

**BRAZORIA COUNTY GROUNDWATER
CONSERVATION DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2023



**8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566**

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BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

*Annual Financial Report
For the Year Ended September 30, 2023*

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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Directors
Brazoria County Groundwater Conservation District
Angleton, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and general fund of the Brazoria County Groundwater Conservation District (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 the District, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

KM&L, LLC

Lake Jackson, Texas
February 6, 2024

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BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

*Management's Discussion and Analysis
For the Year Ended September 30, 2023*

As directors of Brazoria County Groundwater Conservation District (the "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, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 2,131,437 (net position). This is an increase in net position of \$ 275,182 from the prior year net position of \$ 1,856,255.
- As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of \$ 2,117,569. The fund balance represents 443.77% of current year expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between these four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by fees. The *governmental activities* of the District include general government and administration, and groundwater conservation.

The government-wide financial statements can be found on pages 16 through 17 of this report.

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Management's Discussion and Analysis

For the Year Ended September 30, 2023

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one major fund, which is the general fund, and is reported as a governmental fund.

- **Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The fund financial statements can be found on pages 20 through 23 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 33 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. The required supplemental information can be found on page 37 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 2,131,437 as of September 30, 2023. Net position of the District's governmental activities increased by \$ 275,182, from net position of \$ 1,856,255.

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

*Management's Discussion and Analysis
For the Year Ended September 30, 2023*

District's Net Position

	<u>2023</u>	<u>2022</u>
Assets:		
Current and other assets	\$ 2,172,083	\$ 1,856,392
Capital assets	<u>13,868</u>	<u>20,802</u>
Total assets	<u>2,185,951</u>	<u>1,877,194</u>
Current and other liabilities	<u>54,514</u>	<u>20,939</u>
Total liabilities	<u>54,514</u>	<u>20,939</u>
Net Position:		
Net investment in capital assets	13,868	20,802
Unrestricted	<u>2,117,569</u>	<u>1,835,453</u>
Total net position	<u>\$ 2,131,437</u>	<u>\$ 1,856,255</u>

Governmental Activities: Governmental activities increased the District's net position by \$ 275,182. The following table provides a summary of the District's operations for the years ended September 30, 2023 and 2022, respectively.

District's Change in Net Position

	<u>2023</u>	<u>2022</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 619,506	\$ 530,012
General Revenues:		
Investment income	85,326	17,812
Miscellaneous	<u>54,466</u>	<u>42,314</u>
Total revenues	<u>759,298</u>	<u>590,138</u>
Expenses:		
General government and administration	451,254	390,191
Groundwater conservation	<u>32,862</u>	<u>49,177</u>
Total expenses	<u>484,116</u>	<u>439,368</u>
Change in net position	275,182	150,770
Net position - beginning	<u>1,856,255</u>	<u>1,705,485</u>
Net position - ending	<u>\$ 2,131,437</u>	<u>\$ 1,856,255</u>

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

*Management's Discussion and Analysis
For the Year Ended September 30, 2023*

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund reported a fund balance of \$ 2,117,569. The unassigned fund balance of \$ 2,114,138 constitutes 99.84% of ending fund balance while the nonspendable fund balance of \$ 3,431 constitutes 0.16% of ending fund balance.

General Fund Budgetary Highlights. The District enacted a formal budget for the year ended September 30, 2023. Budgeted expenditures exceeded actual expenditures by \$ 185,989 and budgeted revenues exceeded actual revenues by \$ 191,298.

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2023 amounts to \$ 13,868 (net of accumulated depreciation). This investment in capital assets includes vehicles. Additional information on the District's capital assets can be found in Note 4 on page 33.

Economic Factors and Next Year's Budgets and Rates

The annual budget is the means by which District's Board of Directors set the direction of the District, and allocate its resources.

In considering the budget for fiscal year 2024, District's Board of Directors considered the following factors:

- Estimated fee revenues of \$ 560,000.
- Employee costs of \$ 277,562.
- Professional services costs of \$ 149,900.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Directors, 111 E. Locust Street, Building A-29, Suite 140, Angleton, Texas, 77515.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Exhibit A-1

*Statement of Net Position**September 30, 2023*

	<u>Total Governmental Activities</u>
Assets:	
Cash and temporary investments	\$ 2,163,544
Accounts receivable	5,108
Prepaid expenses	3,431
Capital Assets:	
Vehicles (net)	<u>13,868</u>
Total assets	<u>2,185,951</u>
Liabilities:	
Accounts payable	45,403
Accrued wages and related liabilities	<u>9,111</u>
Total liabilities	<u>54,514</u>
Net Position:	
Net investment in capital assets	13,868
Unrestricted	<u>2,117,569</u>
Total net position	<u>\$ 2,131,437</u>

