

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Victoria County Groundwater Conservation District
Victoria, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Victoria County 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 as adopted by the American Institute of Certified Public Accountants; 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 generally accepted government auditing standards adopted by the American Institute of Certified Public Accountants. 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 each major fund of Victoria County Groundwater Conservation District, as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with generally accepted accounting principles as adopted by the American Institute of Certified Public Accountants.

Other Matters

Required Supplementary Information

Accounting principles as adopted by the American Institute of Certified Public Accountants require that the management's discussion and analysis, budgetary comparison information and Texas County and District Retirement System (TCDRS) on pages 3-7 and 27-32 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 generally accepted government auditing standards adopted by the American Institute of Certified Public Accountants, 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.



Goldman, Hunt & Notz, L.L.P.

June 23, 2022

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

As management of Victoria County Groundwater Conservation District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2021. This discussion and analysis is intended to be an easily readable analysis of the District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

In addition to the Management's Discussion and Analysis (MD&A), the report consists of basic financial statements, notes to the financial statements, and required supplementary information. The basic financial statements are highly condensed and present a government-wide view of the District's finances. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the District. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide basic financial statements.

Basic Financial Statements

- The Statement of Net Position and Balance Sheet - Governmental Funds is the first of two governmental fund and government-wide financial statements which focus on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the District owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. The presentation is similar to a private-sector business.
- The second governmental fund and government-wide financial statement is called the Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds. This statement summarizes the District's revenues and expenditures for the year. Once again, the presentation is similar to a private-sector business.
- The notes to the financial statements provide additional disclosure required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

The discussion and analysis of the District's financial performance provides an overall review of its financial activities for the year ended September 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

Financial Highlights

- The assets of Victoria County Groundwater Conservation District exceeded its liabilities at the close of the fiscal year ended September 30, 2021 by \$3,112,154 (net position). Of this amount, \$3,090,923 in unrestricted net position is available to meet the District's ongoing obligations.
- At September 30, 2021, the District's General Fund reported a combined ending fund balance of \$3,033,769 of which \$312,878 is committed for legal contingencies, \$1,877,269 is committed for groundwater research and management which includes groundwater conservation, groundwater monitoring, groundwater research, groundwater management, groundwater protections, and groundwater planning, and \$843,622 is unassigned.
- At September 30, 2021, unassigned fund balance for the General Fund was \$843,622 or 128% of total General Fund expenditures.
- The total cost of all District activities was \$665,667 for the fiscal year.

Government-wide Overall Financial Analysis

**Victoria County Groundwater Conservation District
Components of Net Position
September 30, 2021
.With Comparative Totals for September 30, 2020
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>		
Current and other assets	\$ 3,154	\$ 2,846	\$ 3,154	\$ 2,846	\$ 308	11%
Capital assets	21	20	21	20	1	5%
Total assets	<u>3,175</u>	<u>2,866</u>	<u>3,175</u>	<u>2,866</u>	<u>309</u>	<u>11%</u>
Deferred outflows of resources related to pension expense	35	26	35	26	9	35%
Total deferred outflows of resources	<u>35</u>	<u>26</u>	<u>35</u>	<u>26</u>	<u>9</u>	<u>35%</u>
Total assets and deferred outflows of resources	<u>3,210</u>	<u>2,892</u>	<u>3,210</u>	<u>2,892</u>	<u>318</u>	<u>11%</u>
Current and other liabilities	81	83	81	83	(2)	-2%
Total liabilities	<u>81</u>	<u>83</u>	<u>81</u>	<u>83</u>	<u>(2)</u>	<u>-2%</u>
Deferred inflows of resources	17	11	17	11	6	55%
Total deferred inflows of resources	<u>17</u>	<u>11</u>	<u>17</u>	<u>11</u>	<u>6</u>	<u>55%</u>
Net position:						
Net investment in capital assets	21	20	21	20	1	5%
Unrestricted	3,091	2,778	3,091	2,778	313	11%
Total net position	<u>\$ 3,112</u>	<u>\$ 2,798</u>	<u>\$ 3,112</u>	<u>\$ 2,798</u>	<u>\$ 314</u>	<u>11%</u>

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

Government-wide Overall Financial Analysis (Continued)

The total net position increased by approximately \$314,000. Cash and investment balances increased by approximately \$312,000, other receivables increased by \$21,000 primarily due to reimbursements to the District for services provided, prepayments decreased by \$18,000, net pension asset decreased by \$8,000 to become a liability and fixed assets increased by \$2,000 primarily due to the impact of equipment purchases and depreciation. Deferred outflows of resources associated with the District's pension increased by \$9,000. Accounts payable increased by \$9,000, accrued liabilities decreased by \$9,000, net pension liability increased by \$3,000 and payroll and other taxes payable decreased by \$5,000. Deferred inflows of resources associated with the District's pension plan increased by \$6,000.

