

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

SEPTEMBER 30, 2019

ALTON D. THIELE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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ALTON D. THIELE, P.C.

**Certified Public Accountant
300 East Avenue C
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Belton, Texas 76513-0808**

February 6, 2020

To the Board of Directors
Clearwater Underground Water Conservation District
700 Kennedy Ct.
PO Box 1989
Belton, TX 76513

We have audited the basic financial statements of Clearwater Underground Water Conservation District (the District) as of and for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated August 19, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Clearwater Underground Water Conservation District are described in NOTE 1 to the financial statements. The application of existing policies was not changed during the fiscal year ended September 30, 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions, that we are aware of, have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The two most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of its capital assets is significant due to the very nature of determining how long an item might last. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the budget of the District is significant due to the changing needs of the district and the changing property tax base within the District boundaries. We evaluated the key factors and assumptions used to develop these estimates in determining their reasonableness in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the Management Representation Letter dated February 6, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and Management of Clearwater Underground Water Conservation District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Alton D. Thiele, P.C.
Belton, TX

**CLEARWATER UNDERGROUND
WATER CONSERVATION DISTRICT**

**BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2019

ALTON D. THIELE, P.C.
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CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
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ALTON D. THIELE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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P.O. BOX 808

BELTON, TX 76513-0808

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Clearwater Underground Water Conservation District
Belton, Texas

We have audited the accompanying financial statements for the governmental activities and the aggregate remaining fund information of the Clearwater Underground Water Conservation District (the District), as of and for the year ended September 30, 2019, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the governmental activities and the aggregate remaining fund information of Clearwater Underground Water Conservation District, as of September 30, 2019, and the respective changes in fund balances in conformity with accounting principles generally accepted in the United States of America.

Report Issued In Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2020, on our consideration of the District's internal control over financial reporting (internal control) and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and budgetary comparison information on page 16 be presented to supplement the financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information, on pages 18 through 21, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.



Belton, Texas
February 6, 2020

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

The management of the Clearwater Underground Water Conservation District (the District), offers readers of the District's annual financial report this narrative overview and analysis of the District's financial performance during the fiscal year ended September 30, 2019. This discussion and analysis is intended to be an easily readable analysis of the District's financial activities based on currently known facts, decisions, and conditions. Please read it in conjunction with the Independent Auditors' Report and the District's basic financial statements and the related notes.

FINANCIAL HIGHLIGHTS

The District's total net position,	\$ 1,477,134
Cash and investments,	\$ 872,639
Capital assets, net of accumulated depreciation	\$ 592,189
Total tax revenues,	\$ 697,850
Operational expenditures,	\$ 613,054

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of, but is not limited to, the following: Management's Discussion and Analysis (this section, which is intended to serve as an introduction to the basic financial statements), the basic financial statements, and the related notes to the financial statements. The District is a governmental entity and follows the accrual basis of fund accounting for a governmental entity. The District is funded primarily by property tax revenue from within the District's boundaries to provide a means by which underground water is controlled and monitored throughout the District.

REPORT LAYOUT

In addition to the Management's Discussion and Analysis (MD&A) (pages 3-5), the report consists of basic financial statements, notes to the financial statements, required supplementary information and supplementary information. The basic financial statements are highly condensed and present a government-wide view of the District's finances.

The *Government-wide Financial Statements* (pages 6-9) are designed to be more corporate-like in that all activities are consolidated into a total for the District. The *Statement of Net Position* presents information on all District assets and liabilities, with the difference between the two reported as net position. The *Statement of Activities* presents information about the District's revenues and expenses regardless of when cash is received or paid.

The Fund Financial Statements (presented in conjunction with Government-wide Financial Statements, pages 6-9) are 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. All funds of the District can be divided into two categories: governmental funds and proprietary funds. However, there were no proprietary funds. Fund financial statements, unlike government-wide financial statements, focus on near-term inflows and outflows of spendable resources, as well as on spendable resources available at the end of the fiscal year.

The *Notes to the Financial Statements* (pages 10-14) provide additional information that is essential to a full understanding of the data provided in the government-wide basic financial statements. Required and other supplemental information (pages 16-21) is also provided for additional information and analysis.

