

PANHANDLE GROUND WATER
CONSERVATION DISTRICT

AUDIT REPORT

SEPTEMBER 30, 2021

-TABLE OF CONTENTS-

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis (required supplemental information)	i - v
BASIC FINANCIAL STATEMENTS	
Government-wide Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Governmental Funds	
Balance Sheet	5
Reconciliation of Total Fund Balances of the Governmental Funds to Government-wide Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Net Change in Total Fund Balances of Governmental Funds to The Change in Government-wide Net Position	8
Notes to Financial Statements	9 - 15
REQUIRED SUPPLEMENTAL INFORMATION	
General Fund	
Schedule of Actual Revenues Compared to Budget and to Prior Year Actual Revenues	16
Schedule of Actual Expenditures Compared to Budget and to Prior Year Actual Expenditures	17
Ag Fund	
Schedule of Actual Revenues Compared to Budget and to Prior Year Actual Revenues	18
Schedule of Actual Expenditures Compared to Budget and to Prior Year Actual Expenditures	19
OTHER SUPPLEMENTAL INFORMATION	
Schedule of Temporary Investments	20

JAMES R. ALLEN, CPA
ARTURO S. ORTEGA, JR., CPA



Allen & Ortega
Certified Public Accountants

914 SOUTH BLISS STREET ♦ P.O. BOX 537
DUMAS, TEXAS 79029



TELEPHONE (806) 935-7919

FAX (806) 935-3753

www.ao-cpas.com

MEMBERS OF
THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Panhandle Groundwater Conservation District
White Deer, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the Panhandle Groundwater Conservation District, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the 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 an opinion 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Panhandle Groundwater Conservation District, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof 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 [pages i - v] and analysis and budgetary comparison information [pages 16 - 19] be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Panhandle Groundwater Conservation District's basic financial statements. The schedule of temporary investments is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of temporary investments is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Allen & Ortega CPAs
January 27, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL STATEMENTS AND FOOTNOTES

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,302,240
Certificates of deposit	3,516,528
Receivables	1,380,576
Due from other governments	2,990
Prepays	14,306
Capital assets	
Depreciable, net	<u>151,437</u>
TOTAL ASSETS	<u>6,368,077</u>
<u>LIABILITIES</u>	
Accounts payable	9,827
Accrued leave	155,709
Accrued interest	5,306
Due to other governments	2,185
Log deposits	14,500
Non-current liabilities	
Due within one year	
Long-term debt	654,172
Due in more than one year	
Long-term debt	<u>1,750,000</u>
TOTAL LIABILITIES	<u>2,591,699</u>
<u>NET POSITION</u>	
Net investment in capital assets	151,437
Restricted for debt service	654,172
Unrestricted	<u>2,970,769</u>
TOTAL NET POSITION	<u>\$ 3,776,378</u>

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

FUNCTION / PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES			PRIMARY GOVERNMENT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
Governmental Activities					
Service	\$ 1,392,869	\$ 153,347	\$	\$	\$ (1,239,522)
Weather modification	117,895				(117,895)
Interest on long-term debt	3,650				(3,650)
Total governmental activities	<u>1,514,414</u>	<u>153,347</u>	<u>-</u>	<u>-</u>	<u>(1,361,067)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,514,414</u>	<u>\$ 153,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,361,067)</u>
GENERAL REVENUES					
Property tax					\$ 1,342,036
Investment earnings					26,848
Other sources					<u>31,506</u>
Total general revenues					<u>1,400,390</u>
CHANGE IN NET POSITION					<u>39,323</u>
NET POSITION - OCTOBER 1					<u>3,737,055</u>
NET POSITION - SEPTEMBER 30					<u>\$ 3,776,378</u>

