

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Annual Financial Report
For The Year Ended December 31, 2020

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FINANCIAL SECTION



Boucher, Morgan and Young, a P. C.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and
General Manager
Middle Trinity Groundwater Conservation District
930 N. Wolfe Nursery Road
Stephenville, Texas 76401

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Middle Trinity Groundwater Conservation District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Middle Trinity Groundwater Conservation District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating in the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Middle Trinity Groundwater Conservation District as of December 31, 2020, 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.

Other Matters

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 page 4-6 and 25 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 the financial reporting for placing the basic financial statement 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.

Boucher, Morgan & Young

Stephenville, Texas

July 7, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Middle Trinity Groundwater Conservation District (MTGCD) offers this narrative overview and analysis (MD&A) of our financial activities for the year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

The MTGCD is a political subdivision of the State of Texas. The stated objectives of the District are to preserve, conserve and protect the groundwater resources of Erath, Comanche, Bosque and Coryell counties. The District's Management Plan, updated and approved by the Texas Water Development Board in April, 2018, is the "road map" used in meeting these objectives. In implementing its Management Plan, MTGCD utilizes statutory authorities provided and mandated by Chapter 36 of the Texas Water Code coupled with policymaking and oversight by the locally elected Board of Directors. Activities performed by the District include, but are not limited to, registration and permitting of all existing water wells, registration and permitting of all new water wells, identification and plugging of abandoned water wells, well level monitoring, and educating the public on the importance of water conservation.

The annual budget is the fundamental element of MTGCD's financial planning and control. The General Manager, and his staff, after reviewing historic expenses and analyzing projected revenues and expenses, develops a proposed budget. This budget is presented to the Board of Directors in July and August. The budget is modified and adopted by the Directors no later than September 30th to allow for the timely adoption of an annual tax rate. Budget-to-actual comparisons and itemized disbursements are presented to the Board at each monthly board meeting.

The MTGCD Board of Directors holds regular monthly meetings and permit hearings on the first Thursday of each month at 1:00 PM. The public is encouraged to attend. The board meeting and permit hearing notices and agendas are posted on the door of the MTGCD office and on the District's website. The District's office is located at 930 Wolfe Nursery Road in Stephenville, Texas.

Overview of Financial Statements:

This Management Discussion and Analysis is intended to serve as an introduction to MTGCD's basic financial statements. The Statement of Net Position and the Statement of Activities included in this report are those of the District as a whole and report its activities in such a way that helps answer the question "Is the District as a whole better off or worse off as a result of the year's activities?" These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District has only one type of activity as presented in these statements:

Governmental activities – The District’s basic services are reported here including well mapping, monitoring, plugging and consulting services to the citizens and businesses within the District. The tax revenues and miscellaneous service fees finance these activities.

Middle Trinity Groundwater Conservation District’s Financial Analysis:

Net Position as of December 31

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	Governmental	Governmental	Governmental	Governmental	Governmental
	Activities	Activities	Activities	Activities	Activities
Current and other assets	\$ 866,429	\$ 760,174	\$ 773,752	\$ 743,348	\$ 743,348
Investments	3,452,453	3,527,763	3,458,037	2,804,639	2,804,639
Capital assets	1,297,118	969,740	702,597	704,432	704,432
Total assets	<u>5,616,000</u>	<u>5,257,677</u>	<u>4,934,386</u>	<u>4,617,212</u>	<u>4,252,419</u>
Long-term debt	-	-	-	-	-
Other liabilities	51,097	18,822	30,924	22,250	3,036
Total liabilities	<u>51,097</u>	<u>18,822</u>	<u>30,924</u>	<u>22,250</u>	<u>3,036</u>
Net position:					
Net Investment in					
Capital Assets	1,297,118	969,740	702,597	686,570	704,432
Restricted	4,264	4,247	4,239	2,552	5,411
Unrestricted	4,263,521	4,264,868	4,196,626	3,905,840	3,539,540
Total net position	<u>\$ 5,564,903</u>	<u>\$ 5,238,855</u>	<u>\$ 4,903,462</u>	<u>\$ 4,594,962</u>	<u>\$ 4,249,383</u>