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT

Statement of Net Position: The following table summarizes the net position of the District

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Assets			
Current Assets	\$ 894,377	\$ 781,851	\$ 112,526
Capital Assets, net of accumulated depreciation	<u>592,189</u>	<u>590,206</u>	<u>1,983</u>
Total Assets	<u>1,486,566</u>	<u>1,372,057</u>	<u>114,509</u>
Liabilities			
Current Liabilities	<u>9,432</u>	<u>8,493</u>	<u>939</u>
Total Liabilities	<u>9,432</u>	<u>8,493</u>	<u>939</u>
Net Position			
Net Investment in Capital Assets	592,189	590,206	1,983
Unrestricted	<u>884,945</u>	<u>752,964</u>	<u>131,981</u>
Total Net Position	<u>1,477,134</u>	<u>1,343,170</u>	<u>133,964</u>
Prior Period Adjustment	-	20,394	(20,394)
Total Net Position, as adjusted	<u>1,477,134</u>	<u>1,363,564</u>	<u>113,570</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 1,486,566</u>	<u>\$ 1,372,057</u>	<u>\$ 114,509</u>

Statement of Activities: The following table summarizes the changes in net position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Tax Revenue	\$697,850	\$692,683	\$ 5,167
Interest and Other Revenues	28,774	22,269	6,505
Expenditures	<u>(613,054)</u>	<u>(621,493)</u>	<u>8,439</u>
Change in Net Position	<u>\$113,570</u>	<u>\$ 93,459</u>	<u>\$ 20,111</u>

As shown in the above information, the District improved financially, overall with an increase in net position of \$20,111. Operational expenditures were \$613,054, which includes increases in legal costs and decreases in studies costs. Capital outlays of \$35,066 were greater than depreciation of \$33,082 which created an increase in net investment in capital assets of \$1,984.

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

BUDGETARY HIGHLIGHTS

Actual tax revenues received were less than the budgeted tax revenues by \$(19,366) or 3%. However, actual operational expenditures were 25% less than budgeted expenditures. This resulted in an increase in fund balance of \$127,571. The budget was legally adopted according to established guidelines and the Board of Directors legally adopted amendments to individual budget items during the fiscal year. (See page 16 for details)

CAPITAL ASSETS

During the year, capital expenditures were made, so that at September 30, 2019, the District had a net increase in Capital Assets of \$1,984. The Net Investment in Capital Assets, net of depreciation and related debt, at fiscal year-end was \$592,189.

Additional information regarding Capital Assets can be found in the notes to the financial statements. (Note-3, page 13)

DEBT OUTSTANDING

The District had no long-term debt as of the fiscal year ended September 30, 2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's property tax rate for the 2019/2020 fiscal year (FY19-20) was lowered to \$0.00357 per \$100 valuation. The estimated taxable property value is \$20,574,201,681 for total expected tax revenue of \$734,499. Other Income and delinquent property taxes is estimated at \$59,000. The District's budgeted expenditures for FY 19-20 are expected to be \$820,613 and with the addition of \$27,114 in reserve funds, will result in a balanced budget for the coming fiscal year.

FINANCIAL CONTACT

The District's financial statements are designed to present users (citizens, taxpayers, creditors, and regulatory agencies) 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 700 Kennedy Ct., PO Box 1989, Belton, TX 76513.

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND BALANCE SHEET - GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>				
Cash in Banks	\$ 11,060	\$ 11,060	\$ -	\$ 11,060
Invested Funds	861,579	861,579	-	861,579
Receivables:				
Taxes	21,738	21,738	-	21,738
Capital Assets Not Being Depreciated:				
Land	-	-	59,981	59,981
Capital Assets (net of accumulated depreciation):				
Infrastructure	-	-	532,208	532,208
Total Assets	<u>\$ 894,377</u>	<u>\$ 894,377</u>	<u>\$ 592,189</u>	<u>\$ 1,486,566</u>
 <u>LIABILITIES</u>				
Liabilities				
Current and Non-current	\$ 2	\$ 2	\$ 9,430	\$ 9,432
Total Liabilities	<u>2</u>	<u>2</u>	<u>9,430</u>	<u>9,432</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Property Tax Revenue	<u>21,738</u>	<u>21,738</u>	<u>(21,738)</u>	<u>-</u>
 <u>FUND BALANCE</u>				
Fund Balances				
Unassigned	<u>872,637</u>	<u>872,637</u>	<u>(872,637)</u>	<u>-</u>
Total Fund Balance	<u>872,637</u>	<u>872,637</u>	<u>(872,637)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 894,377</u>	<u>\$ 894,377</u>		
 <u>NET POSITION</u>				
Net Investment in Capital Assets			592,189	592,189
Unreserved			<u>884,945</u>	<u>884,945</u>
Total Net Position			<u>\$ 1,477,134</u>	<u>\$ 1,477,134</u>