See Notes to Financial Statements and Independent Auditor's Report

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	<u>GENERAL FUND</u>	<u>AG LOAN FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Current cash and cash equivalents	\$ 109,597	\$ 1,192,643	\$ 1,302,240
Certificates of deposit	2,626,953	875,161	3,502,114
Receivables			
Tax	78,565		78,565
Other	10,671		10,671
Due from other governments	2,990		2,990
Prepays	14,306		14,306
TOTAL ASSETS	<u>\$ 2,843,082</u>	<u>\$ 2,067,804</u>	<u>\$ 4,910,886</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</u>			
Liabilities			
Accounts payable	\$ 9,827	\$	\$ 9,827
Accrued leave	155,708		155,708
Due to other governments	2,185		2,185
Log deposits	14,500		14,500
TOTAL LIABILITIES	<u>182,220</u>		<u>182,220</u>
Deferred inflows of resources			
Deferred property tax revenue	70,708		70,708
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>70,708</u>		<u>70,708</u>
Fund Balances			
Unassigned	2,590,154	2,067,804	4,657,958
TOTAL FUND BALANCES	<u>2,590,154</u>	<u>2,067,804</u>	<u>4,657,958</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 2,843,082</u>	<u>\$ 2,067,804</u>	<u>\$ 4,910,886</u>

See Notes to Financial Statements and Independent Auditor's Report

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 RECONCILIATION OF THE TOTAL FUND BALANCES OF GOVERNMENT FUNDS
 TO GOVERNMENT-WIDE NET POSITION
AS OF SEPTEMBER 30, 2021

FUND BALANCES - GOVERNMENTAL FUNDS	\$	4,657,958
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$	1,225,964
Less accumulated depreciation	(<u>1,074,527</u>) 151,437
<p>Deferred inflows and outflows of resources are not financial resources or expenses and therefore are not reported in the governmental funds.</p>		
Deferred property tax revenue		70,708
<p>Long-term assets, including loans receivable, are not due and payable in the current period and therefore are not reported in the governmental funds</p>		
		1,291,340
<p>Long-term liabilities, including loans payable and accrued interest, are not due and payable in the current period and therefore are not reported in the governmental funds</p>		
	(2,409,478)
<p>Accumulated other comprehensive income are not a financial resource or expense and therefore are not reported in the governmental funds.</p>		
		<u>14,413</u>
GOVERNMENT-WIDE NET POSITION	\$	<u><u>3,776,378</u></u>

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	GENERAL FUND	AG LOAN FUND	TOTAL
<u>REVENUES</u>			
Charges for services	\$ 153,347	\$	\$ 153,347
Grants and contributions			
Property taxes	1,325,088		1,325,088
Investment earnings	24,233	9,241	33,474
Ag loan principle income		610,066	610,066
Loan proceeds		1,000,000	1,000,000
Other	31,256	250	31,506
TOTAL REVENUES	<u>1,533,924</u>	<u>1,619,557</u>	<u>3,153,481</u>
<u>EXPENDITURES</u>			
Current Operating			
Service	1,345,882	42,561	1,388,443
Weather modification	117,895		117,895
Debt service		598,754	598,754
Capital improvements	54,252		54,252
TOTAL EXPENDITURES	<u>1,518,029</u>	<u>641,315</u>	<u>2,159,344</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>15,895</u>	<u>978,242</u>	<u>994,137</u>
NET CHANGES IN FUND BALANCES	15,895	978,242	994,137
FUND BALANCES - OCTOBER 1	<u>2,574,259</u>	<u>1,089,562</u>	<u>3,663,821</u>
FUND BALANCES - SEPTEMBER 30	<u>\$ 2,590,154</u>	<u>\$ 2,067,804</u>	<u>\$ 4,657,958</u>

See Notes to Financial Statements and Independent Auditor's Report

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 RECONCILIATION OF THE NET CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE CHANGE IN GOVERNMENT-WIDE NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 994,137
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their useful lives.</p>	
Current year depreciation	(46,608)
Capital asset additions	54,252
Capital asset dispositions	(11,092)
<p>Governmental funds report property tax revenues less a deferred portion period. However, in the statement of activities, the change in deferred property tax is reported in addition to the actual collections period.</p>	
Change in deferred property tax	16,948
<p>The proceeds of debt issuances provide current financial resources to governmental funds, but increases long-term liabilities in the statement of net position. Repayment of debt principle is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.</p>	
Principle payments on long-term debt	587,000
Loan proceeds	(1,000,000)
<p>Accrued interest in not a current financial resource or expense and therefore is not recorded on the governmental funds</p>	
	1,203
<p>Changes in accumulated other comprehensive income are not a financial resource or expense and therefore are not reported in the governmental funds.</p>	
	11,368
<p>The proceeds of notes receivable provide current financial resources to governmental funds, but reduces receivables in the statement of net position. Issuance of notes receivable is an expenditure in the governmental funds, but increases receivables in the statement of net position.</p>	
Ag loan principle income	(610,066)
Ag loan principle expense	42,181
NET CHANGE IN GOVERNMENT-WIDE NET POSITION	<u>\$ 39,323</u>