Changes in Net Position for the Years Ended December 31

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	Governmental	Governmental	Governmental	Governmental	Governmental
	Activities	Activities	Activities	Activities	Activities
Revenues:					
Tax revenues	\$ 918,222	\$ 890,486	\$ 854,142	\$ 897,271	\$ 854,996
Charges for services	200	245	1,705	3,526	3,781
Capital Grants and Contributions	25,000	-	-	-	-
Other revenues	24,690	92,030	68,216	36,815	17,206
Total revenues	<u>968,112</u>	<u>982,761</u>	<u>924,063</u>	<u>937,612</u>	<u>875,983</u>
Program expenses:					
Water well registration and monitoring	642,064	614,511	589,383	570,860	473,503
Interest expense	-	-	-	-	227
Depreciation expense	-	32,857	26,275	21,173	23,640
Total expenses	<u>642,064</u>	<u>647,368</u>	<u>615,658</u>	<u>592,033</u>	<u>497,370</u>
Increase in net position	326,048	335,393	308,405	345,579	378,613
Net position- beginning	5,238,855	4,903,462	4,595,057	4,249,383	3,870,770
Net position- ending	<u>\$ 5,564,903</u>	<u>\$ 5,238,855</u>	<u>\$ 4,903,462</u>	<u>\$ 4,594,962</u>	<u>\$ 4,249,383</u>

Property tax revenue, the District's largest revenue, increased by \$27,736. The increase in property taxes was due to combination of an increase in property tax base and a decrease in the tax rate from .94 cents per \$100 of valuation to .92 cents per \$100 of valuation. Property taxes made up 97% of the total revenue.

Budgetary Highlights:

The MTGCD's general fund activities operated with an expenditures budget total of \$952,883. The total expenditures and other financing uses of the general fund were \$969,122 for the year. The general fund experienced a decrease in fund balance totaling \$41,047 for the year. The Board of Directors adopted a 2021 budget of \$952,883. The 2021 budget includes a line item in the amount of \$70,000 for anticipated expenses associated with the development of an outdoor learning center.

Capital Assets and Debt Administration:

Since its confirmation by voters in May of 2002, the MTGCD has invested in several capital assets and constructed a home office building. This amount, net of accumulated depreciation, as of December 31, 2020, is \$1,297,118. There is depreciation expense each year reflected for general fixed assets presented only with the government wide financial statements. In 2020, Middle Trinity Groundwater Conservation District Board of Directors voted to purchase the adjacent lot to the 2.14 parcel purchased in 2019 along Wolfe Nursery Road. The District's motivation behind the purchases was to develop a space to provide an opportunity to give back to the community in which it serves. Middle Trinity GCD plans to develop the 4 acres into an outdoor learning center where families, schools, and other visitors can enjoy the natural scape of native plant species, pollinator gardens, and other learning areas centered around groundwater and conservation. Other plans include free opportunities for school field trips, space for workshops, and partnerships with community organizations to provide workshops.

Contacting the MTGCD's Financial Management:

This Management Discussion and Analysis Report is intended to provide a general overview of the MTGCD's finances for all interested parties. Questions concerning any of the information provided in this report and /or requests for additional information should be addressed to the MTGCD General Manager, 930 N Wolfe Nursery Road, Stephenville, Texas, 76401 or by telephone at (254) 965-6705.

BASIC FINANCIAL STATEMENTS

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION

EXHIBIT A-1

December 31, 2020

	Primary Government	
	Governmental Activities	Total
ASSETS:		
<i>Cash and Cash Equivalents</i>	\$ 3,668,201	\$ 3,668,201
<i>Due from Other Governments</i>	183,073	183,073
<i>Prepaid Expense</i>	5,053	5,053
<i>Taxes Receivable (net of uncollectible)</i>	458,291	458,291
<i>Restricted Cash</i>	4,264	4,264
Capital Assets (net of accumulated depreciation):		
<i>Land</i>	792,446	792,446
<i>Building</i>	413,926	413,926
<i>Vehicles</i>	12,718	12,718
<i>Software</i>	19,833	19,833
<i>Construction in Process- Learning Center</i>	58,195	58,195
Total Assets	5,616,000	5,616,000
LIABILITIES:		
<i>Accounts Payable</i>	31,247	31,247
<i>Accrued Expenses</i>	19,850	19,850
Total Liabilities	51,097	51,097
NET POSITION		
<i>Net Investment in Capital Assets</i>	1,297,118	1,297,118
<i>Restricted for Debt Service</i>	4,264	4,264
<i>Unrestricted</i>	4,263,521	4,263,521
Total Net Position	\$ 5,564,903	\$ 5,564,903