**Victoria County Groundwater Conservation District
Condensed Statement of Activities
For the Year Ended September 30, 2021
With Comparative Totals for the Year Ended September 30, 2020
(in thousands)**

	<u>Governmental Activities</u>		<u>Total Government</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>		
Revenues						
General revenues						
Taxes	\$ 643	\$ 634	\$ 643	\$ 634	\$ 9	1%
Interest	16	32	16	32	(16)	-50%
Other income	321	239	321	239	82	34%
Total revenues	<u>980</u>	<u>905</u>	<u>980</u>	<u>905</u>	<u>75</u>	<u>8%</u>
Expenses						
Personnel	381	425	381	425	(44)	-10%
Professional fees	154	59	154	59	95	161%
Contracted services	55	56	55	56	(1)	-2%
Telecommunications	25	49	25	49	(24)	-49%
Administrative	43	40	43	40	3	8%
Sponsorships and cost-sharing	2	18	2	18	(16)	-89%
Repairs and maintenance	-	1	-	1	(1)	-100%
Depreciation	6	7	6	7	(1)	-14%
Total expenses	<u>666</u>	<u>655</u>	<u>666</u>	<u>655</u>	<u>11</u>	<u>2%</u>
Change in net position	314	250	314	250	64	26%
Beginning net position	<u>2,798</u>	<u>2,548</u>	<u>2,798</u>	<u>2,548</u>	<u>250</u>	<u>10%</u>
Ending net position	<u>\$ 3,112</u>	<u>\$ 2,798</u>	<u>\$ 3,112</u>	<u>\$ 2,798</u>	<u>\$ 314</u>	<u>11%</u>

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

Government-wide Overall Financial Analysis (Concluded)

Total revenues increased by \$75,000 primarily due to an increase in tax revenue of \$9,000, a decrease in interest revenue of \$16,000, an increase in District support fees of \$36,000 due to expanded services provided to other groundwater districts, and an increase in other revenue of \$46,000 due to a \$20,000 refund of support fees paid to an education program that was not executed, and a \$26,000 reimbursement due to the District for services provided.

Total expenses increased by \$11,000 primarily due to a decrease in personnel fees of \$44,000, an increase in professional fees of \$95,000 due to additional groundwater studies that were not present in prior year, a decrease in telecommunication expense of \$24,000 due to the discontinuation of a third party cloud infrastructure service provider contract, and a decrease in sponsorship and cost-sharing expense of \$16,000. This resulted in an overall increase in change in net position from prior year of \$64,000.

Budgetary Highlights

Actual revenues in the General Fund were greater than budgeted revenues by \$76,898. Actual General Fund expenditures were \$184,574 less than budgeted expenditures. The District did not amend its budget for the General Fund during the fiscal year.

Capital Assets

At September 30, 2021 the District had \$21,231 invested in net capital assets. Depreciation on assets was \$6,138 for the year.

**Victoria County Groundwater Conservation District
Capital Assets
(net of accumulated depreciation)
September 30, 2021
With Comparative Totals for September 30, 2020
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	2021	2020	2021	2020		
Office remodel	\$ 13	\$ 13	\$ 13	\$ 13	\$ -	0%
Vehicle and equipment	100	98	100	98	2	2%
Subtotal	<u>113</u>	<u>111</u>	<u>113</u>	<u>111</u>	<u>2</u>	<u>2%</u>
Accumulated depreciation	<u>92</u>	<u>91</u>	<u>92</u>	<u>91</u>	<u>1</u>	<u>1%</u>
Capital assets, net	<u>\$ 21</u>	<u>\$ 20</u>	<u>\$ 21</u>	<u>\$ 20</u>	<u>\$ 1</u>	<u>5%</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021**

Debt Outstanding

At year-end, the District had no outstanding debt.