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. The Reporting Entity

The reporting entity is composed of the primary government, component units and other organizations that are included to insure that the financial statements of the Panhandle Groundwater Conservation District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization, if the District appoints a voting majority of the organizations governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

There are no component units of the Panhandle Groundwater Conservation District.

B. Government-wide Financial Statements

The District presents two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. These government-wide financial statements report information on all non-fiduciary activities of the primary government. The financial information for the primary government is distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the District's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

C. Fund Accounting

The accounts of the District are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statement in this report, into two generic fund types and two broad fund categories as follows:

Governmental Fund

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

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

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUATION

C. Fund Accounting - Continuation

Ag Loan Fund - The Ag Loan Fund is used to account for the District's long-term debt with Texas Water Development Board and to various local farmers.

Proprietary Fund

The Proprietary Fund is used to account for the District's ongoing activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income.

The District does not use a proprietary fund.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Revenues which are susceptible to accrual under the modified accrual basis of accounting are ad valorem taxes and interest on investments. Revenues such as certain license fees, fees of officials, and fines are not susceptible to accrual because they are neither measurable nor available until they are actually received, and therefore are not recorded until such time.

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. Budgetary Data

The budgetary data in the financial statements reflects the budget passed and approved by the Board of Directors. The Board of Directors approves total budget appropriations only for each fund. Any revisions that alter the total appropriations of any fund must be approved by the Board of Directors. Therefore, the level of budgetary responsibility is by total appropriations. The budget is prepared principally on the modified accrual basis of accounting for governmental funds on the accrual basis for the proprietary fund. Annual budgets are employed as a management control device during the year. All annual appropriations lapse at fiscal year end. The budget was not amended during the year.

F. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Property Tax Receivable

The delinquent taxes due the District represent all delinquent taxes on real property and the prior year on personal property. No provision for uncollectible taxes has been recorded. In accordance with generally accepted accounting principles applicable to government entities, the portion of taxes receivable that is deemed collectible, but not expected to be available within 60 days after the end of the year has been recorded as deferred revenues.

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUATION

H. Ag Notes Receivable

Within the Ag Loan Fund, the District provides low interest loans to farmers to replace high water use irrigation systems with low water use irrigation systems in an attempt to improve water conservation. All of these notes are collateralized by the irrigation equipment purchased and that equipment is properly insured. Historically there have been no repossessions or defaults and therefore the District has determined no provision for bad debt is necessary.

I. Capital Assets

The District's property, plant, and equipment which meet the established value criteria and having useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated fixed assets, if any, are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets used by the government is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and building improvements.	10 - 30 years
Equipment.	5 - 7 years
Vehicles.	7 years

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include -- evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner or duration of use of capital assets; or construction stoppages due to lack of funding. Based on these criteria, there were no impairment charges during fiscal year 2021.

J. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for the amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Vacation and Sick Leave

Regular full-time employees are entitled to vacations of up to 30 days per year based on years of service. Vacation time earned, but not taken, is paid at termination, but cannot be accumulated beyond two calendar years. Sick leave is accrued at the rate of 8 hours each month and can accrue to a maximum of 60 days. Sick leave earned, but not taken, is paid at one-half rate upon termination. The District's accrued leave liability is \$155,708 as of September 30, 2021.

L. Risk Management

The District is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District purchases insurance coverage to mitigate the effects of any losses. There were no significant reductions in insurance coverage from coverage in the prior year. Any settlement amounts have not exceeded coverage for the current year or the past three fiscal years.

M. Subsequent Events

Management has evaluated subsequent events and transactions which occurred after the balance sheet date through the date of the accompanying independent auditor's report, January 27, 2022, which is the date the financial statements were available to be issued. The accompanying financial statements include all Type 1 events and transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management and those charged with governance have also determined that there are no non-recognized Type 2 subsequent events which require additional disclosure.

