



ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2020**

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2020

DISTRICT OFFICIALS

PRESIDENT	JOE duMENIL
VICE PRESIDENT	JORGE GONZALEZ
SECRETARY	VACANT
TREASURER	JOE SILMAN
ASSISTANT SECRETARY/TREASURER	HARRIS DICKEY
GENERAL MANAGER	GEORGE WISSMANN
ASSISTANT GENERAL MANAGER	AMANDA MALOUKIS
ADMINISTRATIVE PROGRAM MANAGER	EMILY GREEN

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
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 FISCAL YEAR ENDED SEPTEMBER 30, 2020

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Trinity Glen Rose Groundwater Conservation District

Report on the Financial Statements

We have audited the accompanying financial statements of Trinity Glen Rose Groundwater Conservation District, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Trinity Glen Rose Groundwater Conservation District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Trinity Glen Rose Groundwater Conservation District, as of September 30, 2020 and 2019, and the respective changes in financial position and the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Trinity Glen Rose Groundwater Conservation District's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020 on our consideration of Trinity Glen Rose Groundwater Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Trinity Glen Rose Groundwater Conservation District's internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.

November 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Trinity Glen Rose Groundwater Conservation District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the District's financial statements.

HIGHLIGHTS

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2020 by \$2.0 million.
- Total operating revenues for the year were \$359 thousand. Non-operating revenues were \$29 thousand. Revenues fluctuate based on water pumped by producers in the District.
- The total cost of all District activities was \$369 thousand, an increase of 28%. The increase was attributable to hiring an assistant general manager, moving to a new location and studying/revising District rules and procedures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), *the basic financial statements, required supplementary information*, and *supplementary information required by the Texas Commission on Environmental Quality*. The basic financial statements consist of the following statements:

- The *Statement of Net Position* shows the financial standing of the District as of the end of the year, including all assets and liabilities.
- The *Statement of Revenues, Expenses and Changes in Net Position* provides information about the activity of the District during the fiscal year. It reports revenues when incurred, regardless of when they are received, and expenses when incurred, regardless of when they are paid.
- The *Statement of Cash Flows* reports the sources and uses of cash during the fiscal year.

The financial statements also include notes that explain the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

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

FINANCIAL ANALYSIS OF THE DISTRICT

Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*. Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

The District's combined net position was \$2.0 million at September 30, 2020. (See Table 1).

Table 1
Trinity Glen Rose Groundwater Conservation District

	2020	2019	2018
Cash	\$ 122,529	\$ 212,339	\$ 181,942
Investments	1,834,727	1,706,905	1,373,810
Accounts Receivable	21,677	58,244	41,583
Prepaid Expenses	8,000	5,084	4,488
Computers and Equipment (net)	12,805	6,610	4,635
Net Pension Asset	2,037	305	-
TOTAL ASSETS	<u>2,001,775</u>	<u>1,989,487</u>	<u>1,606,458</u>
DEFERRED OUTFLOWS	<u>14,568</u>	<u>9,043</u>	<u>8,078</u>
Accounts Payable	7,465	12,276	36,732
Payroll Withholdings	5,086	1,672	1,508
TOTAL LIABILITIES	<u>12,551</u>	<u>13,948</u>	<u>38,240</u>
DEFERRED INFLOWS	<u>1,470</u>	<u>1,351</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 2,002,322</u>	<u>\$ 1,983,231</u>	<u>\$ 1,576,296</u>

The District's total operating revenues were \$359 thousand, a decrease of 46% from the year ending September 30, 2019. The operating expenses were \$369 thousand, an increase of 28% over the prior year (See Table 2).

Table 2
Trinity Glen Rose Groundwater Conservation District
Change in Net Position

	2020	2019	2018
Operating Revenues	\$ 358,858	\$ 660,441	\$ 320,640
Operating Expenses	<u>(368,930)</u>	<u>(287,364)</u>	<u>(278,013)</u>
Operating Income	(10,072)	373,077	42,627
Nonoperating Revenue (Expense)	<u>29,163</u>	<u>33,858</u>	<u>20,360</u>
Change in Net Position	19,091	406,935	62,987
Beginning Net Position	<u>1,983,231</u>	<u>1,576,296</u>	<u>1,513,309</u>
Ending Net Position	<u>\$ 2,002,322</u>	<u>\$ 1,983,231</u>	<u>\$ 1,576,296</u>

The District designates portions of its unrestricted net position each year for specific purposes. These designations as of September 30 were as follows:

Table 3
Trinity Glen Rose Groundwater Conservation District
Net Position Designations

	2020	2019	2018
Elections	\$ 40,000	\$ 40,000	\$ 40,000
Redistricting	60,000	60,000	40,000
Operations	500,000	500,000	250,000
Conservation	300,000	300,000	300,000
Aquifer Studies	300,000	300,000	300,000
Legal	300,000	300,000	200,000
Capital Improvements	300,000	300,000	220,000
Total Designations	\$ 1,800,000	\$ 1,800,000	\$ 1,350,000

BUDGETARY HIGHLIGHTS

District revenues were below expectations in the budget by \$148 thousand as production waned. However, operating expenses were also under budget by \$158 thousand. The net increase in net position was \$19 thousand, compared to a balanced final budget.