Economic Factors and Next Year's Budgets and Rates

The District's property tax rate for 2021/2022 is \$0.00828 per \$100 valuation. The net taxable value is \$8,415,240,950 for total tax revenue of \$696,782.

The District budgeted \$930,647 in revenues and \$928,630 in expenditures for 2021/2022.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District Manager at 2805 N. Navarro, Suite 210, Victoria, Texas 77901.

BASIC FINANCIAL STATEMENTS

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2021

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets				
Cash and investments	\$ 3,052,443	\$ 3,052,443	\$ -	\$ 3,052,443
Taxes receivable	42,876	42,876	-	42,876
Other receivables	59,063	59,063	-	59,063
Capital assets (net of accumulated depreciation)	-	-	21,231	21,231
Total assets	<u>3,154,382</u>	<u>3,154,382</u>	<u>21,231</u>	<u>3,175,613</u>
Deferred outflows of resources				
Actual experience vs. expectations	-	-	6,581	6,581
Pension contributions made subsequent to the measurement date	-	-	11,195	11,195
Changes in assumptions	-	-	17,239	17,239
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>35,015</u>	<u>35,015</u>
Total assets and deferred outflows of resources	<u>\$ 3,154,382</u>	<u>\$ 3,154,382</u>	<u>\$ 56,246</u>	<u>\$ 3,210,628</u>
Liabilities				
Accounts payable	\$ 12,171	\$ 12,171	\$ -	\$ 12,171
Accrued liabilities	38,972	38,972	-	38,972
Net pension liability	-	-	3,319	3,319
Payroll and other taxes payable	26,783	26,783	-	26,783
Total liabilities	<u>77,926</u>	<u>77,926</u>	<u>3,319</u>	<u>81,245</u>
Deferred inflows of resources				
Actual experience vs. expectations	-	-	5,713	5,713
Amortization of prior year outflows	-	-	4,927	4,927
Actual earnings vs. projections	-	-	6,274	6,274
Changes in assumptions	-	-	315	315
Unavailable taxes	42,687	42,687	(42,687)	-
Total deferred inflows of resources	<u>42,687</u>	<u>42,687</u>	<u>(25,458)</u>	<u>17,229</u>
Fund balance				
Committed	2,190,147	2,190,147	(2,190,147)	-
Unassigned	843,622	843,622	(843,622)	-
Total fund balance	<u>3,033,769</u>	<u>3,033,769</u>	<u>(3,033,769)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 3,154,382</u>	<u>\$ 3,154,382</u>		
Net position:				
Net investment in capital assets			21,231	21,231
Unrestricted			3,090,923	3,090,923
Total net position			<u>\$ 3,112,154</u>	<u>\$ 3,112,154</u>

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

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF NET POSITION AND BALANCE
SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2021**

Amounts reported for governmental activities in the Statement of Net Position (page 8) are different because:

Total fund balance - governmental funds (page 8)	\$ 3,033,769
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,231
Delinquent taxes receivable are not considered available to pay for current period expenditures and, therefore, are deferred in the funds.	42,687
The net pension liability is not an available resource and, therefore, is not reported in the funds.	(3,319)
Deferred outflows of resources related to pension expense are not due and payable in the current period and, therefore, are not reported in the funds.	35,015
Deferred inflows of resources related to pension expense are not due and receivable in the current period and, therefore, are not reported in the funds.	<u>(17,229)</u>
Net position of governmental activities	<u><u>\$ 3,112,154</u></u>

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

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/NET POSITION - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021**

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues				
Property taxes	\$ 642,126	\$ 642,126	\$ 726	\$ 642,852
Interest income	16,362	16,362	-	16,362
District support fees	273,903	273,903	-	273,903
Education program refunds	20,428	20,428	-	20,428
Professional fee reimbursements	26,342	26,342	-	26,342
Total revenues	<u>979,161</u>	<u>979,161</u>	<u>726</u>	<u>979,887</u>
Expenditures/expenses				
Service operations:				
Personnel	373,385	373,385	8,171	381,556
Professional fees	153,802	153,802	-	153,802
Contracted services	54,843	54,843	-	54,843
Telecommunications	24,760	24,760	-	24,760
Administrative	42,814	42,814	-	42,814
Sponsorships and cost-sharing	1,754	1,754	-	1,754
Capital outlay	7,689	7,689	(7,689)	-
Depreciation	-	-	6,138	6,138
Total expenditures/expenses	<u>659,047</u>	<u>659,047</u>	<u>6,620</u>	<u>665,667</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>320,114</u>	<u>320,114</u>	<u>(5,894)</u>	<u>314,220</u>
Net change in fund balance/net position	320,114	320,114	(5,894)	314,220
Fund balance/net position:				
Beginning of the year	2,713,655	2,713,655	84,279	2,797,934
End of the year	<u>\$ 3,033,769</u>	<u>\$ 3,033,769</u>	<u>\$ 78,385</u>	<u>\$ 3,112,154</u>