Beginning around March 2020, the COVID-19 virus was declared a global pandemic and still continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUATION

N. New Accounting Pronouncements

GASB Statement No. 92, Omnibus 2020, provides requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021. The District is not affected by this statement at this time.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, provides guidance for accounting and financial reporting for availability payment arrangements (APAs) and to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022. The District is not affected by this Statement at this time.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District is not affected by this Statement at this time.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 provides an increase in consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. The Statement is effective for reporting periods beginning after June 15, 2021. The District is not affected by this Statement at this time.

GASB Statement No. 98, The Annual Comprehensive Financial Report establishes the term annual comprehensive financial report and its acronym ACFR. The Statement is effective for fiscal years ending after December 15, 2021.

The District is not affected at this time by the new accounting pronouncements and therefore have not determined what effects any future implementation will have on the District's financial statements.

BUDGETARY CONTROL AND PROCEDURES

The District Board appropriates a total expenditures budget based on projected revenues on an annual basis. The budget allocations among the various departments are included in the Required Supplemental Information section following the Notes to Financial Statements. The District's annual operating budgets include estimated revenues and expenditures for all funds. In accordance with the provisions of the general Texas municipality statutes, budget compliance and monitoring is on a department / fund level.

CASH AND INVESTMENTS

The District's investment policies are governed by State statutes and District ordinances. The Public Funds Investment Act ("PFIA", Chapter 2256) requires the District to adopt, implement and publicize an investment policy which covers specific provisions in the Act regarding investment practices, management reporting and policy establishment. The investment policy in effect is available for public inspection at the District Office. The PFIA establishes authorized investment vehicles for the District. The District is in substantial compliance with the PFIA at the end of the 2020 fiscal year.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District minimizes interest rate risk by limiting investments to having a maturity date of one year or less.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District manages its custodial credit risk by depositing its funds with institutions participating in the FDIC insurance programs and is able to collateralize the deposits in accordance to state statutes.

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS

CASH AND INVESTMENTS - CONTINUED

In accordance with FDIC, public deposits are funds owned by the District. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. As of September 30, 2021, the District's funds on deposit were adequately covered by either FDIC insurance or collateralized securities held by the financial institutions pledged to cover the District's deposits. The District had no time or demand deposits subject to custodial credit risk during the 2021 fiscal year.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least the amount on deposit with the institution. The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of Texas.

At September 30, 2021, the District had insured bank balances as follows:

Happy State Bank	
Carrying amounts in demand accounts	\$ 1,346,914
Less FDIC coverage	<u>250,000</u>
Over insured or collateralized	<u><u>\$ (1,096,914)</u></u>
LPL Financial	
Carrying amounts in demand accounts	\$ 29,511
Less FDIC coverage	<u>500,000</u>
Over insured or collateralized	<u><u>\$ 470,489</u></u>
Certificates of Deposit - Various Institutions	
Carrying amounts in time accounts	\$ 3,476,250
Less FDIC coverage	<u>7,000,000</u>
Over insured or collateralized	<u><u>\$ 3,523,750</u></u>

[A detailed listing is available in the Schedule of Temporary Investments]

PROPERTY TAX

Real and personal property values are assessed for the period January 1st, to December 31st, as of January 1st. Taxes are levied prior to October 1st of the current year. The tax statements are mailed on October 1st. Taxes are collected from October 1st to June 30th of the following year. Penalty and interest are added on collections after January 31st. Taxes become delinquent on July 1st. Property tax is assessed and remitted to the District by Armstrong, Carson, Donley, Gray, Potter, Roberts, and Wheeler Counties.

The tax rate assessed for the year ended September 30, 2021 was \$0.0102 per \$100 valuation.

NOTES RECEIVABLE

Within the Ag Loan Fund, the District provides low interest loans to farmers to replace high water use irrigation systems with low water use irrigation systems in an attempt to improve water conservation. The funding for this program is provided through Texas Water Development Board. As of September 30, 2021, the total notes receivable for this program is \$1,274,033. This total represents 38 individual notes ranging in principle balance from \$7,169 to \$157,299 and interest rates of 1.08% to 3.03% depending upon the year the note was originated. The District recorded \$28,593 in accrued interest for the year ending September 30, 2021.