The accompanying notes are an integral part of these financial statements.
See Independent Auditors' Report.

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Total Fund Balances for Governmental Funds (Page 6) \$ 872,637

Total Net Position Reported for Governmental Activities in the
Statement of Net Position is Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.
Those assets consist of:

Land	59,981	
Buildings, Equipment and Infrastructure	709,480	
Accumulated Depreciation	<u>(177,272)</u>	
Net Capital Assets		592,189

Some revenues in the governmental fund are deferred because
they are not collected within the prescribed time period after year-
end. On the accrual basis, however, those revenues would be
recognized, regardless of when they are collected. 21,738

Some assets and liabilities are not considered resources available
or due in the current period and therefore are not reported in the
governmental fund. These consist of

Compensated Absences		<u>(9,430)</u>
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Total Net Position of Governmental Activities (Page 6) \$ 1,477,134

The accompanying notes are an integral part of these financial statements.
See Independent Auditors' Report.

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS AND NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<u>EXPENDITURES</u>				
Operations				
Director Fees	\$ 7,800	\$ 7,800	\$ -	\$ 7,800
Administrative	32,020	32,020	-	32,020
Compensation and Benefits	268,010	268,010	9,430	277,440
Depreciation	-	-	33,082	33,082
Facilities Costs	19,579	19,579	(3,935)	15,644
Clearwater Studies	101,436	101,436	(31,131)	70,305
Educational Outreach/Marketing	13,252	13,252	-	13,252
Spring Flow Gage System	18,400	18,400	-	18,400
Legal and Professional	52,762	52,762	-	52,762
Utilities	7,927	7,927	-	7,927
Other Operating Expenditures	84,422	84,422	-	84,422
Total Expenditures	<u>605,608</u>	<u>605,608</u>	<u>7,446</u>	<u>613,054</u>
<u>REVENUES</u>				
General Revenues				
Property Taxes	704,405	704,405	(6,555)	697,850
Permits, Licenses, and Other Fees	3,426	3,426	-	3,426
Interest and Other Income	25,348	25,348	-	25,348
Total Revenues	<u>733,179</u>	<u>733,179</u>	<u>(6,555)</u>	<u>726,624</u>
Excess (Deficiency) of Revenues over Expenditures	127,571	127,571	(14,001)	113,570
Change in Fund Balance/Net Position	<u>127,571</u>	<u>127,571</u>	<u>(14,001)</u>	<u>113,570</u>
<u>FUND BALANCE/NET POSITION</u>				
Beginning of Year	<u>745,066</u>	<u>745,066</u>	<u>618,498</u>	<u>1,363,564</u>
End of Year	<u>\$ 872,637</u>	<u>\$ 872,637</u>	<u>\$ 604,497</u>	<u>\$ 1,477,134</u>

The accompanying notes are an integral part of these financial statements.
See Independent Auditors' Report.

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
RECONCILIATION OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS AND NET POSITION TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net Change in Fund Balance - Total Governmental Funds (Page 8) \$ 127,571

The Change in Net Position Reported for Governmental Activities in the Statement of Activities is Different Because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets reported as capital outlay in governmental fund statements:	35,066	
Depreciation expense reported in statement of activities:	<u>(33,082)</u>	
Amount by which capital outlays are greater (less) than depreciation in current period.		1,984

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This amount represents the net change in deferred inflows of resources from the previous period.		(6,555)
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Compensated absences are not a current requirement of resources and therefore are not accrued in the general fund.		<u>(9,430)</u>
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Change in Net Position of Governmental Activities (Page 8)		<u><u>\$ 113,570</u></u>
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The accompanying notes are an integral part of these financial statements.
See Independent Auditors' Report.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING