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

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE/NET POSITION – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021**

Amounts reported for governmental activities in the Statement of Activities (page 10) are different because:

Net change in fund balance - total governmental funds (page 10)	\$ 320,114
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	7,689
Depreciation expense on capital assets reported in the government-wide statement of activities does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(6,138)
Governmental funds report contributions made to the pension plan as expenditures. However, in the statement of activities, pension expense is affected by changes in the net pension asset and deferred outflows of resources related to pension expense. This is the amount by which pension contributions exceeded pension expense in the current period.	(8,171)
Some revenue reported in the governmental funds was earned in prior periods and is not reported in the government-wide statement of activities.	<u>726</u>
Change in net position of governmental activities	<u><u>\$ 314,220</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING

Basis of Accounting/Measurement Focus

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 accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental 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 accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the District are described below.

A. Governmental Fund Financial Statements and Government-Wide Financial Statements

The governmental fund financial statements and government-wide financial statements are combined in the Statement of Net Position and Balance Sheet - Governmental Funds and the Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds. These statements present summaries of governmental activities for the District. Fiduciary activities of the District are not included in these statements.

Government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position and Balance Sheet - Governmental Funds. The Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds presents changes in fund balance/net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in two categories: 1) property taxes, 2) investment earnings and 3) fees charged.

Governmental fund financial statements are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and current deferred inflows of resources are included on the Statement of Net Position and Balance Sheet - Governmental Funds. The Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and interest income. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Continued)

The following is the District's Governmental Fund type:

General Fund

The General Fund is the general operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

B. Fund Balance Classification

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

Nonspendable

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Committed

Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, the Board of Directors. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned

Amounts the District intends to use for a specific purpose, but does not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Directors or by an official to which the District delegates the authority.

Unassigned

All other spendable amounts.

C. Restricted Resources

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposits with maturity dates of 12 months or less.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Continued)

E. Budget

The Board of Directors prepares and votes on the adopted budget. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP) in the United States of America. Any revisions to the budget are approved by the Board of Directors. The original budget and final amended budget (when applicable) for the General Fund are used in this report.

F. Inventory

There is no inventory at September 30, 2021.

G. Personal Leave

Personal leave is accrued by an employee of the District during the time the employee begins their employment period with the District and may be used, subject to authorization by the employee's supervisor, to compensate for scheduled work hours not worked by the employee or to compensate for scheduled work hours not worked by the employee due to illness. Employees with less than six years of service accrue fifteen days of leave per year, while employees with more than six years of service accrue fifteen days per year plus one additional day for each additional year of service. Personal leave is accrued at the end of each monthly pay period. Upon termination of employment, employees shall be compensated at their present hourly pay rate for all unused, accrued personal leave. At year end, accrued personal leave was \$18,848 and is included with accrued liabilities.

H. Property Tax

The Appraisal District annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest ultimately imposed for the year on the property. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based upon the aggregate appraisal value.

Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 and attach as an enforceable lien on the property as of July 1 of the following year. The Victoria County Tax Assessor/Collector collects and remits the property taxes to the District on a monthly basis. No allowance for uncollectable taxes has been provided as such amounts are not expected to be material.

The tax rate for 2020/2021 was \$0.00828 per \$100 valuation. The taxable value was \$7,605,900,369. All tax monies are used for maintenance and operations.

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Continued)

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will *not* be recognized as an outflow of resources (expenditure) until that time. The District has several items that qualify for reporting in this category. They are related to the deferred future pension expense related to the net pension asset. Deferred future pension expense results from the difference in expected and actual experience, the difference in assumption changes, and pension contributions remitted after the measurement date. All differences are based on actuarial gains or losses. These amounts are deferred and amortized over their respective remaining recognition period.