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS

CAPITAL ASSETS

CHANGES IN CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	BEGINNING BALANCE 10/01/2020	ADDITIONS	DELETIONS AND DISPOSALS	ENDING BALANCE 09/30/2021
PRIMARY GOVERNMENT				
<i>Governmental Activities</i>				
Depreciable Assets				
Buildings and Improvements	\$ 400,176	\$	\$	\$ 400,176
Equipment	564,577	8,650		573,227
Vehicles	235,193	45,601	28,233	252,561
Total Depreciable Assets	1,199,946	54,251	28,233	1,225,964
Accumulated Depreciation				
Buildings and Improvements	335,570	7,695		343,265
Equipment	520,101	4,275		524,376
Vehicles	183,341	34,637	11,092	206,886
Total Accumulated Depreciation	1,039,012	46,607	11,092	1,074,527
Net Depreciable Assets	160,934	7,644	17,141	151,437
<i>Net Governmental Activities Capital Assets</i>	\$ 160,934	7,644	17,141	\$ 151,437
NET PRIMARY GOVERNMENT CAPITAL ASSETS	\$ 160,934	7,644	17,141	\$ 151,437

LONG-TERM DEBT

The District has entered into five agreements with Texas Water Development Board on various dates. These funds have been used to make agricultural loans to local farmers to improve water conservation through the purchase of new irrigation systems. These agreements are payable in various installments including interest payable from repayment of the ag note receivables. The terms are as follows:

LOAN #	ORG AMT	ORG DATE	MATURITY	INT RATE	2022		2021	
					CURRENT	LONG-TERM	CURRENT	LONG-TERM
L1000083	2,000,000.00	11/6/2012	1/15/2024	0.16%	183,000	366,000	182,000	549,000
L1000297	2,000,000.00	4/24/2014	1/15/2022	0.12%	251,000	-	251,000	251,000
L1000548	1,000,000.00	2/23/2017	1/15/2025	0.86%	126,000	384,000	124,000	510,000
L1000899	1,000,000.00	6/25/2019	1/15/2027	2.03%	94,172	-	125,000.00	94,172.00
L1001418	1,000,000.00	9/29/2021	1/15/2032	0.080%	-	1,000,000.00	-	1,000,000.00

The annual requirements to amortize the long-term debt as of September 30 are as follows:

YEAR ENDING SEPTEMBER 30	PRINCIPLE	INTEREST	TOTAL
2022	\$ 654,172	\$ 7,477	\$ 661,649
2023	410,000	3,888	413,888
2024	411,000	2,494	413,494
2025	229,000	1,385	230,385
THEREAFTER	700,000	1,092	701,092
	\$ 2,404,172	\$ 16,336	\$ 2,420,508

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

RELATED PARTY TRANSACTIONS

The District has Ag notes receivable with three board members. These notes were made with interest rates, terms, and collateral requirements comparable to those required by other farmers and according to the guidelines set forth by Texas Water Development Board loan program. The aggregate balance of these notes receivable as of September 30, 2021, is \$125,016.

REQUIRED SUPPLEMENTAL INFORMATION

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF ACTUAL REVENUES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL REVENUES
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	ORIGINAL & FINAL BUDGET 2021	ACTUAL 2021	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2020
<u>REVENUES FROM CHARGES FOR SERVICES</u>				
Export fees	\$ 102,500	\$ 119,722	\$ 17,222	\$ 100,178
Meters		31,515	31,515	25,546
Out of district service	600	910	310	1,235
Symposium fees	21,100		(21,100)	24,539
Well camera	200	300	100	700
Weather modification		900	900	900
TOTAL REVENUES FROM CHARGES FOR SERVICES	<u>124,400</u>	<u>153,347</u>	<u>28,947</u>	<u>153,098</u>
<u>REVENUES FROM PROPERTY TAXES</u>				
Current and delinquent	1,297,005	1,325,088	28,083	1,297,064
<u>REVENUES FROM INCOME ON INVESTMENTS</u>				
Interest on investments	25,000	24,233	(767)	48,076
<u>REVENUES FROM OTHER SOURCES</u>				
Sale of assets	8,000		(8,000)	14,125
Fines				5,000
Insurance proceeds		28,256	28,256	
Other	5,100	3,000	(2,100)	3,400
TOTAL REVENUES FROM OTHER SOURCES	<u>13,100</u>	<u>31,256</u>	<u>18,156</u>	<u>22,525</u>
TOTAL REVENUES	<u>\$ 1,459,505</u>	<u>\$ 1,533,924</u>	<u>\$ 74,419</u>	<u>\$ 1,520,763</u>