The basic financial statements of Clearwater Underground Water Conservation District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the acceptable standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

The District was created in 1989 by resolution of the Commissioners Court of Bell County, Texas, pursuant to H.B. 3172, Chapter 524, Acts of the 71st Legislature (1989 Session) (the “Act”). The District is a governmental agency and a body politic and corporate, created by and acting pursuant to the Act as amended by S.B. 404, Chapter 22, Act of the 77th Legislature (2001 Session), S.B. 1755, Chapter 64, Act of the 81st Legislature (2009 Session), and by applicable law including the provisions of Chapters 36 and 49 of the *Texas Water Code*. A five-member group, which constitutes the Board of Directors, is the level of government which has responsibility over all related activities within the jurisdiction of the Clearwater Underground Water Conservation District. The District receives funding from local property taxes; certain well, pump, and transmission fees; and interest resulting from investments of excess funds.

The District is not included in any other governmental reporting entity. The taxpayers within the jurisdiction of the District elect the Board members. The Directors have decision-making authority, the power to designate management, the responsibility of operations, and the primary accountability of fiscal and fiduciary matters.

B. Basis of Presentation

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. The government-wide financial statements report all the activities of the District. These activities are primarily supported by property taxes, license, registration, and other fees. The following are descriptions of the fund types and account groups used by the District.

1. Governmental funds

General Fund – All unrestricted financial resources except those required to be accounted for in another fund are recorded in the general fund. It is the District’s general operating fund. Taxes and fees are the major sources of revenue. Expenditures include all costs associated with the daily operations of the District. There are no other governmental funds at this time.

2. Account groups

Capital Assets account group – All capital assets of the District are accounted for in this group. The account group is not a fund. It only measures financial position and is not involved with measurement of results of activities.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements, statement of net position and statement of activities, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 District does not consider revenues collected after its year-end to be available in the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. All other revenue items are considered measurable and available only when the District receives cash.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit.

2. Budgetary Data

The adoption of an annual budget, for the general fund, is required prior to the beginning of each fiscal year on a basis consistent with accounting principles generally accepted in the United States of America. Thirty to sixty days prior to the beginning of each fiscal year, District management will submit a proposed budget for the fiscal year beginning on the following October 1st. The operating budget includes proposed expenditures and the means of financing them. The Board of Directors will adopt the budget by appropriate board action. Any revisions that alter the original budget must also be considered and approved by board action. The District is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund. The District compares the final amended budget to actual revenues and expenditures. This is found on page 16.

3. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectable amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

4. Capital Assets

Capital Assets have been acquired for general governmental purposes. Assets purchased or constructed are recorded as expenditures in the applicable governmental fund type and capitalized at historical cost in the Capital Asset account group. Contributed capital assets are recorded at estimated fair market value at the time received. Infrastructure assets are also included in the Capital Asset account group.

The full depreciation of the applicable capital assets is being recognized in compliance with the implementation of GASB Statement 34. Depreciation is calculated on the straight-line basis according to the following useful lives:

Building and Improvements	20 – 40 years
Office and Field Equipment	5 - 15 years

5. Deferred Outflows/Inflows of Resources

The District is compliant with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In addition to assets, the statement of net position will sometimes report a section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditures) until then. The District currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category; delinquent property taxes. The amount of this item is deferred and will be recognized as an inflow of resources in the period the amount is collected and remitted to the District.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

6. Equity Classifications

In the government-wide financial statements, equity is shown as net position and classified into three components; Net Investment in Capital Assets, Restricted, and Unrestricted. The District uses two of these classifications.

- a. *Net Investment in Capital Assets* – Capital Assets, net of accumulated depreciation and reduced by any outstanding debt that poses an encumbrance.
- b. *Unrestricted* – All other assets that do not meet the definition of net investment in capital assets.

The District reports the governmental fund balance as, unassigned; not previously classed as:

Non-spendable – Amounts that cannot be spent because they are either not in a spendable form or, legally or contractually required to be maintained intact.

