

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

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Independent Auditor's Report

Board of Directors
High Plains Underground Water Conservation District No. 1
Lubbock, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of High Plains Underground Water Conservation District No. 1 (the District), as of and for the fiscal 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 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 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 general fund of High Plains Underground Water Conservation District No. 1, as of September 30, 2021, and the respective changes in financial position, 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, schedule of changes in net pension asset and related ratios, schedule of employer contributions, and budgetary comparison information as listed in the table of contents 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.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

January 7, 2022

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

This section of High Plains Underground Water Conservation District No. 1's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2021. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

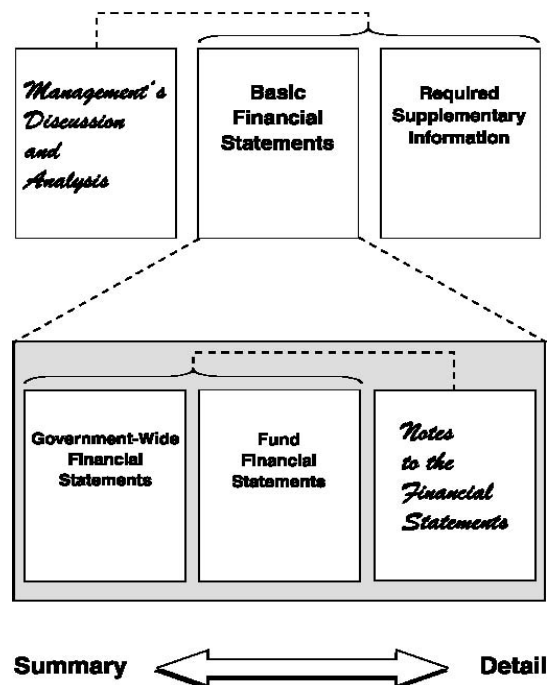
- The District's net position was \$10,049,828 at September 30, 2021. Of this amount, \$9,275,724 (unrestricted net position) may be used to meet the District's ongoing obligations.
- During the year, the District's revenues were \$187,303 more than the \$2,835,296 expensed in general administration and depreciation.
- The General Fund reported a fund balance this year of \$9,150,704. Of this amount, \$8,953,557 is available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Fiduciary Fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the County's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of each of the statements.

**FIGURE A-2
MAJOR FEATURES OF THE DISTRICT’S GOVERNMENT-WIDE AND FUND STATEMENTS**

Type of Statement	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District’s government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else’s resources
Required financial statements	Statement of net position	Balance Sheet (assets + deferred outflows - liabilities - deferred inflows)	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency’s funds do not currently contain capital assets, although they can
Type of flow/outflow	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received	All revenues and expenses during year; regardless of when cash is received or paid

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (see table of contents) presents information on all of the District’s assets, liabilities, deferred inflows and outflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the District’s financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (see table of contents) presents information showing how the government’s net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

The District has one fund:

The District’s only governmental fund is the General Fund which is used to account for all financial resources of the District.

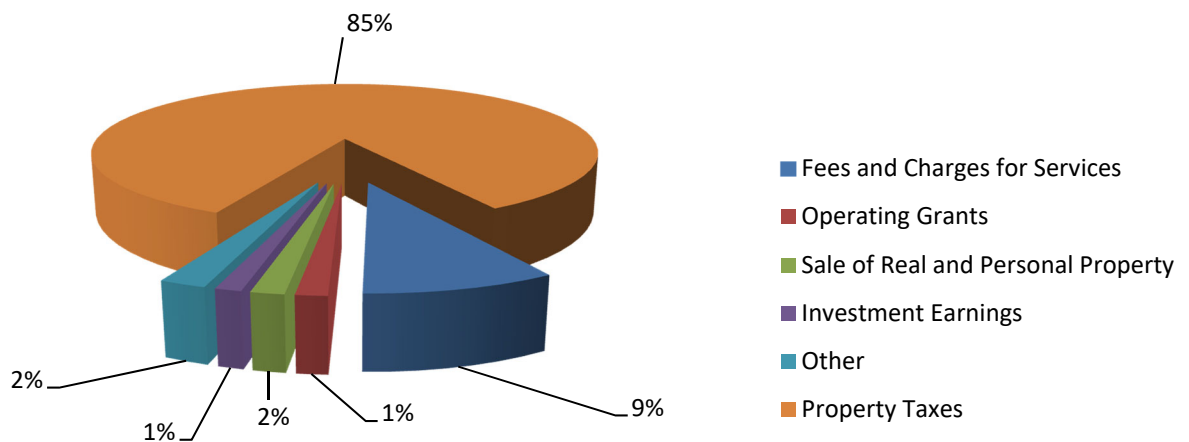
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position was \$10,049,828 at September 30, 2021. The District's net position reflects its investment in capital assets (e.g. land, buildings and improvements, machinery and equipment, and furniture and fixtures) of \$774,104, less accumulated depreciation and any related outstanding debt. The remaining balance of unrestricted net position, \$9,275,724, may be used to meet the District's ongoing obligations to the citizens and creditors.