See Notes to Financial Statements and Independent Auditor's Report

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	ORIGINAL & FINAL BUDGET 2021	ACTUAL 2021	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2020
<u>OPERATING EXPENDITURES</u>				
Salaries & benefits	\$ 648,105	\$ 720,167	\$ (72,062)	\$ 552,611
Tax assessing fee	39,000	33,144	5,856	34,387
Board expenditures	20,000	24,087	(4,087)	13,899
Vehicle expenditures	33,500	20,611	12,889	22,605
Dues	9,000	7,016	1,984	8,490
Election		13,338	(13,338)	
Field equipment	7,500	1,866	5,634	7,237
Field supplies	7,500	4,667	2,833	6,877
Insurance and bonds	145,500	155,286	(9,786)	109,124
Contract services	6,000	5,250	750	
Meter expenditures		62,128	(62,128)	92,176
Office supplies	27,500	27,223	277	28,685
Professional fees	142,500	101,301	41,199	131,603
Public relations and education	55,000	28,603	26,397	43,467
Regional planning		13,271	(13,271)	18,927
Repairs	14,500	7,740	6,760	10,347
Scholarship	9,000	9,500	(500)	9,000
Tax increment payment	15,000	12,982	2,018	10,828
Special studies	30,000	23,692	6,308	47,775
Travel and training	37,500	19,550	17,950	14,764
Utilities and telephone	25,500	19,112	6,388	18,877
Water quality	7,500	3,864	3,636	8,609
Weather modification	194,950	117,895	77,055	161,220
Symposium expenditures	20,000		20,000	17,523
Rainwater rebate	50,000	17,827	32,173	38,816
Miscellaneous	34,200	13,658	20,542	3,700
TOTAL OPERATING EXPENDITURES	1,579,255	1,463,778	115,477	1,411,547
<u>CAPITAL OUTLAY EXPENDITURES</u>				
General	50,000	54,252	(4,252)	30,254
TOTAL EXPENDITURES	\$ 1,629,255	\$ 1,518,030	\$ 111,225	\$ 1,441,801

See Notes to Financial Statements and Independent Auditor's Report

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 SCHEDULE OF ACTUAL REVENUES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL REVENUES
 AG LOAN FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	ORIGINAL & FINAL BUDGET 2021	ACTUAL 2021	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2020
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>REVENUES FROM INCOME ON INVESTMENTS</u>				
Interest on investments [not budgeted]	\$	\$ 9,241	\$ 9,241	\$ 70,474
Ag loan principle income [not budgeted]		<u>610,066</u>	<u>610,066</u>	<u>712,280</u>
TOTAL REVENUES FROM INCOME ON INVESTMENTS		619,307	619,307	782,754
 <u>REVENUES FROM DEBT SERVICE</u>				
Loan proceeds		1,000,000	1,000,000	
 <u>REVENUES FROM OTHER SOURCES</u>				
Other [not budgeted]		<u>250</u>	<u>250</u>	<u>750</u>
TOTAL REVENUES	\$	<u><u>1,619,557</u></u>	<u><u>1,619,557</u></u>	<u><u>783,504</u></u>

See Notes to Financial Statements and Independent Auditor's Report

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
 AG LOAN FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	ORIGINAL & FINAL BUDGET 2021	ACTUAL 2021	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2020
<u>OPERATING EXPENDITURES</u>				
Professional fees [not budgeted]	\$	\$	\$	\$
Filing fees [not budgeted]		335	(335)	574
Miscellaneous [not budgeted]		45	(45)	176
Ag loan principle expense [not budgeted]		42,181	(42,181)	184,834
TOTAL OPERATING EXPENDITURES		42,561	(42,561)	185,584
<u>DEBT SERVICE EXPENDITURES</u>				
Principle [not budgeted]		587,000	(587,000)	1,460,828
Interest [not budgeted]		11,754	(11,754)	35,389
TOTAL DEBT SERVICE EXPENDITURES		598,754	(598,754)	1,496,217
TOTAL EXPENDITURES	\$	\$ 641,315	\$ (641,315)	\$ 1,681,801