Restricted – Amounts with restrictions imposed externally by creditors, grantors, contributors, or laws or regulations of other governments, constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes and imposed by formal action of the board of directors.

Assigned – Amounts informally constrained by District management but not formally restricted by the board of directors.

7. Risks, uncertainties, and use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – PROPERTY TAXES

Property taxes are levied October 1 on the assessed property value as of the prior January 1 for all real and business personal property located in the district in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The District's property taxes are billed and collected by the Tax Appraisal District of Bell County.

The net assessed value after adjustments, based on 100 percent of the assessed valuation of real and personal property within the District on the 2018 tax roll, was \$18,670,513,065. The 2018 tax rate of \$0.00383 per \$100 valuation was assessed and allocated to the General Fund. The resulting tax levy was \$715,109.

Deferred tax revenue is reported as deferred inflows of resources (Note 1.D.5 para 2) by the District on its Governmental Funds balance sheet under the General Fund and arises when potential revenue does not meet the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for the deferred tax revenue is removed from the balance sheet and the revenue is recognized. The current Deferred Inflow of Resources is \$21,738.

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 3 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

2019	Primary Government			Ending Investment
	Beginning investment	Increase	Retirements	
Capital Assets not Depreciated				
Land	\$ 59,981	\$ -	\$ -	\$ 59,981
Total not Depreciated Capital Assets	59,981	-	-	59,981
Depreciated				
Land Improvements	19,000	-	-	19,000
Buildings	411,116	-	-	411,116
Monitor Wells	61,807	31,131	-	92,938
Mobile Classroom	90,689	-	-	90,689
Field Equipment	17,244	-	-	17,244
District Vehicles	6,920	-	-	6,920
Office Equipment	67,639	3,935	-	71,573
Total Depreciated	674,415	35,066	-	709,480
Total Capital Assets	734,396	35,066	-	769,461
Accumulated Depreciation	(144,190)	(33,082)	-	(177,272)
Net Investment in Capital Assets	\$ 590,206	\$ 1,984	\$ -	\$ 592,189

NOTE 4 – CASH DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

The District's checking deposits were fully covered by federal depository insurance. The Texas Treasury Safekeeping Trust Company (TexPool) investments at September 30, 2019, were not covered by federal depository insurance or pledged securities. In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the District reports all investments at fair value. The District's invested funds are invested with TexPool. The District categorizes its fair value measurements within the 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 other observable inputs; and Level 3 inputs are unobservable inputs.

The District's cash and invested funds at September 30, 2019, were as follows:

	<u>General Fund</u>	<u>Input Level</u>
BancorpSouth		
Operating account	\$ 11,060	-
TexPool Accounts		
LGI Pool	428,966	2
Prime	432,613	2
Total TexPool accounts	861,579	
Total cash and invested funds	\$ 872,639	

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 4 – CASH DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS
(Continued)

Policies, Governing Deposits and Investments

The District has implemented an investment policy and is authorized, according to the *Public Funds Investment Act* (PFIA) (Government Code Chapter 2256), to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, fully collateralized repurchase agreements, certain types of commercial paper, certain types of municipal bonds and local government investment pools created under the Interlocal Cooperation Act, wherein all funds were invested as listed above.

In compliance with the Public Funds Investments Act, the District has adopted a deposit and investment policy where that policy addresses the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District was not exposed to custodial credit risk since deposits, in the bank during the year ended September 30, 2019, were covered by depository insurance.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus, positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

The market value for the above listed accounts is not materially different from the carrying value of the accounts.

NOTE 5 – EMPLOYEE BENEFITS

A. Annual Leave

Annual leave (vacation) is a benefit provided to eligible, full-time, employees of the District. A full-time employee is one who is regularly scheduled to work thirty to forty hours per week. Annual leave is accrued at eight hours per pay period immediately upon employment but cannot be taken until the employee has reached the one hundred eighty (180) day probationary period. The accrual maximum is twelve days for an employee with up to five years of continuous service. After five years, an employee is entitled to accrue an additional three days for a total of fifteen days per year. An employee may carry-over leave up to a maximum of twenty-four days per fiscal year. Remaining accrued leave is payable upon separation. Accrued compensated absences for September 30, 2019 was \$9,430.