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

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Exhibit B-1

Statement of Activities

For the Year Ended September 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position Primary Government Total Governmental Activities</u>
Governmental Activities:			
General government and administration	\$ 451,254	\$ 619,506	\$ 168,252
Groundwater conservation	<u>32,862</u>	<u>-</u>	<u>(32,862)</u>
Total governmental activities	<u>\$ 484,116</u>	<u>\$ 619,506</u>	<u>135,390</u>
General Revenues:			
Investment income			85,326
Miscellaneous			<u>54,466</u>
Total general revenues			<u>139,792</u>
Change in net position			275,182
Net position - beginning			<u>1,856,255</u>
Net position - ending			<u>\$ 2,131,437</u>

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

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FUND FINANCIAL STATEMENTS

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Exhibit C-1

*Balance Sheet - General Fund**September 30, 2023*

	<u>General Fund</u>
Assets	
Cash and temporary investments	\$ 2,163,544
Accounts receivable	5,108
Prepaid expenditures	<u>3,431</u>
Total assets	<u>\$ 2,172,083</u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 45,403
Accrued wages and related liabilities	<u>9,111</u>
Total liabilities	<u>54,514</u>
Fund Balance:	
Nonspendable	3,431
Unassigned	<u>2,114,138</u>
Total fund balance	<u>2,117,569</u>
Total liabilities and fund balance	<u>\$ 2,172,083</u>

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

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Exhibit C-1R

*Reconciliation of the General Fund Balance Sheet
to the Governmental Activities Statement of Net Position
September 30, 2023*

Fund balance - general fund balance sheet \$ 2,117,569

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. Capital assets include \$ 34,670 in assets less \$ 20,802 in accumulated depreciation.

13,868

Net position of governmental activities - statement of net position \$ 2,131,437

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

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
Statement of Revenues, Expenditures, and Change in Fund Balance - General Fund
For the Year Ended September 30, 2023

Exhibit C-2

	<u>General Fund</u>
Revenues:	
Licenses and permits	\$ 619,506
Investment income	85,326
Miscellaneous	<u>54,466</u>
Total revenues	<u>759,298</u>
Expenditures:	
Current:	
General Government and Administration:	
Bonds	100
Building rental	10,395
Chemicals	28
Communications	584
Computer software/equipment	1,000
Conferences and training	1,430
Donations	2,000
Dues and licenses	1,294
Employee benefits	79,060
Fuel	4,950
Insurance	4,689
Legal	7,435
Office supplies	4,533
Postage/freight	1,040
Printing	151
Professional services	95,116
Public education	37,773
Repairs and maintenance	2,709
Salaries	186,525
Subscriptions	210
Travel	3,298
Groundwater Conservation:	
Architecture and engineering	4,512
Legislative	<u>28,350</u>
Total expenditures	<u>477,182</u>
Net change in fund balance	282,116
Fund balance - beginning	<u>1,835,453</u>
Fund balance - ending	<u>\$ 2,117,569</u>

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

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Exhibit C-2R

*Reconciliation of the Statement of Revenues, Expenditures, and
Change in Fund Balance - General Fund
to Governmental Activities Statement Of Activities
For the Year Ended September 30, 2023*

Net change in fund balance - general fund \$ 282,116

**Amounts reported for governmental activities in the statement of activities
(B-1) are different because:**

Governmental funds report capital outlay as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount of depreciation expense in the current year is \$ 6,934.

(6,934)

Change in net position of governmental activities (B-1) \$ 275,182

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

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BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

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BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District was formed on September 1, 2003 by the 78th Legislature of the State of Texas in House Bill No. 3602 (the "Act"). Pursuant to the Act, the Board of Directors of the District has the permitting and general management powers granted under Chapter 36 of the Texas Water Code. Section 36.101 of the Texas Water Code authorizes a groundwater conservation district to make and enforce rules to provide for conserving, preserving, protecting, and recharging of the groundwater or of a groundwater reservoir or its subdivisions in order to control subsidence or prevent waste of groundwater and to carry out the powers and duties provided by Chapter 36 of the Texas Water Code. The District board, a five-member elected group, is the level of government that serves to provide groundwater conservation within Brazoria County, Texas.

Reporting Entity

The elected Board of Directors has the authority to make decisions, appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 61, "*The Reporting Entity: Omnibus*". There are no component units included within the reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the activities of the primary government. The District maintains one fund (General Fund); therefore, there are no interfund activities. The *governmental activities* are supported by fees and loans. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. The General Fund is currently the only fund maintained by the District.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using 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 related cash flows. Fees are recognized as revenues in the year for which they are charged. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues from local sources consist primarily of fees. Fee revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Revenue from investments is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and the unrestricted resources as needed.

