

MESQUITE GROUNDWATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended September 30, 2020

MESQUITE GROUNDWATER CONSERVATION DISTRICT

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MESQUITE GROUNDWATER CONSERVATION DISTRICT

LIST OF PRINCIPAL OFFICIALS

September 30, 2020

OFFICERS

Jerry Lewis -- President
Johnny Lindley -- Vice President
Mat Montgomery -- Secretary

DIRECTORS

Terry Canada
Rex Fuston
Curtis Scrivner
Danny Wischkaemper
Matthew Tarver

KEY PERSONNEL

James Lynn Smith -- General Manager

DISTRICT ADDRESS

Mesquite Groundwater Conservation District
802 9th Street
Wellington, Texas 79095
(806) 447-2800

PRIDE & COMPANY LLC
ACCOUNTING & TAX PROFESSIONALS

4023 West 50th Avenue
Amarillo, Texas 79109
806.376.7209

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mesquite Groundwater Conservation District
Wellington, Texas

I have audited the accompanying basic financial statements of Mesquite Groundwater Conservation District as of and for the year ended September 30, 2020, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mesquite Groundwater Conservation District as of September 30, 2020, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 4-6 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of Mesquite Groundwater Conservation District. The introductory section and supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

Mickey M. Pride, CPA

Amarillo, Texas
January 14, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is provided by the Mesquite Groundwater Conservation District, hereafter referred to as the District. The present District name of Mesquite Groundwater Conservation District was adopted in October 2007.

The District was originally created as Collingsworth County Underground Water Conservation District by HB 1148 of the 68th Legislature of the State of Texas and ratified by the voters of Collingsworth County in 1986. Selected parcels from Childress County were added by individual land owner petition in May 2007. Hall County also joined the District by petition with a conformation election in May 2007. In July of 2012, parcels of Briscoe County were added by individual land owners petition. The Mesquite Groundwater Conservation District encompasses all of Collingsworth and Hall counties, parts of northern Childress County and parcels in Briscoe County.

Financial Highlights

- * The assets of the District at the end of the year totaled \$180,827.64.
- * The fund equity of the District at the end of the year was \$141,841.88
- * The fund equity of the District decreased during the year by \$8,738.16
- * The District had operating income of \$8,738.16 for the year.
- * The District's cash and cash equivalents increased during the year by \$11,122.73

Overview of the Financial Statements

This section is intended to serve as introduction to the District's basic financial statements. The basic financial statements are the 1) Balance Sheet; 2) Statement of Revenues, Expenses and Changes in Fund Equity; and 3) Statement of Cash Flows.

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer financial information about its activities. The Balance Sheet includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Fund Equity. This statement measures the success of the District's operation over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what cash was used for, and what was the change in the cash balance during the operating period.

The financial statements also include notes that explain in more detail some of the information in the financial statements.

Overview of Financial Activities and Analysis

To begin our analysis, summaries of the District's Balance Sheets and Statements of Revenues, Expenses and Changes in Fund Equity are presented below.

Condensed Balance Sheets

	<u>09/30/2020</u>	<u>09/30/19</u>	<u>Dollar Change</u>
Current and other assets	\$ 180,175	\$ 169,052	\$ 11,123
Capital assets, net	653	1,143	(490)
Total assets	<u>\$ 180,828</u>	<u>\$ 170,195</u>	<u>\$ 10,633</u>
Liabilities	<u>\$ 38,986</u>	<u>\$ 37,091</u>	<u>\$ 1,895</u>
Capital assets, net	\$ 653	\$ 1,143	\$ (490)
Unrestricted	141,189	131,961	9,228
Total fund equity	<u>\$ 141,842</u>	<u>\$ 133,104</u>	<u>\$ 8,738</u>

**Condensed Statements of Revenues,
Expenses and Changes in Fund Equity**

	<u>Year Ended 09/30/2020</u>	<u>Year Ended 09/30/2019</u>	<u>Dollar Change</u>
Operating revenues	\$ 228,472	\$ 216,670	\$ 11,802
Non-operating revenues	986	355	631
Total Revenues	229,458	217,025	12,433
Operating expenses	220,720	219,490	1,230
Increase (Decrease) in fund equity	8,738	(2,465)	11,203
Beginning fund equity	133,104	135,569	(2,465)
Ending fund equity	<u>\$ 141,842</u>	<u>\$ 133,104</u>	<u>\$ 8,738</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--CONTINUED

Overview of Financial Activities and Analysis-Continued

The overall financial position of the District remains sound. The \$11,123 increase in current and other assets are attributable to continued monitoring of activity in the District. The District utilized a portion of their assets for operations and expenses of their contract with the Texas Water Development Board. The District did not receive any grant money to be used for the benefit of the farmers in the District.