B. Sick Leave

A full-time employee, as previously defined, is entitled to six days per year. Accrual of sick leave is at four hours per pay period and a full-time employee can accumulate up to twelve days with carry-over. Upon termination of employment, no accumulated sick leave will be paid and therefore, no accrual is recorded.

C. Retirement Plan

The District has established a Governmental 457 Deferred Compensation Plan as their retirement plan for full-time eligible employees. UMB Bank, N.A. is designated as trustee and Security Financial Resources, Inc. is the plan service provider. The District agrees to match employee contributions at 100% of the first 3% and 50% of the next 3% for a maximum match of up to 4.5% depending on the contribution of the employee. As of September 30, 2019, the employer match was \$ 8,383.

NOTE 6 - SUBSEQUENT EVENTS

District management has evaluated subsequent events as of February 6, 2020 the date the financial statements were available to be issued. No change to the financial statements for the fiscal year ending September 30, 2019 is deemed necessary as a result of this evaluation.

ALTON D. THIELE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

300 E. AVENUE C

P.O. BOX 808

BELTON, TX 76513-0808

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Clearwater Underground Water Conservation District
Belton, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities and the aggregate remaining fund balance information of Clearwater Underground Water Conservation District (the District) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated February 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

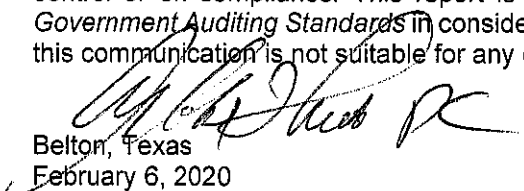
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Belton, Texas
February 6, 2020

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET TO ACTUAL-
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Property taxes	\$ 723,771	\$ 723,771	\$ 704,405	\$ (19,366)
Application fee	30,000	30,000	1,800	(28,200)
Transport fee	1,000	1,000	1,626	626
Interest	5,000	5,000	25,348	20,348
Other income (expense)	-	-	-	-
Total revenues	759,771	759,771	733,179	(26,592)
EXPENDITURES				
Administrative expenses	68,003	68,205	39,820	28,385
Compensation and benefits	273,820	277,252	268,010	9,242
Clearwater studies	167,383	167,383	101,436	65,947
Educational outreach/marketing	22,500	17,176	13,252	3,924
Spring flow gage	15,900	18,400	18,400	-
Computer systems	42,250	42,250	35,876	6,374
Legal fees	63,000	63,000	52,762	10,238
Reserve for uncollected taxes	20,000	19,366	-	19,366
Other operating expenses (net)	57,400	57,400	48,546	8,854
Facility costs	20,915	20,739	19,579	1,160
Utilities	8,600	8,600	7,927	673
Total expenditures	759,771	759,771	605,608	154,163
Excess (deficiency) of revenues over expenditures	-	-	127,571	127,571
OTHER REVENUE				
Reserve funds for health insurance	-	-	-	-
Reserve for equipment	-	-	-	-
Total other revenue	-	-	-	-
Change in fund balance	\$ -	\$ -	127,571	\$ 81,511
FUND BALANCE				
Beginning of fiscal year			745,066	
End of fiscal year			<u>\$ 872,637</u>	

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
INDEX OF SUPPLEMENTAL SCHEDULES INCLUDED IN THIS REPORT
SEPTEMBER 30, 2019**

Title of Schedule	Page
Schedule of General Fund Expenditures	18
Schedule of Temporary Investments	19
Analysis of Taxes Levied and Receivable	20
Schedule of Board Members, Key Personnel, and Consultants	21

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
 SCHEDULE OF GENERAL FUND EXPENDITURES
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Current		
Compensation and benefits	\$	268,010
(Number of persons employed by the District: 4 - Full-time)		
Professional Services		
Auditing		6,900
Legal		52,762
Clearwater studies		70,305
Utilities		7,927
Facility costs		15,644
Administrative expenses (including director fees)		32,920
Capital outlay		
Acquisition of capital assets		35,066
Educational outreach/marketing		13,252
Computer systems		35,876
Other operating expenses		66,946
Other expenditures		-
		<hr/>
TOTAL	\$	<u>605,608</u> (see page 8)
Depreciation	\$	<u>33,082</u>