The District reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The major revenue source is fees (application, production, export and other administrative). Expenditures include all costs associated with the daily operations of the District. The District has only one fund, the general fund.

Budgetary Data

The budget law of the State of Texas provides that amounts budgeted for current expenditures from the various funds of the District shall not exceed the balances in the funds, plus the anticipated revenues for the current year. The legal level of budgetary control is at the functional level (Current Expenditures: General Government and Administration and Groundwater Conservation, Capital Outlay, and Debt Service) of each fund. Any expenditures, which alter the total budgeted amounts of a fund, must be approved by the Board of Directors, and the budget amended. Budgets are adopted on a basis consistent with generally accepted accounting principles.

During the year ended September 30, 2023, the District Board of Directors enacted a formal budget.

Cash and Investments

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Investments - Continued

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

Fees

Section 3.31 of the District's Rules authorizes the Board of Directors of the District to establish application fees, production fees, export fees and other administrative fees. Beginning October 1, 2006, each well permit holder shall be responsible for reading the meter which measures the amount of water produced by each permitted well at the end of each month. Each well permit holder shall also be responsible for measuring the amount of water exported outside the District's boundaries during the course of each month. Each well permit holder shall accurately report such production and export measurements to the District on reporting forms provided by the District. Failure to make such production and export measures and report the same to the District shall be a violation of the District's rules. The District shall have the right to audit the production and export measurements submitted by the well permit holder by reading the meter at each permitted well. Failure to maintain meters for accurate reporting shall be a violation of the District's rules. All fees must be paid by check or money order. No cash is accepted. Production fees are invoiced in an amount based on the requested volume of water for the permit term at the rate of \$ 0.03 per 1,000 gallons. Application fees shall be submitted with the permit application. This process is referred to as self-reporting. The validity of any permit is contingent upon payment of any applicable application, export or production fee. Failure to make complete and timely payments of a fee will automatically result in a one-time late payment penalty of thirty (30) percent of the amount not paid. Failure to make complete and timely payment may also result in the Board declaring the respective well permit void and taking legal action against the permittee.

The District adopted the following fee schedule effective August 8, 2019:

Permit Application Fees. The District charges well permit application fees of \$ 100 per well for one-year permits.

Production Fees. The production fee is \$ 0.03 per 1,000 gallons of groundwater authorized to be withdrawn in a permit or permit amendment, and shall be due and payable within 30 days of the date the production fee statement is issued by the District. The minimum production fee is \$ 30 per well.

Export Fees. An export fee of one and a half times the maximum wholesale water rate ("Approved Resale Volume Charge TU73") charged by the City of Houston based on the most recently published "City Fee Schedule" per 1,000 gallons of groundwater exported from the District (this amount is in addition to the Production Fee).

Accounts receivable at September 30, 2023 represent fees invoiced but not collected in the amount of \$ 5,108. The District expects to collect the entire balance, thus no allowance has been recorded.

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Debt

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Debt payable is reported net of the applicable debt premium or discount. Debt issuance costs are reported as expenses in the current period. The District had no outstanding debt balance at September 30, 2023.

In the fund financial statements, governmental fund types recognize debt premiums and discounts and debt issuance costs during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Assets

Capital assets are reported in the governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are reported at acquisition value. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$ 5,000 or more and three or more years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Vehicles	5 Years
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Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets that applies to future periods, and an acquisition of net assets that applies to future periods, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance

The Board of Directors meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board of Directors. Fund Balance of the District may be committed for a specific source by formal action of the Board of Directors. Amendments or modifications of the committed fund balance must also be approved by formal action by the Board of Directors.

The District has implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under this standard, fund balances are required to be reported according to the following classifications:

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either not spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal board resolution by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the manager of the District. With the exception of the General Fund, this is the residual fund balance classification for all government funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Net Position

Net position represents the differences between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Restricted net position, as presented in the government-wide Statement of Net Position, are reported when constraints placed on the use of net position are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 2. NEW PRONOUNCEMENTS

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB Statement No. 91 “Conduit Debt Obligations” was issued in May 2019. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” was issued in March 2020. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 “Subscription-Based Information Technology Arrangements” was issued in May 2020. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 99 “Omnibus 2022” was issued in April 2022. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 100 “Accounting Changes and Error Corrections - an amendment to GASB Statement No. 62” was issued in June 2022. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101 “Compensated Absences” was issued in June 2022. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 3. DEPOSITS AND INVESTMENTS

The District contracts with Brazoria County to provide accounting services. As part of this agreement, Brazoria County maintains accounting records for the District as well as a shared cash account as an agency fund for the District. This agency fund cash account is covered by the same depository agreement and pledged securities maintained by Brazoria County.