The accompanying notes are an integral part of the financial statements.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
 STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2020

EXHIBIT A-2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
PRIMARY GOVERNMENT:						
Governmental Activities:						
Water Well Registration and Monitoring	\$ 642,064	\$ 200	\$ -	\$ 25,000	\$ (616,864)	\$ (616,864)
Total Governmental Activities	642,064	200	-	-	(616,864)	(616,864)
Total Primary Government	\$ 642,064	\$ 200	\$ -	\$ -	\$ (616,864)	\$ (616,864)
General Revenues:						
Tax Revenues					918,222	918,222
Investment Earnings					24,690	24,690
Total General Revenues					942,912	942,912
Change in Net Position					326,048	326,048
Net Position - Beginning					5,238,855	5,238,855
Net Position - Ending					\$ 5,564,903	\$ 5,564,903

The accompanying notes are an integral part of the financial statements.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT EXHIBIT A-3
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS AND OTHER DEBITS			
Assets:			
<i>Cash and Cash Equivalents</i>	\$3,668,201	\$ 4,264	\$ 3,672,465
<i>Due from Other Governments</i>	182,809	264	183,073
<i>Prepaid Expense</i>	5,053	-	5,053
<i>Taxes Receivable (net of uncollectible)</i>	458,291	-	458,291
Total Assets and Other Debits	<u>\$4,314,354</u>	<u>\$ 4,528</u>	<u>\$ 4,318,882</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts Payable</i>	\$ 31,247	\$ -	\$ 31,247
<i>Accrued Expenses</i>	19,850	-	19,850
Total Liabilities	<u>51,097</u>	<u>-</u>	<u>51,097</u>
DEFERRED INFLOWS			
<i>Deferred Property Taxes</i>	457,299	-	457,299
Total Deferred Inflows	<u>457,299</u>	<u>-</u>	<u>457,299</u>
FUND BALANCES			
<i>Nonspendable:</i>			
<i>Prepaid Items</i>	5,053	-	5,053
<i>Restricted for:</i>			
<i>Debt Service</i>	-	4,264	4,264
<i>Unassigned</i>	3,800,905	264	3,801,169
Total Fund Balance	<u>3,805,958</u>	<u>4,528</u>	<u>3,810,486</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$4,314,354</u>	<u>\$ 4,528</u>	<u>\$ 4,318,882</u>

The accompanying notes are an integral part of the financial statements.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2020

EXHIBIT A-4

Total fund balances - governmental funds balance sheet	\$ 3,810,486
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:	
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.	1,297,118
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	<u>457,299</u>
Net position of governmental activities - statement of net position	<u>\$ 5,564,903</u>

The accompanying notes are an integral part of the financial statements.

**MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

EXHIBIT A-5

For the Year Ended December 31, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
Revenue:			
<i>Property Tax Revenues</i>	\$ 878,505	\$ 17	\$ 878,522
<i>Penalties and Interest</i>			
<i>Charges for Services</i>	200	-	200
<i>Other Revenue</i>	24,680	-	24,680
<i>Investment Earnings</i>	24,690	-	24,690
Total revenues	<u>928,075</u>	<u>17</u>	<u>928,092</u>
Expenditures:			
Current:			
<i>Personnel</i>	382,022	-	382,022
<i>Building Occupancy</i>	26,437	-	26,437
<i>Travel and Training</i>	51,785	-	51,785
<i>Office Expenses</i>	5,591	-	5,591
<i>Insurance and Bond</i>	7,018	-	7,018
<i>Mapping and Monitoring Well Costs</i>	4,448	-	4,448
<i>Professional Legal Fees</i>	41,642	-	41,642
<i>Professional Hydrology Fees and Well Plugging Cost</i>	3,700	-	3,700
<i>Professional Fees Other</i>	55,091	-	55,091
<i>Public Information Costs</i>	9,313	-	9,313
<i>Computer System Services</i>	16,250	-	16,250
<i>Field Technician Vehicle Costs</i>	2,380	-	2,380
Capital Outlay:			
<i>Equipment Purchase</i>	4,053	-	4,053
<i>Learning Center</i>	359,392	-	359,392
Total Expenditures	<u>969,122</u>	<u>-</u>	<u>969,122</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	<u>(41,047)</u>	<u>17</u>	<u>(41,030)</u>
Net Change in Fund Balances	(41,047)	17	(41,030)
Fund Balances - Beginning	<u>3,847,005</u>	<u>4,511</u>	<u>3,851,516</u>
Fund Balances - Ending	<u>\$ 3,805,958</u>	<u>\$ 4,528</u>	<u>\$ 3,810,486</u>