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
 SCHEDULE OF TEMPORARY INVESTMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Governmental Funds</u>	<u>Pool / Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General Fund				
Local Government				
Investment Pools				
TexPool	449	2.1371%	Demand	\$ 428,966
TexPool - Prime	590	2.3072%	Demand	<u>432,613</u>
TOTAL				<u>861,579</u>
 Other accounts				
BancorpSouth - Operations Account	Transaction	N/A	Demand	<u>11,060</u>
TOTAL				<u>11,060</u>
TOTAL ALL ACCOUNTS				<u>\$ 872,639</u>

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
ANALYSIS OF TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Maintenance Taxes</u>		
Taxes receivable at October 1, 2018	\$ 28,293		
2018 Original tax roll, net of adjustments	<u>709,669</u>		
Total to be accounted for	<u>737,962</u>		
Tax Collections:			
Current year	(690,071)		
Prior years	<u>(14,334)</u>		
Total collections	<u>(704,405)</u>		
Adjustments	<u>(11,820)</u>		
Taxes receivable, September 30, 2019	<u>\$ 21,737</u>		
Taxes receivable by years:			
2012 and years prior to	\$ 4,915		
2013	1,091		
2014	1,213		
2015	1,624		
2016	2,158		
2017	3,589		
2018	<u>7,147</u>		
Taxes receivable, September 30, 2019	<u>\$ 21,737</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Property Valuations, net taxable	\$ 18,670,513,065	\$ 18,057,233,710	\$ 17,063,799,755
Tax rates per \$100 valuation:			
Debt service tax rates	N/A	N/A	N/A
Maintenance tax rates	0.00383	0.00385	0.00392
Total tax rates per \$100 valuation:	<u>0.00383</u>	<u>0.00385</u>	<u>0.00392</u>
Gross Original tax levy	<u>\$ 715,081</u>	<u>\$ 695,203</u>	<u>\$ 668,901</u>
Percent of taxes collected to taxes levied	96.75%	97.22%	97.46%

**CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
SCHEDULE OF BOARD MEMBERS, CONSULTANTS, AND KEY PERSONNEL
SEPTEMBER 30, 2019**

Complete District Mailing Address: PO Box 1989, Belton, TX 76513

District Business Telephone Number: (254) 933-0120

Submission Date of the most recent District Registration Form: N/A
(TWC Sections 36.054 and 49.054)

Limit on Fees of Office that a Director may receive during a fiscal year: \$9,000
(TWC Section 36.060) Fee: \$150 per day while on District business

Name and addresses	Precinct and Terms of Office 4-year terms	Fees Paid as of 09/30/2019	Expense Reimbursement	Title as of 09/30/2019	Property owner within the District
<u>Board Members</u>					
Leland Gersbach 7872 Hackberry Holland, TX 76534	Precinct 1 2016 to 2020	Waived	\$192	President	Yes
Gary Young 1314 Creek View, Salado, TX 76571	Precinct 2 2018 to 2022	\$3,150	\$187	Secretary	Yes
Wallace Biskup PO Box 265 Troy, TX 76579	Precinct 3 Resigned Dec. 2018	-	-	Director	Yes
Jody Williams P.O. Box 780 Rogers, TX 76569	Precinct 3 2018 to 2020	\$2,100	\$187	Director	Yes
Scott Brooks 425 Mercy Ranch Rd. Florence, TX 76527	Precinct 4 2018 to 2022	-	-	Director	Yes
David Cole 2401 Brown Circle Killeen, TX 76543	At-Large 2018 to 2022	\$2,550	\$187	Vice President	Yes
<u>Consultants</u>					
Lloyd Gosselink Attorneys at Law 816 Congress Ave Suite 1900 Austin, TX 78701-4071	N/A	\$67,827	N/A	Attorney	N/A
Alton D Thiele, P.C. P.O. Box 808 Belton, TX 76513	N/A	\$6,900	N/A	Auditor	N/A
<u>Key Personnel</u>					
Dirk Aaron	N/A	<u>Salary</u> \$80,237		District Manager	
Shelly Chapman	N/A	\$46,986		District Administrative Assistant	