Table A-1
High Plains Underground Water Conservation District No. 1's Net Position
 (in thousands)

	Governmental Activities	
	2021	2020
Current and Other Assets	\$ 9,256	\$ 9,189
Capital and Non-Current Assets	1,058	987
Total Assets	\$ 10,314	\$ 10,176
Deferred Outflows of Resources	\$ 163	\$ 51
Current Liabilities	\$ 78	\$ 41
Noncurrent Liabilities	248	257
Total Liabilities	\$ 326	\$ 298
Deferred Inflows of Resources	\$ 101	\$ 66
Net Position		
Net Investment in Capital Assets	\$ 774	\$ 629
Unrestricted	9,276	9,234
Total Net Position	\$ 10,050	\$ 9,863

Changes in Net Position—The District's net position increased by \$187,303 during the current fiscal year. The District has been increasing net position year over year for some time. The decrease in net position change from the prior year is mostly to the District lowering the property tax rate over time to manage reserves.



Governmental Activities—Total revenues for the fiscal year ending September 30, 2021 were \$3,022,599. Approximately 85% of the District’s revenue comes from property taxes, while 9% comes from fees and charges for services. Operating grants account for 1% of total revenues. Investment and other earnings accounted for another 5%.

Expenditures increased by approximately \$196,000 from the prior year with the largest increases related to grant and capital outlay expenditures.

Table A-2
High Plains Underground Water Conservation District No. 1 Changes in Net Position
(in thousands)

	Governmental Activities	
	2021	2020
Revenues:		
Program Revenues		
Charge for Services	\$ 267	\$ 211
Operating Grants and Contributions	44	196
General Revenues		
Property Taxes	2,563	2,822
Investment Earnings	37	116
Other Income	65	33
Sale of Real and Personal Property	46	35
Total Revenues	\$ 3,022	\$ 3,413
Expenses:		
General Administration and Depreciation	\$ 2,835	\$ 2,639
Total Expenses	\$ 2,835	\$ 2,639
Increase in Net Position	\$ 187	\$ 774
Beginning Net Position	9,863	9,089
Ending Net Position	\$ 10,050	\$ 9,863

FINANCIAL ANALYSIS OF THE DISTRICT’S FUND

The General Fund is the only operating fund of the District. At the end of the fiscal year, \$8,953,557 of fund balance is unassigned. As a measure of the fund’s liquidity, it may be useful to compare unassigned fund balances to total fund expenditures. Unassigned fund balances represent 296% of total General Fund expenditures.

General Fund Budgetary Highlights — At the end of the year, actual expenditures were \$62,594 over final budgeted amounts. Revenues exceeded the budget by \$29,053.

CAPITAL ASSETS

Capital Assets — As of September 30, 2021, the District has invested in a broad range of capital assets, including land, buildings and improvements, machinery and equipment, and furniture and fixtures.

Major events affecting capital assets during the year were:

- Purchase of three vehicles with trade-ins
- Building remodel

More detailed information about the District's capital assets can be found in the notes to the financial statements.

Table A-3
High Plains Underground Water Conservation District No. 1's Capital Assets
(in thousands)

	Governmental Activities	
	2021	2020
Land	\$ 180	\$ 180
Buildings and Improvements	683	500
Machinery and Equipment	802	776
Furniture and Fixtures	43	43
Total	\$ 1,708	\$ 1,499
Less: Total Accumulated Depreciation	(934)	(870)
Net Capital Assets	\$ 774	\$ 629

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The appraised value used for the 2021-2022 budget preparation is estimated to be up from the 2020 valuation to the 2021 valuation which combined with the decreased tax rate is expected to decrease property tax revenues for 2021-2022.
- The tax rate established for budget year 2022 is \$0.0051, which is \$0.0004 cents per \$100 lower than the rate used in budget year 2021.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2022 fiscal year.

Budgeted expenditures are expected to increase with \$75,000 added to Research/Demonstration. The District has added no other new programs or initiatives to the 2021-2022 budget.

If these estimates are realized, the District's budgetary General Fund balance is expected to be unchanged.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the High Plains Underground Water Conservation District office at 2930 Avenue Q, Lubbock, Texas 79411.