The District reports deferred inflows of resources on its General Fund balance sheet. Deferred inflows of resources arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources also arise when the District receives resources before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred inflows of resources is removed from the balance sheet and revenue is recognized. The District has several items that qualify for reporting in this category. The first set is related to deferred future pension expense related to the net pension liability. Deferred future pension income results from the difference in expected and actual experience, the amortization of prior year outflows, the difference in actual earnings vs projections, and changes in assumptions. The second set of deferred inflows arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item *unavailable revenue*, is reported only in the governmental funds balance sheet. The General Fund reports unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Vehicle and equipment	5 – 7 years
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K. Related Party Transactions

There are no material related party transactions.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Concluded)**

L. Contracts

Interlocal Cooperation Agreement

The District has entered into interlocal cooperation agreements with Texana Groundwater Conservation District (TGCD), Calhoun County Groundwater Conservation District (CGCD), and Refugio Groundwater Conservation District (RGCD) to provide office and field equipment incidental to the operation of TGCD, CGCD, and RGCD. TGCD, CGCD, and RGCD shall compensate the District for the services provided. The District earned total revenue of \$80,008 from TGCD, \$78,266 from CGCD, and \$54,579 from RGCD in performance of these services during the fiscal year ended September 30, 2021. These contracts are renewed annually.

The District, along with twelve other groundwater districts which make up Groundwater Management Area 15 (GMA 15), have entered into an interlocal agreement to divide the cost of groundwater studies on behalf of GMA 15. The District has contributed \$6,250 in support of this project, and is due a pro-rata share of any unexpended funds at the termination of the project. The District's current share of contributed but unexpended funds is \$2,375.

M. Pensions

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: THE FINANCIAL REPORTING ENTITY

Creation of District

Victoria County Groundwater Conservation District operates with a Board of Directors form of government. The District was created on June 17, 2005 under and subject to the authority, conditions, and restrictions of Section 59, Article XVI, Texas Constitution. It has the same boundaries as Victoria County, which covers an area of 889 square miles and is in the West Gulf Coast Plain of South Texas. The District's mission is to develop, promote, and implement water conservation, augmentation, and management strategies in order to protect water resources for the benefit of the citizens, economy, and environment of Victoria County, Texas.

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial Credit Risk - Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The District's deposits were fully collateralized at September 30, 2021. At year-end, the carrying amount of the District's deposits was \$3,052,443 and the respective bank balance totaled \$3,052,708. Of the total bank balance, \$500,000 was covered by Federal Depository Insurance (\$250,000 for demand deposits and \$250,000 for time deposits). The remaining \$2,552,708 was covered by additional securities pledged to the District at September 30, 2021. The fair market value of the pledged securities at year end was \$3,308,501.

Investments

In accordance with the Texas Government Code, Subtitle F, Chapter 2256, Subchapter A, Authorized Investments for Governmental Entities, the District can invest in the following, subject to requirements within the Code:

1. Obligations of, or guaranteed by Governmental Entities
2. Certificates of Deposit and share certificates
3. Repurchase agreements
4. Securities Lending Programs
5. Banker's Acceptance
6. Commercial Paper
7. Mutual Funds
8. Guaranteed Investment Contracts
9. Investment pools

The District categorizes its fair value measurements for its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2021 the District had no investments.

Other Investment Risks

As the District does not have investments it is not exposed to Credit Risk, Concentration of Credit Risk, or Interest Rate Risk.

NOTE 4: TAXES RECEIVABLE

At September 30, 2021, ad valorem taxes receivable of \$42,687 was considered delinquent and reported as unavailable revenue in the Governmental Fund financial statement.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

NOTE 5: CHANGES IN CAPITAL ASSETS

	Primary Government			Balance 9/30/2021
	Balance 10/1/2020	Additions	Retirements	
Governmental activities:				
Capital assets:				
Office remodel	\$ 13,000	\$ -	\$ -	\$ 13,000
Vehicle and equipment	98,088	7,689	5,395	100,382
Total capital assets at historical cost	<u>111,088</u>	<u>7,689</u>	<u>5,395</u>	<u>113,382</u>
Less accumulated depreciation for:				
Office remodel	5,850	1,300	-	7,150
Vehicle and equipment	85,558	4,838	5,395	85,001
Total accumulated depreciation	<u>91,408</u>	<u>6,138</u>	<u>5,395</u>	<u>92,151</u>
Governmental activities capital assets, net	<u>\$ 19,680</u>	<u>\$ 1,551</u>	<u>\$ -</u>	<u>\$ 21,231</u>

Depreciation expense was charged to primary government in the amount of \$6,138.