Economic Factors and Next Year's Budgets and Allocations

The District's elected and appointed officials considered many factors when setting the fiscal-year 2019 budget. The main factor is the economy. The District's unemployment rates and little or no increase in population is factored in the budget.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's activities. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mesquite Groundwater Conservation District, 802 Ninth St., Wellington, TX 79095

MESQUITE GROUNDWATER
Balance Sheet
September 30, 2020

ASSETS

Current Assets

Cash on Hand and in Banks	\$	74,359.57	
Certificates of Deposits		<u>105,815.03</u>	

Total Current Assets			\$ 180,174.60
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Fixed Assets

Equipment		27,135.32	
Vehicles		26,354.00	
Accumulated Depreciation		<u>(52,836.28)</u>	

Total Fixed Assets			<u>653.04</u>
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Total Assets			\$ <u><u>180,827.64</u></u>
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LIABILITIES AND EQUITY

Current Liabilities

Payroll Taxes Payable	\$	1,535.28	
Retirement Payable		660.48	
Log Deposits Payable		<u>36,790.00</u>	

Total Current Liabilities			\$ 38,985.76
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Equity

Unrestricted Fund		130,981.31	
Equipment Fund		2,122.41	
Current Income (Loss)		<u>8,738.16</u>	

Total Equity			<u>141,841.88</u>
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Total Liabilities & Equity			\$ <u><u>180,827.64</u></u>
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MESQUITE GROUNDWATER
Income Statement
For the Year Ended September 30, 2020

	12 Months Ended Sep. 30, 2020	Pct
Revenue		
Tax Revenue	\$ 226,120.46	98.97
Permits and Fees	<u>2,351.88</u>	<u>1.03</u>
Total Revenue	228,472.34	100.00
Operating Expenses		
Meeting Expenses	3,765.32	1.65
Appraisal District Fees	8,613.01	3.77
Automobile Expenses	5,111.46	2.24
Depreciation	489.79	0.21
Dues and Subscriptions	1,568.00	0.69
Insurance	1,954.12	0.86
Flowmeter Program	1,823.00	0.80
Employee Health Insurance	7,256.46	3.18
Office Expenses	148.75	0.07
Insurance-Directors and GM	452.76	0.20
Salaries and Wages	104,810.38	45.87
Payroll Taxes	7,659.96	3.35
Employee Retirement	5,444.86	2.38
Postage and Delivery	1,282.30	0.56
Hydrology and Monitoring	25,300.00	11.07
Accounting	4,640.00	2.03
Legal Fees	15,018.78	6.57
Rent	5,872.50	2.57
Computer Repairs	1,382.73	0.61
Supplies	3,315.55	1.45
Tax Collection Commissions	3,524.39	1.54
Telephone	5,365.52	2.35
Travel	1,134.62	0.50
Utilities	1,883.72	0.82
Water Monitoring Program	2,699.70	1.18
Memorials	<u>202.00</u>	<u>0.09</u>
Total Operating Expenses	<u>220,719.68</u>	<u>96.61</u>
Operating Income	7,752.66	3.39
Interest Income	<u>985.50</u>	<u>0.43</u>
Total Other Income	<u>985.50</u>	<u>0.43</u>
Net Income (Loss)	\$ <u><u>8,738.16</u></u>	<u><u>3.82</u></u>

MESQUITE GROUNDWATER
Statement of Cash Flows
For the Year Ended September 30, 2020
INCREASE (DECREASE) IN CASH OR CASH EQUIVALENTS

Cash Flow from Operating Activities		\$	8,738.16
Net Income (Loss)			
Adjustments to Reconcile Cash Flow			
Decrease (Increase) in Current Assets			
Increase (Decrease) in Current Liabilities			
Payroll Taxes Payable	(205.22)		
Health Insurance Payable	(1,615.48)		
Retirement Payable	660.48		
Log Deposits Payable	<u>3,055.00</u>		
Total Adjustments			<u>1,894.78</u>
Cash Provided (Used) by Operations			10,632.94
Cash Flow From Investing Activities			
Sales (Purchases) of Assets			
Accumulated Depreciation	<u>489.79</u>		
Cash Provided (Used) by Investing			489.79
Cash Flow From Financing Activities			
Cash (Used) or provided by:			
Unrestricted Fund	<u>0.00</u>		
Cash Provided (Used) by Financing			<u>0.00</u>
Net Increase (Decrease) in Cash			11,122.73
Cash at Beginning of Period			<u>169,051.87</u>
Cash at End of Period		\$	<u><u>180,174.60</u></u>

MESQUITE GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MESQUITE GROUNDWATER CONSERVATION DISTRICT (the "District") is a government agency formed to regulate the rights to underground water in Collingsworth County, Hall County, and parcels of northern Childress County. The District annexed parcels of Briscoe County in July of 2012. The District operates under the applicable laws and regulations of the State of Texas.

The Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations within the District's reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards No. 14, *The Financial Reporting Entity*, is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component will provide a financial benefit to or impose a financial burden on the primary government. The District's financial statements do not include any component units because none of the criteria for inclusion as set forth in GASB 14 have been met.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. Generally accepted accounting principles prescribed by the Financial Accounting Standards Board are applied unless they conflict with or contradict GASB pronouncements, or were issued after November 30, 1989.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and demand deposit accounts in bank.

MESQUITE GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

Ad Valorem (Property) Taxes

Ad valorem (property) taxes are levied on October 1st by the District based on the January 1st property values as assessed by the District. Taxes are due without penalty until January 31st of the next calendar year. After January 31st, the District has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectable by the District.

Depreciation

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line method. The service lives by type of asset are as follows:

Machinery and equipment	3-20 years
Vehicles	3-5 years
Furniture and fixtures	2-10 years

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. At September 30, 2020, the District's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the District's name; as a result, the District's deposits were not exposed to custodial credit risk.

MESQUITE GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

DEPOSITS AND INVESTMENTS - continued

At September 30, 2020, the District's investments were certificates of deposit with Happy State Bank. Amount on deposit at September 30, 2020, totaled \$105,815. The District's certificates of deposit are entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

INVESTMENT POLICY

The District established an Investment Committee to oversee their investments. The investment committee consists of the Director and his assistant. The members of the Investment Committee are fiduciaries of the Portfolio with respect to all responsibilities allocated to them. The members will discharge their duties solely on behalf of the District's mission in accordance with its specific terms. The committee shall have direct access to and complete and open communications with the Board of Directors and may obtain advice and assistance from the Members.

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 2019-2020, the district was a member of the Texas Municipal League Intergovernmental Risk Pool, and intergovernmental risk pool currently operating as a common risk management and insurance program for certain governmental entities of the State of Texas. The District pays an annual premium to Texas Municipal League Intergovernmental Risk Pool for its property insurance, automobile liability, general liability, errors and omissions insurance. The District has workman's compensation with Texas Mutual Insurance Company. The Board of Directors and General Manager are bonded by Western Surety Company. Settled claims resulting from this risk has not exceeded commercial insurance coverage in any of the past three years.

MESQUITE GROUNDWATER CONSERVATION DISTRICT
 SCHEDULE OF TAXES LEVIED AND RECEIVABLE
 For the Year Ended September 30, 2020

	Debt Service <u>Taxes</u>
Tax Receivable--October 1, 2019	\$ 6,062
2019 Original tax levy	<u>227,132</u>
Total to accounted for	233,194
Tax collections	<u>226,120</u>
Taxes Receivable--September 30, 2020	<u>\$ 7,074</u>
Property valuations	<u>\$560,856,131</u>
Tax rate per \$100 valuation	<u>.040947</u>
Original tax levy	<u>\$ 229,654</u>
Percent of taxes collected to taxes levied	<u>97.23%</u>

MESQUITE GROUND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
 BUDGET AND ACTUAL--GENERAL FUND
 For the Year Ended September 30, 2020

	Budgeted Original	Amounts Final	Actual	Variance
Revenues:				
Property Taxes	\$ 233,000	\$ 226,120	\$ 226,120	\$ 0.00
Services	2,500	2,352	2,352	0.00
Interest Earned	-0-	-0-	986	986
Other Revenue	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>235,500</u>	<u>228,472</u>	<u>229,458</u>	<u>986</u>
Expenditures:				
Operating	<u>227,000</u>	<u>220,720</u>	<u>220,720</u>	<u>0.00</u>
Net Change	<u>\$ 8,500</u>	<u>\$ 7,752</u>	<u>\$ 8,738</u>	<u>\$ 986</u>

MESQUITE GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

Summary of the Auditor's Results

- * The type of report issued on the financial statements of Mesquite Groundwater Conservation District was an unqualified opinion.
- * The audit did not disclose any noncompliance which would be material to the financial statements.
- * The District qualifies as a low-risk auditee.

Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

- * NONE

MESQUITE GROUNDWATER CONSERVATION DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2020

NONE.