BASIC FINANCIAL STATEMENTS

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-1

STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 28,947
Investments	9,161,813
Property Taxes Receivable (Net)	27,614
Due from Appraisal Districts	4,471
Accrued Interest Receivable	454
Prepaid Expenses	32,918
Net Pension Asset	283,341
Capital Assets (Net of Accumulated Depreciation):	
Land	180,119
Buildings and Improvements	330,537
Machinery and Equipment	263,448
Furniture & Fixtures	
Total Assets	<u>\$ 10,313,662</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Plan - Employer Contributions	\$ 21,765
Pension Plan - Changes in Assumptions	126,216
Pension Plan - Experience Differences	14,946
Total Deferred Outflows of Resources	<u>\$ 162,927</u>
LIABILITIES:	
Accounts Payable	\$ 60,033
Other Current Liabilities	17,966
Non-Current Liabilities:	
Accrued Compensated Absences	248,158
Total Liabilities	<u>\$ 326,157</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension Plan - Earnings Differences	<u>\$ 100,604</u>
NET POSITION:	
Net Investment in Capital Assets	\$ 774,104
Unrestricted	9,275,724
Total Net Position	<u><u>\$ 10,049,828</u></u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) and Changes in Net Position
		<u>Fees & Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Gov. Governmental Activities</u>
<u>Departments/Programs</u>				
PRIMARY GOVERNMENT:				
Governmental Activities				
General Administration	\$ 2,692,554	\$ 267,120	\$ 43,834	\$ (2,381,600)
Depreciation	142,742			(142,742)
Total Governmental Activities	<u>\$ 2,835,296</u>	<u>\$ 267,120</u>	<u>\$ 43,834</u>	<u>\$ (2,524,342)</u>
General Revenues:				
Property Taxes				\$ 2,563,283
Gain on the Sale of Capital Assets				46,304
Investment Earnings				36,707
Miscellaneous Revenue				65,351
Total General Revenues				<u>\$ 2,711,645</u>
Change in Net Position				\$ 187,303
Net Position - Beginning				<u>9,862,525</u>
Net Position - Ending				<u>\$ 10,049,828</u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-3

BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2021

	<u>General Fund</u>
ASSETS:	
Cash and Cash Equivalents	\$ 28,947
Investments	9,161,813
Property Taxes Receivable (Net)	27,614
Due from Appraisal Districts	4,471
Accrued Interest Receivable	454
Prepaid Expenses	32,918
Total Assets	<u>\$ 9,256,217</u>
LIABILITIES:	
Accounts Payable	\$ 60,033
Other Current Liabilities	17,966
Total Liabilities	<u>\$ 77,999</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable Revenue - Property Taxes	\$ 27,514
Total Deferred Inflows of Resources	<u>\$ 27,514</u>
FUND BALANCES:	
Nonspendable:	
Prepaid Items	\$ 32,918
Committed for:	
Technical Development	164,229
Unassigned	8,953,557
Total Fund Balances	<u>\$ 9,150,704</u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-4

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total Fund Balances - Governmental Fund Balance Sheet	\$	9,150,704
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:		
Capital assets used in governmental activities are not reported in the fund.		774,104
Net pension asset required by GASB 68 is not reported in the fund.		283,341
Deferred outflows and inflows of resources for pensions are not reported in the fund.		62,323
Property taxes receivable unavailable to pay current expenditures are deferred in the fund.		27,514
Payables for compensated absences which are not due in the current period are not reported in the fund.		<u>(248,158)</u>
Net Position of Governmental Activities - Statement of Net Position	\$	<u>10,049,828</u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	<u>Major Funds</u> <u>General</u> <u>Fund</u>
Revenues:	
Taxes:	
Property Taxes	\$ 2,576,536
Permits	243,500
Depletion Requests	23,620
Grant Revenue	43,834
Investment Earnings	36,707
Miscellaneous Revenue	65,351
Total Revenues	<u>\$ 2,989,548</u>
Expenditures:	
Current:	
General Administration	\$ 2,703,906
Capital Outlay	319,183
Total Expenditures	<u>\$ 3,023,089</u>
Excess of Revenues Over Expenditures	<u>\$ (33,541)</u>
Other Financing Sources:	
Proceeds from Sale of Capital Assets	\$ 77,500
Total Other Financing Sources	<u>\$ 77,500</u>
Net Change in Fund Balances	\$ 43,959
Fund Balances - Beginning	<u>9,106,745</u>
Fund Balances - Ending	<u><u>\$ 9,150,704</u></u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	43,959
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:		
Capital assets are not reported as expenses in the SOA.		319,183
The depreciation of capital assets used in governmental activities is not reported in the funds.		(142,742)
The loss from the disposition of a capital asset is not recorded in the fund.		(31,196)
Unavailable revenue that does not meet the availability criteria in the funds is reported as income in the SOA.		(13,253)
Pension asset and related deferred inflows and outflows changes are reported as a component of pension expense in the SOA.		2,213
Changes in compensated absences balances are not reported in the fund, this is the change in those amounts.		<u>9,139</u>
Change in Net Position of Governmental Activities - Statement of Activities	\$	<u><u>187,303</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The High Plains Underground Water Conservation District No. 1 (the District) was formed for the purpose of conserving, preserving, protecting, and recharging the underground water of subdivision No. 1 of the underground water reservoir located under the high plains of Texas. The District was authorized by Article 7880-3c Revised Civil Statutes of the State of Texas (Acts of the 51st Legislature, 1949). The District's programs include providing water depletion information to landowners, regulating the spacing of irrigation wells and educating the public concerning water conservation issues. The District's operations are financed primarily from ad valorem taxes. The District operates under a board-manager form of government. There are five elected board member positions. The members of the Board of Directors are elected by the public, have authority to make decisions, appoint administrators and managers, significantly influence operations and have the primary accountability for fiscal matters. The District is not included in any other governmental reporting entity and has no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are Government-Wide Financial Statements. They report information on all of the District's non-fiduciary activities. Governmental activities include programs supported primarily by taxes, fees, grants, and other income.