NOTE 6: OPERATING LEASE

The District leases office space from Victoria County, Texas for \$1,508 per month plus a potential increase from year to year for lessor's increased amount of maintenance, repair, cleanup, and utilities provided, however, such increase shall not be more than five percent in any lease year. Total rent expense for the office space was \$18,096 for the year ended September 30, 2021. The lease expires September 30, 2025.

The amount due in subsequent years (without the increased cost provision) is as follows:

Year Ended September 30,	Amount Due
2022	\$ 18,096
2023	18,096
2024	18,096
2025	18,096
	<u>\$ 72,384</u>

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended September 30, 2021, the District purchased commercial insurance to cover these risks.

Hurricanes can cause flooding, particularly in coastal areas such as the area where the District is located. Hurricanes can also cause windstorm and other damage and hurricane induced flooding can submerge roadways connecting coastal areas with inland areas, thus preventing the evacuation of people and/or property. If a hurricane (or other natural disaster) destroyed all or part of the area in which the District operates, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or increase in the tax rate. Further, there can be no assurance that a casualty loss will be covered by insurance (certain casualties, including flood, are usually excluded unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged District property. Even if insurance proceeds are available and the District does repaired/rebuild damaged assets, there could be a lengthy period in which assessed values within the District could be adversely affected. The Gulf Coast region in which the District is located is subject to occasional destructive weather. There can be no assurance the District will not endure damage from future meteorological events.

On March 11, 2020 the World Health Organization declared the novel strain of the coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States caused business disruptions through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. As a result, the outbreak caused uncertainty in the financial markets. The District's operations are considered to be essential services, and as such, the District remained open and continues to provide services to the community. The District's primary revenue stream, ad valorem tax revenue, is not expected to be materially impacted by this event.

The District operates in a regulated industry. As a result, various lawsuits, claims, and legal and regulatory proceedings can be instituted or asserted against the District.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

NOTE 8: PENSION PLAN

A. Plan Description

The District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. All full and part time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership. TCDRS is a savings-based plan. For the District's plan, 5% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity. There are no automatic cost of living adjustments (COLAs). Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation. Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District's contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the District and are currently 5%. The most recent annual comprehensive financial report (ACFR) for TCDRS can be found at the following link, www.tcdrs.org.

B. Benefits Provided

The District provides retirement benefits to its employees. The plan provisions are adopted by the Board of Directors, within the options available in the state statutes governing TCDRS (TCDRS Act). Employees can retire regardless of age with 20 years of service. The "Rule of 80" will determine retirement eligibility. Members are vested after 5 years 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.

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 Board of Directors within the constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement the benefit is calculated by converting the sum of the employee's accumulated contribution and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

NOTE 8: PENSION PLAN (Continued)

B. Benefits Provided (Concluded)

Plan Provisions for the District were as follows:

	Plan Year 2020
Employee deposit rate	5.0%
Matching ratio (District to employee)	1.5 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	80/5, 0/20
Updated service credit	0%

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	7
Totals	7

C. Contributions

The contribution rate for employees in TCDRS is either 4%, 5%, 6%, or 7% of compensation, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. Investment income funds are a large part of the benefits employees earn.

Employees of the District were required to contribute 5% of their annual gross earnings during the fiscal year ended September 30, 2021. The contribution rates for the District were 5.33% in the calendar year 2020 and 5.31% in the calendar year 2021. The District's contributions to TCDRS for the year ended September 30, 2021 were \$16,456.

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability/(Asset)

The District's Net Pension Liability (NPL) was measured as of December 31, 2020 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.50% per year
Overall payroll growth:	Varies by age & service. 4.6% average over career including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Mortality rates for depositing members is based 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014. Mortality rates for service retirees, beneficiaries and non-depositing members is based on 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. The Mortality rates for disabled retirees is based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions that determined the total pension liability as of December 31, 2020 were based on the results of an actuarial experience study from the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 7.60%. This rate reflects the long-term rate of return funding valuation assumption of 7.50% plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long term time horizon. The TCDRS Board of trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the below table. These capital market assumptions are based on January 2021 information for a ten year time horizon.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability/(Asset) (Continued)