The accompanying notes are an integral part of the financial statements.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

EXHIBIT A-6

Net change in fund balances - total governmental funds \$ (41,030)

Amounts reported for governmental activities in the statement of activities ("SOA") are different because:

Governmental funds report capital outlays as expenditures. However, in the SOA the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

The following details support this adjustment:

Capital outlay	\$ 355,831	
Depreciation expense	<u>(28,453)</u>	327,378

Revenues that do not provide current financial resources are not included in the fund financial statements.	<u>39,700</u>
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Change in net position of governmental activities - statement of activities	<u>\$ 326,048</u>
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The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies

The Middle Trinity Groundwater Conservation District (MTGCD) was formed by legislative action in 2002 to provide public information and devise controls over the groundwater in eight counties in Texas. The District is charged with mapping and registering all wells in the participating County areas. Initially, the various counties' commissioners appointed a temporary board of directors until such time that the counties decided whether or not to participate in the District. During the period from December, 2001 through May, 2002, several of the counties elected not to continue participation. As of December 31, 2020, Erath, Comanche, Bosque and Coryell Counties of Texas are participants in the District. The District's board of directors had twelve directors with staggered elected positions, three from each of the four counties.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as specified in Statement 34 of the Government Accounting Standards Board (GASB), the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accounting principles outlined in that standard have been adopted by the Middle Trinity Groundwater Conservation District and are presented in this financial report. The following is a summary of the significant policies:

A. The Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statements No. 14 and 39, "Defining the Financial Reporting Entity," including whether:

- the organization is legally separate
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on these criteria, the Middle Trinity Groundwater Conservation District has no component units. The Middle Trinity Groundwater Conservation District is not a component unit of any other reporting entity as defined by the GASB Statements.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2020

1. **Summary of Significant Accounting Policies (continued)**

Excluded from the reporting entity:

The individual counties for which the District provides water well mapping and monitoring services are not considered to be component units of the District.

B. **Basis of Presentation**

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of Governments. The district currently has only governmental activities financed through property tax revenues, nominal service fees, and other nonexchange transactions. The District has no business-type activities financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Government and for each function of the Government's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Government does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Government's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. There are no other funds to be aggregated and reported as nonmajor funds.

There are no proprietary funds of the District generating significant operating revenues, such as charges for services, resulting from exchange transactions associated with the principal activity of the fund.

The Government reports two major governmental funds in 2020, the General Fund and the Debt Service Fund. The General Fund is the Government's primary operating fund. It accounts for all financial resources of the Government except those required to be accounted for in another fund.

The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal, interest and fiscal charges on long-term debt.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from operating grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: These financial funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the susceptible-to-accrual concept, and a portion not received is reported as deferred revenue. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short term investments with a maturity date within three months of the date acquired by the government.

E. Capital Assets

All acquisitions of assets in excess of \$5,000 are capitalized. Capital assets purchased or constructed are reported at historical cost. Donated fixed assets would be recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Furniture and equipment	5-10 years
Vehicles	5 years
Building	40 years
Software	5 years

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies (continued)

F. Accrued Compensated Absences

The District accrues earned vacation pay in all applicable funds. In accordance with accounting principles generally accepted in the United States of America, the District recognizes liabilities for future employee vacations for which payments are probable and can be estimated reasonably. Earned, unused medical leave time is not paid upon termination of employment for any reason. Due to this policy, no accrued liability for sick leave has been recorded.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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 then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

H. Fund Balance and Net Position

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Non-spendable:** This classification includes amounts that cannot be spent because they are either (a) not in the spendable form or (b) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabled legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolutions of the Board, the District's highest level of decision making authority. These amounts cannot be used for any other purposes unless the Board removes or changes the specified use

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies (continued)

- by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent
- that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. In circumstances where an expense is to be made for a purpose for which amounts are available in multiple net position classifications, restricted position will be fully utilized first followed by unrestricted as necessary.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Budgetary Control

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

Prior to January 1, the Manager submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies (continued)

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to January 1, the budget is adopted by board approval.
3. Any revisions that alter the total expenditures of any fund must be approved by the Board.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund. A budget is legally adopted for the General Fund.