The Statement of Activities presents a comparison between expenses and program revenues for the function of the District'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. Program revenues include a) fees charges paid by the recipients of goods or services offered by the program, 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.

The fund financial statements provide reports on the financial condition and results of operations. The District considers the General Fund major and reports its financial condition and results of operations in a single column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Government-Wide Financial Statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with accounting principles generally accepted in the United States of America.

Property tax revenues are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as deferred revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as deferred revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

Grant revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the District, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as grant receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as grant receivables and revenues when the related expenditures are incurred.

D. FUND ACCOUNTING

The District applies GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which the amounts in the funds may be spent. Application of the Statement requires the District to classify and report amounts in the appropriate fund balance classifications. The District's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. From interpretation of the adopted policy, the District will spend its fund in the following order: Committed, Assigned, and Unassigned if more than one classification of fund balance is available.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

The District reports the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restrictions are placed on fund balances when legally enforceable legislation establishes the District's right to assess, levy, or charge fees to be used for a specific purpose – such as the District's grant revenue if received in advance of use, which must be used on that grant program. Legal enforceability means that the District can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Board. Committed amounts cannot be used for any other purposes unless the Board removes those constraints by taking the same type of actions (legislation, resolution, or ordinance). Committed fund balances include non-liquidated encumbrances at year end that are carried forward to the next fiscal year. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Board. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the General Manager or (b) an appointed body or official to which the Board has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment with the General Fund conveys that the intended use of those amounts is for specific purposes that are narrower than the general purposes of the District itself.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The accounts of the District are organized in one fund. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, deferred inflows and outflows, liabilities, fund balance, 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.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

The District maintains the following fund:

Major Governmental Fund:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources and related expenditures of the District. The main sources of revenue are property taxes, fees, depletion studies, and investment earnings.

E. OTHER ACCOUNTING POLICIES

- 1. The District considers all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents.
2. Capital assets include land, buildings and improvements, machinery and equipment, and furniture and fixtures and are reported in the applicable governmental activities columns in the Government-Wide Financial Statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, machinery and equipment, and furniture and fixtures of the District are depreciated using the straight line method over the following estimated useful lives:

Table with 2 columns: Assets, Years. Rows include Buildings and Improvements (15-65), Vehicles and Equipment (5-15), and Furniture and Fixtures (7-20).

- 3. The District provides statutory workers' compensation insurance for its employees.

II. PROPERTY TAX

Property taxes are levied by October 1st in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District's taxes on real property are a lien against such property until paid. The District may foreclose real property upon which it has a lien for unpaid taxes. Although the District makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

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NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2021, the carrying amount of the District's cash and cash equivalents and investments was \$9,190,760 and the bank balance was \$9,206,476.

The Public Funds Investment Act (Government Code Chapter 2256) (the Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

The carrying value of investments (certificates of deposit with original maturity of more than three months) at September 30, 2021 was \$9,161,813. The Certificates of Deposit are considered a level one investment and fair value approximates costs. There was no material valuation issues with these types of investments.

Policies Governing Deposits and Investments:

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Disclosures related to certain types of risk the District may have been exposed to at year end:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2021 were covered by depository insurance or by pledged collateral held by the District's agent bank.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

The District's investments are certificates of deposits covered by pledged securities.

B. FAIR VALUE MEASUREMENT AND APPLICATION

The District categorizes fair value measurements of investment assets and liabilities within the fair value hierarchy established by generally accepted accounting principles as mandated by GASB Statement No. 72. These investments are valued through industry standard practices for the respective type of security at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The hierarchy classifications are based on the transparency of inputs to the valuation techniques used and should not be perceived as the particular investment's risk. These classifications are summarized into three broad levels, arranged from highest to lowest:

Level 1 - Unadjusted inputs using quoted prices in active markets or exchanges for identical investments.