	Target	Long-Term Expected Real
Asset Class	Allocation	Rate of Return (Arithmetic)
US Equities	11.50%	4.25%
Private Equity	25.00%	7.25%
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 (MLPs)	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Hedge Funds	6.00%	1.85%
Cash Equivalents	2.00%	-0.70%
Totals	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 Asset/Liability.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability/(Asset) (Concluded)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at December 31, 2019	\$ 228,475	\$ 236,675	\$ (8,200)
Changes for the year:			
Service cost	32,958	-	32,958
Interest on total pension liability	21,176	-	21,176
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	1,469	-	1,469
Effect of assumptions changes or inputs	18,347	-	18,347
Administrative expenses	-	(219)	219
Member contributions	-	17,912	(17,912)
Net investment income	-	24,526	(24,526)
Employer contributions	-	19,094	(19,094)
Other	-	1,118	(1,118)
Net changes	73,950	62,431	11,519
Balance at December 31, 2020	<u>\$ 302,425</u>	<u>\$ 299,106</u>	<u>\$ 3,319</u>

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 7.60%, as well as what Victoria County Groundwater Conservation District net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate.

	1% Decrease in Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total pension liability	\$ 344,110	\$ 302,425	\$ 266,949
Fiduciary net position	299,106	299,106	299,106
Net pension liability/(asset)	<u>\$ 45,004</u>	<u>\$ 3,319</u>	<u>\$ (32,157)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

NOTE 8: PENSION PLAN (Continued)

E. Pension Expense, Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the District recognized pension expense/(income) of \$8,171.

At September 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 5,713	\$ 6,581
Changes in assumptions	315	17,239
Net difference between projected and actual earnings	6,274	-
Contributions made subsequent to measurement date	-	11,195
Total	\$ 12,302	\$ 35,015

Deferred outflows of resources of \$11,195 related to pension resulting from contributions subsequent to the measurement date will be recognized as an addition of the net pension asset for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows (Inflows) of Resources
2021	\$ (750)
2022	752
2023	(2,557)
2024	213
2025	977
Thereafter	12,883
Total	\$ 11,518

F. Group Term Life Fund (GTLF)

The District also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS) known as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The District has elected to not extend this benefit to retired employees.

The GTLF is a separate trust administered by the TCDRS Board of Trustees. TCDRS issues a publicly available ACFR that includes financial statements and required supplementary information for the GTLF. This report may be obtained by writing to TCDRS, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782. TCDRS's ACFR is also available at www.tcdrs.org.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021**

NOTE 8: PENSION PLAN (Concluded)

F. Group Term Life Fund (GTLF) (Concluded)

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District contributions to the GTLF for the years ended September 30, 2021, 2020, and 2019 were \$585, \$763, and \$515, respectively, which equaled the contractually required contributions each year.

NOTE 9: FUND BALANCE

The Government committed the following fund balance types through formal action.

The Government does not have a formal minimum fund balance policy.

A schedule of fund balance is provided below:

	<u>General Fund</u>	<u>Total Governmental Funds</u>
FUND BALANCE		
Committed:		
Legal contingencies	\$ 312,878	\$ 312,878
Groundwater conservation	312,878	312,878
Groundwater monitoring	312,878	312,878
Groundwater research	312,878	312,878
Groundwater management	312,878	312,878
Groundwater protections	312,878	312,878
Groundwater planning	312,879	312,879
Unassigned	843,622	843,622
Total fund balance	<u>\$ 3,033,769</u>	<u>\$ 3,033,769</u>

NOTE 10: SUBSEQUENT EVENTS

No material subsequent events were noted for the fiscal year ended September 30, 2021.

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through June 23, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended September 30, 2021**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 640,663	\$ 642,126	\$ 1,463
Interest income	15,000	16,362	1,362
District support fees	246,600	273,903	27,303
Education program refunds	-	20,428	20,428
Professional fee reimbursements	-	26,342	26,342
Total revenues	<u>902,263</u>	<u>979,161</u>	<u>76,898</u>
Expenditures/expenses			
Service operations:			
Personnel	436,181	373,385	62,796
Professional fees	196,400	153,802	42,598
Contracted services	62,000	54,843	7,157
Telecommunications	23,600	24,760	(1,160)
Administrative	49,840	42,814	7,026
Sponsorships and cost-sharing	57,100	1,754	55,346
Repair and maintenance	3,500	-	3,500
Capital outlay	15,000	7,689	7,311
Total expenditures/expenses	<u>843,621</u>	<u>659,047</u>	<u>184,574</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>\$ 58,642</u>	<u>\$ 320,114</u>	<u>\$ 261,472</u>

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2021**

NOTE 1: BUDGET

The budget for the Governmental Fund adopted during the year by the District was prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The General Fund has a legally adopted budget. The District did not amend the General Fund budget during the fiscal year.