Budgets for the General Fund are adopted on a basis consistent with accounting principals generally accepted in the United States of America (GAAP).

The General Fund Budgetary Comparison Schedule 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 on December 31 of the fiscal year. Budget amounts are as originally adopted or as amended by the Board.

2. Property Taxes

Taxes assessed on valuations as of January 1 each year are levied late in the calendar year beginning October 1. Property taxes attach as an enforceable lien on property at the time levied. The District has entered into contracts to have the property taxes collected by the Erath County Tax Assessor Collector, the Comanche County Tax Assessor Collector, The Bosque County Tax Assessor Collector and the Coryell County Tax Assessor Collector. The Erath County Appraisal District, Comanche Central Appraisal District, Bosque County Appraisal District and Coryell County Appraisal District perform the appraisal services for Middle Trinity Groundwater Conservation District. District property tax revenues are recognized in the General Fund and Debt Service Fund when levied to the extent that they are available, and result in current receivables. Property taxes that are deemed uncollectible are presented as a reserve against revenues and property taxes receivable. The taxes receivable and the allowances for uncollectible property taxes receivable as of December 31, 2020 are as follows:

	<u>Maintenance & Operating</u>	
	<u>Taxes</u>	<u>Allowance for</u>
	<u>Receivable</u>	<u>Uncollectible</u>
Erath County	\$ 203,480	\$ (33,761)
Comanche County	91,049	(17,602)
Bosque County	116,789	(20,465)
Coryell County	143,623	(24,822)
Total	\$ 554,941	\$ (96,650)

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2020

3. Changes in Capital Assets

A summary of changes in capital assets is as follows:

	<u>2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>2020</u>
Capital assets not being depreciated:				
Land	\$ 494,810	\$297,636	\$ -	\$ 792,446
Total assets not being depreciated	<u>494,810</u>	<u>297,636</u>	<u>-</u>	<u>792,446</u>
Capital assets being depreciated:				
Furniture and equipment	58,663	-	-	58,663
Vehicles	36,479	-	-	36,479
Building	562,845	-	-	562,845
Software	34,000	-	-	34,000
Construction in process- learning center	-	58,195	-	58,195
Total capital assets being depreciated	<u>691,987</u>	<u>58,195</u>	<u>-</u>	<u>750,182</u>
Less accumulated depreciation for:				
Furniture and equipment	58,377	286	-	58,663
Vehicles	16,465	7,296	-	23,761
Building	134,848	14,071	-	148,919
Software	7,367	6,800	-	14,167
Total accumulated depreciation	<u>217,057</u>	<u>28,453</u>	<u>-</u>	<u>245,510</u>
Total capital assets being depreciated net of depreciation	<u>474,930</u>	<u>29,742</u>	<u>-</u>	<u>504,672</u>
Governmental activities capital assets net of depreciation	<u>\$ 969,740</u>	<u>\$327,378</u>	<u>\$ -</u>	<u>\$ 1,297,118</u>

Depreciation was charged to the general governmental in the amount of \$28,453 for the year ended December 31, 2020. Depreciation is not reported in the General fund financial statements but in government wide financial statement, only.

4. Accrued Compensated Absences

The District's board approved policy allows employees to carry over from year to year the portion of vacation unused during the District's calendar year not to exceed five days. The general manager must approve any vacation an employee wishes to carry into the following year in excess of 40 hours. Accumulated vacation time is paid upon an employee's termination if they have been employed longer than one year. The accrued vacation payable as of December 31, 2020 amounted to \$17,967. The District does not report the accrual for accumulated sick days since those days are forfeited upon termination.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2020

5. Cash in Banks and Short Term Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is 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 its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

At year end, the bank balance of the District's cash in unrestricted depository accounts totaled \$223,958. Restricted cash accounts hold the interest and sinking tax collections and totaled \$4,264 as of December 31, 2020. The full bank balance was covered by depository insurance under the FDIC Temporary Liquidity Guarantee Program.