Level 2 - Other significant observable inputs including quoted prices of securities that are comparable in coupon, rating, maturity and industry. Inputs other than quoted prices that are observable take into account operational, market, financial and non-financial factors (interest rates, yield curves, credit risk, and default rates) or other market corroborated inputs that are observable at commonly quoted intervals for the full term of the investment.

Level 3 - Significant inputs that are not observable and cannot be corroborated by observable market data (assumptions, cash flows or earnings multiples). In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The assessment of the significance of particular inputs to their fair value measurements requires judgment and considers factors specific to each asset.

The District's certificates of deposit are measured at cost and are considered a Level 1 investments.

C. ALLOWANCES FOR DOUBTFUL ACCOUNTS

In the Government-Wide Statement of Net Position, the District reported the following receivables net of allowances for uncollectible accounts:

	<u>Balance</u>	<u>Allowance</u>	<u>Net</u>
Taxes Receivable	\$ 118,707	\$ 91,093	\$ 27,614
	<u>\$ 118,707</u>	<u>\$ 91,093</u>	<u>\$ 27,614</u>

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended September 30, 2021 was as follows:

	Balance October 1, 2020	Additions	Retirements	Balance September 30, 2021
Governmental Activities				
Non-Depreciable Assets				
Land	\$ 180,119	\$	\$	\$ 180,119
Total Non-Depreciable Assets	\$ 180,119	\$ 0	\$ 0	\$ 180,119
Depreciable Assets				
Buildings and Improvements	\$ 499,480	\$ 183,089	\$	\$ 682,569
Machinery and Equipment	776,343	136,094	109,634	802,803
Furniture and Fixtures	42,643			42,643
Total Depreciable Assets	\$ 1,318,466	\$ 319,183	\$ 109,634	\$ 1,528,015
Totals at Historic Cost	\$ 1,498,585	\$ 319,183	\$ 109,634	\$ 1,708,134
Less Accumulated Depreciation				
Buildings and Improvement	\$ 323,531	\$ 28,501	\$	\$ 352,032
Machinery and Equipment	503,775	114,018	78,438	539,355
Furniture and Fixtures	42,420	223		42,643
Total Accumulated Depreciation	\$ 869,726	\$ 142,742	\$ 78,438	\$ 934,030
Governmental Activities Capital Assets, Net	\$ 628,859	\$ 176,441	\$ 31,196	\$ 774,104

Current year depreciation expense was not allocated in the statement of activities.

E. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. This separate financial statement element represents a current consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (expense/expenditure) until then.

In addition to liabilities, the balance sheet 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 District has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The Governmental Fund reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

F. ACCRUED COMPENSATED ABSENCES

The District allows employees to accumulate unused sick leave to a maximum 60 days. Sick leave is accrued at the rate of 8 hours per month. Unused sick leave accumulated in excess of 60 days is paid to employees annually in December. Upon termination up to 60 days of sick leave will be paid to the employee.

Vacation time is accrued at the following rates for employees:

1. Less than 10 years of service receive 8 hours a month with a maximum carry over of 192 hours.
2. More than 10 years of service receive 10 hours a month with a maximum carry over of 240 hours.

Vacation unused at the time of termination is paid out the employee at an amount not to exceed the max carryover for that employee.

Unused accrued compensated absences as of September 30, 2021 totaled \$248,158.

G. RISK MANAGEMENT

Health Care

During the year ended September 30, 2021, employees of the District were covered through an external health insurance policy. The District pays the premium only for full-time, regular employees. The employee has the option of adding dependents to the plan at a 25% cost to the employee.

H. RETIREMENT PENSION PLAN

Plan Description:

The District provides retirement, disability, and death benefits for all of its full time employees through a non-traditional defined benefit pension plan in TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 817 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a Comprehensive Annual Financial Report (CAFR) on a calendar basis. The CAFR is available upon written request from the Board of Trustees at Barton Oaks Plaza IV, Suite 500, 901 Mopac S., Austin, Texas 78746.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS. Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after eight years of service.

Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the Texas state statutes governing TCDRS so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the Texas state statutes governing TCDRS.

Pension Plan Fiduciary Net Position:

Detailed information about the TCDRS fiduciary net position is available in a separately-issued CAFR that includes financial statements and required supplementary information mentioned in the above section.

The information provided by TCDRS shows the following information regarding the Pension Plan fiduciary net position for the District as of December 31, 2020.

<u>Net Pension Asset</u>	<u>Total</u>
Total Pension Liability	\$ 2,770,131
Less: Plan Fiduciary Net Position	(3,053,472)
Net Pension Liability (Asset)	\$ <u>(283,341)</u>
 Net Position as Percentage of Total Pension Liability	 110.23%

Benefits Provided:

TCDRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries). The normal service retirement is at age 60 with eight years of credited service, when the sum of the member's age and years of credited service equals 75 or more years, or after 30 years of service regardless of age. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the plan description above.