See Notes to Financial Statements and Independent Auditor's Report

OTHER SUPPLEMENTAL INFORMATION

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF TEMPORARY INVESTMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	FDIC INSURANCE	INTEREST RATE	MATURITY DATE	BALANCE	ACCRUED INTEREST
<u>GENERAL FUND</u>					
Certificate of Deposit					
Ally Bank Sandy, UT	\$ 250,000	0.85%	5/2/2022	\$ 125,001	\$ 448
Bank of San Francisco, CA	250,000	0.10%	10/21/2022	125,004	3
Bank United NA Miami Lakes, FL	250,000	0.15%	2/21/2023	125,000	22
Bank United NA Miami Lakes, FL	250,000	0.45%	4/15/2024	125,000	26
BMW Bank of North Am Salt Lake City, UT	250,000	0.10%	9/12/2022	125,003	7
Capital One Bank USA Glen Allen, VA	250,000	1.34%	4/1/2022	125,001	846
Citizens Progressive Winnsboro, LA	250,000	0.10%	4/17/2023	125,004	5
Devon Bank Chicago, IL	250,000	0.05%	6/9/2022	125,003	4
First Finl Bank Dakota Dunes, SD	250,000	0.03%	10/27/2021	125,001	1
Goldman Sachs Bank New York, NY	250,000	0.04%	8/11/2023	125,004	27
Homestreet Bank Seattle, WA	250,000	0.10%	8/22/2022	125,003	3
Industrial & Coml New York, NY	250,000	0.05%	12/1/2021	125,001	52
John Marshall Bank Reston, VA	250,000	0.15%	7/28/2023	125,004	2
JPMorgan Chase Bank Columbus, OH	250,000	1.13%	1/31/2029	125,000	223
JPMorgan Chase Bank Columbus, OH	250,000	1.09%	9/15/2029	125,000	55
Luana Svgs Bank Luana, IA	250,000	1.44%	3/14/2022	125,001	89
Mainstreet Bank Fairfax, VA	250,000	0.02%	3/29/2023	125,003	1
Meadows Bank, Las Vegas, NV	250,000	0.05%	11/24/2021	125,001	53
Northpointe Bank Grand Rapids, MI	250,000	0.05%	2/4/2022	125,002	5
Parkway B&T Co Harwood Heights, IL	250,000	0.15%	1/30/2023	125,003	33
Preferred Bank Los Angeles, CA	250,000	0.30%	1/21/2022	125,001	9
	<u>5,250,000</u>			<u>2,625,040</u>	<u>1,914</u>
Money Market					
LPL Financial	<u>250,000</u>	0.01%	ON DEMAND	<u>17,211</u>	
TOTAL GENERAL FUND INVESTMENTS	<u>5,500,000</u>			<u>2,642,251</u>	<u>1,914</u>
<u>AG LOAN FUND</u>					
Certificate of Deposit					
BMW Bank of North Am Salt Lake City UT	250,000	0.15%	2/27/2023	125,004	19
First Carolina Bank Rocky MT, NC	250,000	0.20%	11/24/2023	125,004	4
First Genl Bank Rowland Heights, CA	250,000	0.10%	5/8/2023	125,004	8
First Oklahoma Bank Jenks, OK	250,000	0.35%	9/30/2024	125,000	1
Goldman Sachs Bank New York, NY	250,000	0.15%	8/11/2022	125,004	26
Safra Natl Bank of NY New York, NY	250,000	0.05%	1/6/2022	125,001	46
Texas Exchange Crowley, TX	250,000	0.71%	8/14/2026	125,000	41
	<u>1,750,000</u>			<u>875,017</u>	<u>145</u>
Money Market					
LPL Financial	<u>250,000</u>	0.30%	ON DEMAND	<u>12,300</u>	
TOTAL AG FUND INVESTMENTS	<u>2,000,000</u>			<u>887,317</u>	<u>145</u>
TOTAL INVESTMENTS	<u>\$ 7,500,000</u>			<u>\$ 3,529,568</u>	<u>\$ 2,059</u>