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures.

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the District's depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds in areas that primarily emphasizes the safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel.

The District held no investments at or for the year ended September 30, 2023. Further, as of September 30, 2023, the District has adopted Brazoria County's investment policy, as the County has custody of all cash and investments, when applicable. According to the policy, District funds will be invested in compliance with the Public Funds Investment Act and the County's Investment Policy, except when a resolution is issued by the District. The County will invest according to investment strategies for each fund as they are adopted by the Commissioners' Court resolution.

BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 4. CAPITAL ASSETS

	<u>Balance</u> <u>10/01/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/23</u>
Governmental Activities:				
Capital Assets, Being Depreciated:				
Vehicles	\$ <u>34,670</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>34,670</u>
Total capital assets, being depreciated	<u>34,670</u>	<u>-</u>	<u>-</u>	<u>34,670</u>
Less Accumulated Depreciation For:				
Vehicles	<u>13,868</u>	<u>6,934</u>	<u>-</u>	<u>20,802</u>
Total accumulated depreciation	<u>13,868</u>	<u>6,934</u>	<u>-</u>	<u>20,802</u>
Total capital assets, being depreciated, net	\$ <u>20,802</u>	\$ <u>(6,934)</u>	\$ <u>-</u>	\$ <u>13,868</u>

The total depreciation expense charged to general government and administration amounted to \$ 6,934.

See Note 1 for additional information regarding capital assets.

NOTE 5. CONTINGENCIES

The District is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and in the opinion of the District management would not materially affect the financial position of the District at September 30, 2023.

NOTE 6. GASB STATEMENT NOS. 68, 71 AND 75

No retroactive restatement of net position or component of long term debt has been separated for recognition in the financial statements of Brazoria County Groundwater Conservation District, as the District's piece is immaterial to its financial statements. The Brazoria County financial statements for the year ending September 30, 2023 have reported amounts in total, and contain the appropriate note disclosures related to the adoption of these standards.

NOTE 7. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 6, 2024, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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BRAZORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

Exhibit G-1

*Schedule of Revenues, Expenditures, and Change in Fund Balance -
Budget And Actual - General Fund
For the Year Ended September 30, 2023*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Licenses and permits	\$ 528,000	\$ 528,000	\$ 619,506	\$ 91,506
Investment income	5,000	5,000	85,326	80,326
Miscellaneous	<u>35,000</u>	<u>35,000</u>	<u>54,466</u>	<u>19,466</u>
Total revenues	<u>568,000</u>	<u>568,000</u>	<u>759,298</u>	<u>191,298</u>
Expenditures:				
Current:				
General Government and Administration:				
Advertisement (Legal Notices)	500	500	-	500
Bonds	500	500	100	400
Books and supplements	100	100	-	100
Building rental	1	1	10,395	(10,394)
Chemicals	300	300	28	272
Clothing	300	300	-	300
Communications	600	600	584	16
Computer software/equipment	2,500	2,500	1,000	1,500
Conferences and training	1,500	1,500	1,430	70
Donations	5,000	5,000	2,000	3,000
Dues and licenses	3,500	3,500	1,294	2,206
Employee benefits	79,451	79,451	79,060	391
Fuel	5,000	5,000	4,950	50
Insurance	5,000	5,000	4,689	311
Legal	21,000	21,000	7,435	13,565
Office supplies	3,600	3,600	4,533	(933)
Postage/freight	2,000	2,000	1,040	960
Printing	200	200	151	49
Professional services	89,000	89,000	95,116	(6,116)
Public assistance	15,000	15,000	-	15,000
Public education	50,000	50,000	37,773	12,227
Repairs and maintenance	2,000	2,000	2,709	(709)
Salaries	194,419	194,419	186,525	7,894
Subscriptions	200	200	210	(10)
Travel	1,500	1,500	3,298	(1,798)
Groundwater Conservation:				
Architecture and engineering	150,000	150,000	4,512	145,488
Legislative	<u>30,000</u>	<u>30,000</u>	<u>28,350</u>	<u>1,650</u>
Total expenditures	<u>663,171</u>	<u>663,171</u>	<u>477,182</u>	<u>185,989</u>
Net change in fund balance	(95,171)	(95,171)	282,116	377,287
Fund balance - beginning	<u>1,835,453</u>	<u>1,835,453</u>	<u>1,835,453</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,740,282</u>	<u>\$ 1,740,282</u>	<u>\$ 2,117,569</u>	<u>\$ 377,287</u>

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