Contributions:

The plan is funded by monthly contributions from employee deposits and from employer contributions based on the covered payroll of employee members. Under the variable rate plan provisions, the contribution rate of the employer is actuarially determined annually. The required contribution was determined as part of the December 31, 2020 actuarial valuation using the entry age actuarial cost method.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

The actuarial assumptions at December 31, 2020 included (a) a 7.50% investment rate of return (net of administrative expenses), and (b) a projected salary increase of 3.00%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The employer contribution rate was 2.77% for the calendar year 2020. The deposit rate payable by employee members is the rate of 7.00% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the Texas state statutes governing TCDRS.

	Contribution Rates	
	September 30,	
	2021	2020
Member	7.00%	7.00%
Employer	2.77%	2.61%

2021 Employer Contributions	\$	30,302
2021 Member Contributions	\$	76,457

Actuarial Assumptions:

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight Line over remaining expected working life
Asset Valuation Method	
Smoothing Period	Five Years
Recognition Method	Non-asymptotic
Corridor	None
Remaining Amortization Period	0 years
Discount Rate	7.60%
Long-Term Expected Investment	
Rate of Return*	7.60%
Salary Increases*	3.00%
Payroll Growth Rate	0.00%

*Includes Inflation of 2.50%

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

The actuarial methods and assumptions are primarily based on a study of the District's workforce and estimate of benefits it will pay its employees. The economic and demographic assumptions have been established based on the 2021 experience study for TCDRS, details of which can be found in the 2021 Investigation and Experience Report on the TCDRS website.

Discount Rate:

The discount rate used to measure the total pension liability was 7.60%. The previous year's discount rate was 8.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entities are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.60%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2020 are summarized below:

Asset Class	Target Allocation **	Long-Term Expected Portfolio Real Rate of Return*
US Equities	11.50%	4.25%
Global Equities	2.50%	4.55%
International Equities - Developed	5.00%	4.25%
International Equities - Emerging	6.00%	4.75%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	2.11%
Direct Lending	16.00%	6.70%
Distressed Debt	4.00%	5.70%
REIT Equities	2.00%	3.45%
Master Limited Partnerships	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Private Equity	25.00%	7.25%
Hedge Funds	6.00%	1.85%
Cash Equivalents	2.00%	-0.70%
Total	100.00%	

* - Geometric real rates of return in addition to assumed inflation of 2.0%, per Cliffwater's 2021 capital market assumptions

** - Target asset allocation adopted at the March 2021 TCDRS board meeting.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the Net Pension Liability / (Asset) if the discount rate used was one percent less than and one percent greater than the discount rate that was used (7.60%) in measuring the December 31, 2020 Net Pension Asset.

	1% Decrease in <u>Discount Rate (6.60%)</u>	<u>Discount Rate (7.60%)</u>	1% Increase in <u>Discount Rate (8.60%)</u>
Total Pension Liability	\$ 3,138,498	\$ 2,770,131	\$ 2,458,373
Fiduciary Net Position	(3,053,472)	(3,053,472)	(3,053,472)
Net Pension Liability (Asset)	<u>\$ 85,026</u>	<u>\$ (283,341)</u>	<u>\$ (595,099)</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At December 31, 2020, the District reported an asset of \$283,341 for its proportionate share of the TCDRS net pension amount.

The net pension asset was measured as of December 31, 2020 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The employer's proportion of the net pension asset was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period January 1, 2020 through December 31, 2020.

For the plan year ended December 31, 2020 there were no new changes in plan provisions.

During the year the plan adopted a new discount rate of 7.60% compared to 8.10% in the prior year. The plan also reduced the inflation rate from 2.75% to 2.50%. Various other assumptions including mortality were also adjusted as a result of the 2021 experience study.

At December 31, 2020, the District reported its proportionate share of the TCDRS deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows/(Inflows) of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 14,946
Changes of Assumptions	126,216
Net Difference Between Projected and Actual Earnings	(100,604)
Contributions Paid to TCDRS Subsequent to the Measurement Date	<u>21,765</u>
Total	<u>\$ 62,323</u>

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

The net amounts of the employer's balances of deferred outflows and inflows related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
2021	\$ 34,575
2022	31,124
2023	(20,759)
2024	17,383
2025	0
Thereafter	0

At December 31, 2020, the District reported deferred resource outflows for the TCDRS pension plan as follows:

	Deferred Outflows (Inflows) of Resources
Total Net Amounts as of December 31, 2019 Measurement Date	\$ (15,077)
Contributions Made Subsequent to the Measurement Date	21,765
Contributions Made Prior to the Measurement Date	(21,304)
Net Deferred Outflows/(Inflows) Related to the Year Ending December 31, 2020	86,923
Amortization of Deferred Outflows/(Inflows)	(9,984)
Total Net Amounts as of December 31, 2020	\$ 62,323

Pension Expense:

