
2018	.007400	4,883,801	1,846.56		43.22	454.36	1,348.98
2019	.007400	4,887,997	2,510.04		(20.99)	783.35	1,747.68
2020	.007400	5,250,141	3,906.78		(24.68)	1,384.09	2,547.37
2021	.007400	5,807,404	6,637.96		(159.29)	3,226.34	3,570.91
2022	.0072313	6,069,105		437,764.58	(15,085.12)	445,354.33	7,495.37
			<u>\$ 23,158.84</u>	<u>\$ 437,764.58</u>	<u>\$ (15,246.86)</u>	<u>\$ 452,919.40</u>	<u>\$ 23,250.88</u>