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (unaudited)
For the Year Ended September 30, 2021

	Measurement Year						
	2014	2015	2016	2017	2018	2019	2020
Total pension liability							
Service cost	\$ 13,862	\$ 14,780	\$ 16,581	\$ 17,038	\$ 20,789	\$ 21,416	\$ 32,958
Interest on total pension liability	5,977	7,633	8,435	11,152	13,788	16,812	21,176
Effect of plan changes	-	(3,122)	-	-	1,459	-	-
Effect of economic/demographic gains or losses	1,356	(12,147)	(381)	1,079	670	4,108	1,469
Effect of assumptions changes or inputs	-	668	-	(474)	-	-	18,347
Net change in total pension liability	21,195	7,812	24,635	28,795	36,706	42,336	73,950
Total pension liability - beginning	66,996	88,191	96,003	120,638	149,433	186,139	228,475
Total pension liability - ending (a)	\$ 88,191	\$ 96,003	\$ 120,638	\$ 149,433	\$ 186,139	\$ 228,475	\$ 302,425
Plan fiduciary net position							
Administrative expenses	\$ (54)	\$ (64)	\$ (78)	\$ (106)	\$ (144)	\$ (180)	\$ (219)
Member contributions	7,491	8,003	8,495	9,220	11,021	13,039	17,912
Net investment income	4,138	(1,365)	7,172	18,168	(2,716)	29,501	24,526
Employer contributions	8,435	9,123	9,667	9,423	11,594	13,561	19,094
Other	(4)	(8)	1,577	249	689	944	1,118
Net change in plan fiduciary net position	20,006	15,689	26,833	36,954	20,444	56,865	62,431
Plan fiduciary net position - beginning	59,884	79,890	95,579	122,412	159,366	179,810	236,675
Plan fiduciary net position - ending (b)	\$ 79,890	\$ 95,579	\$ 122,412	\$ 159,366	\$ 179,810	\$ 236,675	\$ 299,106

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (unaudited) (CONTINUED)
For the Year Ended September 30, 2021

	Measurement Year						
	2014	2015	2016	2017	2018	2019	2020
Net pension liability(asset) - ending (a)-(b)	\$ 8,301	\$ 424	\$ (1,774)	\$ (9,933)	\$ 6,329	\$ (8,200)	\$ 3,319
Plan fiduciary net position as a percentage of total pension liability	90.59%	99.56%	101.47%	106.65%	96.60%	103.59%	98.90%
Covered employee payroll	\$ 149,829	\$ 160,048	\$ 169,893	\$ 184,404	\$ 220,421	\$ 260,784	\$ 358,240
Net pension liability as a percentage of covered employee payroll	5.54%	0.26%	-1.04%	-5.39%	2.87%	-3.14%	0.93%

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended September 30, 2021

	Fiscal Year						
	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 8,435	\$ 9,123	\$ 9,667	\$ 9,423	\$ 11,594	\$ 13,561	\$ 19,094
Contributions in relation to the actuarially determined contribution	9,274	9,976	9,667	9,423	11,594	13,561	19,094
Contribution deficiency (excess)	<u>\$ (839)</u>	<u>\$ (853)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	157,318	168,023	169,893	184,404	220,421	260,784	358,240
Contributions as a percentage of covered employee payroll	5.90%	5.94%	5.69%	5.11%	5.26%	5.20%	5.33%

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
NOTES TO SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended September 30, 2021**

Valuation timing:	Actuarially determined contributions rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/ demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	3.50% to 8.00% including 3.00% wage inflation
Investment Rate of Return	7.60%
Cost-of-Living Adjustments	Cost-of-living adjustments for Victoria County Groundwater Conservation District are not considered to be substantively automatic under GASB 68. Therefore, no assumptions for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Experienced-based table of rates that are specific to the District's plan of benefits.
Turnover	0%
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retiree, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Other Information:	
Notes	There were no benefit changes during the year.