Pension expense for the plan for the year ended December 31, 2020 was \$28,087 and was calculated as follows:

	Pension Expense
Service Cost	\$ 115,393
Interest on Total Pension Liability	200,715
Administrative Expenses	2,234
Member Contributions	(75,684)
Expected Investment Return Net of Investment Expenses	(224,512)
Amortization of Deferred Inflows and Outflows of Resources	9,984
Other	(43)
Total Pension Expense as of December 31, 2020	\$ 28,087

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Employees Covered by Benefit Terms:

At the December 31, 2020 valuation and measurement date, the plan reported the following regarding employees covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	8
Inactive Employees Entitled to but not Yet Receiving Benefits	9
Active Employees	<u>16</u>
Total Plan Employees	<u><u>33</u></u>

I. LITIGATION AND COMMITMENTS

There is no pending litigation against the District at September 30, 2021, that would have a material effect on the financial statements.

Grant Programs - The District participates in State grant programs, which are governed by various rules and regulations of the grantor agencies. Cost charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2021 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

REQUIRED SUPPLEMENTARY INFORMATION

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit B-1

SCHEDULE OF CHANGES IN NET PENSION
ASSET AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
TOTAL PENSION LIABILITY							
Service Cost	\$ 98,889	\$ 101,531	\$ 113,065	\$ 112,135	\$ 111,140	\$ 114,778	\$ 115,393
Interest Cost	119,457	125,191	132,673	148,530	166,897	184,601	200,715
Effect of Plan Changes	(18,577)	(18,577)					
Effect of Economic/Demographic Losses	(61,865)	(64,104)	(28,728)	20,606	22,248	9,218	(4,505)
Effect of Assumptions Changes of Inputs	14,589	14,589		16,085			153,749
Benefit Payments/Refunds of Contributions	(102,355)	(66,999)	(81,027)	(74,745)	(64,265)	(107,290)	(113,372)
Net Change in Total Pension Liability	\$ 54,126	\$ 91,631	\$ 135,983	\$ 222,611	\$ 236,020	\$ 201,307	\$ 351,980
Total Pension Liability, Beginning	1,476,473	1,530,599	1,622,230	1,758,213	1,980,824	2,216,844	2,418,151
Total Pension Liability, Ending	\$ 1,530,599	\$ 1,622,230	\$ 1,758,213	\$ 1,980,824	\$ 2,216,844	\$ 2,418,151	\$ 2,770,131
FIDUCIARY NET POSITION							
Employer Contributions	\$ 68,464	\$ 68,196	\$ 67,130	\$ 70,620	\$ 72,846	\$ 23,205	\$ 29,841
Member Contributions	68,464	68,196	67,130	70,620	72,846	73,169	75,684
Investment Income, Net of Expenses	105,048	18,494	133,066	292,773	(43,001)	393,511	286,833
Benefit Payments/Refunds of Contributions	(102,355)	(66,999)	(81,027)	(74,745)	(64,265)	(107,290)	(113,372)
Administrative Expenses	(1,250)	(1,257)	(1,443)	(1,567)	(1,925)	(2,116)	(2,234)
Other	10,909	6,920	31,208	876	2,663	13	41
Net Change in Fiduciary Net Position	\$ 149,280	\$ 93,550	\$ 216,064	\$ 358,577	\$ 39,164	\$ 380,492	\$ 276,793
Fiduciary Net Position, Beginning	1,539,552	1,688,832	1,782,382	1,998,446	2,357,023	2,396,187	2,776,679
Fiduciary Net Position, Ending	\$ 1,688,832	\$ 1,782,382	\$ 1,998,446	\$ 2,357,023	\$ 2,396,187	\$ 2,776,679	\$ 3,053,472
NET PENSION ASSET							
	\$ (158,233)	\$ (160,152)	\$ (240,233)	\$ (376,199)	\$ (179,343)	\$ (358,528)	\$ (283,341)
Fiduciary Net Position as a % of Total Pension Liability	110.34%	109.87%	113.66%	118.99%	108.09%	114.83%	110.23%
Covered Payroll	\$ 978,050	\$ 974,227	\$ 958,995	\$ 1,008,862	\$ 1,040,650	\$ 1,045,266	\$ 1,081,201
Net Pension Asset as a % of Covered Payroll	-16.18%	-16.44%	-25.05%	-37.29%	-17.23%	-34.30%	-26.21%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, only years for which the new GASB statements have been implemented are shown.