The District's investment policy allows investments in certificates of deposit, public funds investment pools, direct obligations of the United States of America or its subdivisions and state and local government securities. During the year ended December 31, 2020 the District did not own any types of securities other than those permitted by statute and their policy.

All investments consisted of pooled investments held by TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 30 days thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District has no specific limitations with respect to this metric.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2020

5. Cash in Banks and Short Term Investments (continued)

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of December 31, 2020
Texpool	\$ 3,452,453	AAA	AAAm

6. Participation in Public Entity Risk Pools

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 insures its buildings and contents, public officials' liability, general liability and auto liability under a renewable one year policy with the Texas Municipal League. The District insures its workers compensation risk by participating in the Texas Municipal League Intergovernmental Risk Pool which is a self-insurance policy mechanism for political subdivisions in Texas. Rates are set by the State Insurance Board. Each participant's contribution to the pool is adjusted based on its workers' compensation history. The City is responsible only to the extent of premiums paid and contributions made to Texas Municipal League and the Intergovernmental Risk Pool. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in each of the past three fiscal years.

7. Employee Retirement Plan

The District adopted a Simple IRA retirement plan during 2007 as developed by the U.S. Treasury. The District contributes a matching contribution to each eligible employee's Simple IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the year. The District contributions for the year ended December 31, 2020 were \$5,855. The District remits the employee and employer contributions each month to an investment company which deposits the amounts received into individual retirement accounts in the names of the employees. The employees are fully vested in the retirement accounts and are responsible for directing the investment of the funds. The District does not serve as the fiduciary for the retirement fund.

8. Excess of Expenditures Over Appropriations

For the year ended December 31, 2020, expenditures exceed appropriations in the general fund by \$16,239.

REQUIRED SUPPLEMENTARY INFORMATION

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2020

EXHIBIT B-1

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues:				
<i>Property Tax Revenues</i>	\$ 921,928	\$ 921,928	\$ 878,505	\$ (43,423)
<i>Charges for Services</i>	-	-	200	200.00
<i>Other Revenue</i>	-	-	24,680	24,680
<i>Investment Earnings</i>	92,000	92,000	24,690	(67,310)
<i>Revenue for Project Use</i>	-	111,673	-	(111,673)
Total revenues	<u>1,013,928</u>	<u>1,125,601</u>	<u>928,075</u>	<u>(85,853)</u>
Expenditures:				
Current:				
<i>Personnel</i>	374,746	365,122	382,022	(16,900)
<i>Building Occupancy</i>	29,035	26,416	26,437	(21)
<i>Travel and Training</i>	76,100	53,036	51,785	1,251
<i>Office Expenses</i>	11,400	10,882	5,591	5,291
<i>Insurance and Bond</i>	7,738	6,838	7,018	(180)
<i>Mapping and Monitoring Well Costs</i>	27,000	4,620	4,448	172
<i>Professional Legal Fees</i>	41,642	41,642	41,642	-
<i>Contingency</i>	20,000	-	-	-
<i>Well Plugging Cost</i>	3,700	3,700	3,700	-
<i>Professional Fees Other</i>	90,499	60,578	55,091	5,487
<i>Public Information Costs</i>	34,350	10,966	9,313	1,653
<i>Computer System Services</i>	18,000	16,700	16,250	450
<i>Other</i>	-	-	-	-
<i>Field Technician Vehicle Cost</i>	32,000	2,823	2,380	443
<i>Capital Outlay</i>	75,000	349,560	363,445	(13,885)
Total Expenditures	<u>841,210</u>	<u>952,883</u>	<u>969,122</u>	<u>(16,239)</u>
Excess of Revenues Over Expenditures	172,718	172,718	(41,047)	(102,092)
Fund Balances - Beginning	<u>3,847,005</u>	<u>3,847,005</u>	<u>3,847,005</u>	<u>3,847,005</u>
Fund Balances - Ending	<u>\$ 4,019,723</u>	<u>\$ 4,019,723</u>	<u>\$ 3,805,958</u>	<u>\$ 3,744,913</u>