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit B-2

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Employee Payroll</u>
2015	\$ 59,368	\$ 68,464	\$ (9,096)	\$ 978,050	7.00%
2016	53,777	68,196	(14,419)	974,227	7.00%
2017	34,287	70,067	(35,780)	1,003,481	6.98%
2018	25,724	72,615	(46,891)	1,037,277	7.00%
2019	23,543	36,178	(12,635)	1,027,727	3.52%
2020	27,898	27,898		1,068,918	2.61%
2021	30,302	30,302		1,092,231	2.77%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, only years for which the new GASB statements have been implemented are shown.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit B-3

BUDGETARY COMPARISON - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 2,710,420	\$ 2,710,420	\$ 2,576,536	\$ (133,884)
Permits	125,000	125,000	243,500	118,500
Depletion Map Sales	20,000	20,000	23,620	3,620
Grant Revenue			43,834	43,834
Investment Earnings	100,075	100,075	36,707	(63,368)
Miscellaneous Revenue	5,000	5,000	65,351	60,351
Total Revenues	<u>\$ 2,960,495</u>	<u>\$ 2,960,495</u>	<u>\$ 2,989,548</u>	<u>\$ 29,053</u>
Expenditures:				
Current:				
General Administration:				
Salaries	\$ 1,133,000	\$ 1,093,000	\$ 1,092,231	\$ 769
Social Security/Medicare	85,000	85,000	80,206	4,794
Retirement	35,000	35,000	30,302	4,698
Medical Insurance	270,000	270,000	260,856	9,144
Field Supplies & Repair	56,475	36,475	23,587	12,888
Office Supplies	55,000	80,000	73,657	6,343
Postage	4,000	4,000	3,223	777
Software/License	87,500	51,500	53,216	(1,716)
Audit	17,000	17,000	17,000	
Appraisal/Tax Collection	62,000	62,000	45,593	16,407
Consulting	57,000	57,000	46,993	10,007
Legal	77,000	83,500	80,128	3,372
Utilities	15,000	18,000	16,063	1,937
Land Appraiser	44,000	44,000	39,269	4,731
Telephone/Internet	35,420	35,420	29,448	5,972
Maintenance/Building & Grounds	35,000	35,000	27,235	7,765
Vehicle Insurance	22,000	22,000	18,792	3,208
Other Insurance	15,000	15,000	13,162	1,838
Board of Directors	58,000	35,500	35,014	486
Building Rent	5,100	5,100	5,100	
Dues and Subscriptions	15,000	12,500	11,584	916
Election	100,000	5,000	1,076	3,924
Public Relations and Education	200,000	95,500	118,657	(23,157)
Travel and Meals	55,000	27,000	11,241	15,759
Vehicle Maintenance and Fuel	65,000	65,000	55,599	9,401
Regional Water Planning	30,000	36,000	33,184	2,816
Other Expenditures: TWDB-Grant			43,834	(43,834)
Grants	200,000	325,000	360,018	(35,018)
Capital Outlay:				
Equipment and Improvements	25,000	4,000		4,000
Field Equipment	25,000	10,000		10,000
Building Improvements	20,000	237,000	260,727	(23,727)
Vehicle Purchase	57,000	59,000	136,094	(77,094)
Total Expenditures	<u>\$ 2,960,495</u>	<u>\$ 2,960,495</u>	<u>\$ 3,023,089</u>	<u>\$ (62,594)</u>
Excess of Revenues				
Over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (33,541)</u>	<u>\$ (33,541)</u>
Other Financing Sources:				
Proceeds from Sale of Real and Personal Property	\$ 0	\$ 0	\$ 77,500	\$ 77,500
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 77,500</u>	<u>\$ 77,500</u>
Net Change in Fund Balances	\$ 0	\$ 0	\$ 43,959	\$ 43,959
Fund Balances - Beginning	<u>9,106,745</u>	<u>9,106,745</u>	<u>9,106,745</u>	
Fund Balances - Ending	<u>\$ 9,106,745</u>	<u>\$ 9,106,745</u>	<u>\$ 9,150,704</u>	

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

A. PENSION PLAN

CHANGES OF BENEFIT TERMS

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

CHANGES OF ASSUMPTIONS

There were new inflation, mortality, and other assumptions that affected measurement of the total pension liability during the measurement period.

B. BUDGETARY DATA

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

1. In the event the Board of Directors increases property taxes three percent or less, no public hearing is required. If the Board increases taxes more than three but less than eight percent, then a public hearing is required prior to final adoption. If the Board increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election. Beginning with the 1999 tax levy, any increase in property taxes will require a public hearing.
2. Public hearings are conducted at the District headquarters to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through adoption of an order by the Board of Directors.
4. Any budget amendments altering expenditures of any department must be approved by the Board of Directors. There must be an emergency condition existing in order for the Board to increase the total budget.
5. Budgets for the various funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP), with the exception of tax revenues being reported on the cash basis. Budget and actual amounts are recorded on the same basis.
6. Expenditures in excess of appropriations are required by state statutes to be reported down to the department classification.
7. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Board of Directors during the year ended September 30, 2021.

Note: Amounts over budget by line item were covered by current year revenues and other financing sources in excess of expenditures.