CAPITAL ASSETS

As of September 30, 2020, the District had invested \$64 thousand in capital assets, including office and field equipment. The District moved to a new facility and incurred leasehold improvement costs in 2020. More detailed information about the District’s capital assets is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Services and rates are not expected to change appreciably for the 2020/2021 fiscal year.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, please review the website at www.trinityglenrose.com or contact the Trinity Glen Rose Groundwater Conservation District at 12790 FM 1560 N Box 1589, Helotes, TX 78023.

BASIC FINANCIAL STATEMENTS

The basic financial statements include:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 STATEMENTS OF NET POSITION
 SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 122,529	\$ 212,339
Investments	1,834,727	1,706,905
Accounts Receivable	21,677	58,244
Prepaid Expenses	8,000	5,084
<i>Total Current Assets</i>	1,986,933	1,982,572
<i>Other Assets:</i>		
Property and Equipment (net)	12,805	6,610
Net Pension Asset	2,037	305
<i>Total Other Assets</i>	14,842	6,915
TOTAL ASSETS	2,001,775	1,989,487
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Related Outflows	14,568	9,043
 LIABILITIES		
Accounts Payable	7,465	12,276
Payroll Withholdings	5,086	1,672
TOTAL LIABILITIES	12,551	13,948
 DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Related Inflows	1,470	1,351
 NET POSITION		
Net Investment in Capital Assets	12,805	6,610
Unrestricted	1,989,517	1,976,621
TOTAL NET POSITION	\$ 2,002,322	\$ 1,983,231

See accompanying notes to basic financial statements.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Operating Revenues:		
Groundwater Production Fees	\$ 344,802	\$ 649,994
Other Fees	14,056	10,447
Total Operating Revenues	358,858	660,441
Operating Expenses:		
Staff and Benefits	186,826	137,433
Operations	115,732	74,684
Outreach and Conservation	51,137	57,400
Research	8,318	11,348
Depreciation Expense	4,549	3,914
Insurance	2,368	2,585
Total Operating Expenses	368,930	287,364
Income (Loss) from Operations	(10,072)	373,077
Nonoperating Revenues (Expenses):		
Investment Income	29,163	33,858
Total Nonoperating Revenues (Expenses)	29,163	33,858
Change in Net Position	19,091	406,935
Net Position at Beginning of Year	1,983,231	1,576,296
Net Position at End of Year	\$ 2,002,322	\$ 1,983,231

See accompanying notes to basic financial statements.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 395,425	\$ 643,779
Cash Paid to Employees for Services	(190,550)	(137,188)
Cash Paid to Suppliers for Goods and Services	(185,282)	(171,069)
Net Cash Provided (Used) by Operating Activities	19,593	335,522
Cash Flows from Investing Activities:		
Purchase of Certificates of Deposit	(1,830,000)	(1,538,000)
Maturity of Certificates of Deposit	1,696,000	1,210,000
Investment Income	35,341	28,763
Net Cash Provided (Used) by Investing Activities	(98,659)	(299,237)
Cash Flows from Capital Financing Activities:		
Purchase of Equipment	(10,744)	(5,888)
Net Cash Provided (Used) by Capital Financing Activities	(10,744)	(5,888)
Net Increase (Decrease) in Cash and Cash Equivalents	(89,810)	30,397
Cash and Cash Equivalents, October 1	212,339	181,942
Cash and Cash Equivalents, September 30	\$ 122,529	\$ 212,339
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (10,072)	\$ 373,077
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	4,549	3,914
(Increase) Decrease in Accounts Receivable	36,567	(16,662)
(Increase) Decrease in Prepaid Expenses	(2,916)	(596)
(Increase) Decrease in Deferred Outflows	(5,525)	(965)
(Increase) Decrease in Net Pension Asset	(1,732)	(305)
Increase (Decrease) in Accounts Payable	(4,811)	(24,456)
Increase (Decrease) in Payroll Withholdings	3,414	164
Increase (Decrease) in Deferred Inflows	119	1,351
Total Adjustments	29,665	(37,555)
Net Cash Provided (Used) by Operating Activities	\$ 19,593	\$ 335,522

See accompanying notes to basic financial statements.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

The Trinity Glen Rose Groundwater Conservation District (the "District") was created to conserve and protect the Trinity Group of Aquifers in northern Bexar County in response to the Texas Natural Resources Conservation Commission designating a portion of the Trinity Aquifer as a Priority Groundwater Management Area. The District was created during the 2001 77th Texas Legislature with the enrollment of House Bill 2005 and became effective September 1, 2001. House bill 1518 provides the District the authority to increase production fees and allow municipalities to request inclusion of annexed areas into the District as provided by Chapter 36 of the Texas Water Code.

The District is managed and controlled by an elected Board of Directors from each of the five District Precincts whose purpose is the preservation and conservation of their portion of the Trinity Aquifer.

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. ENTERPRISE FUND

The Corporation is an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public. The activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

3. BASIS OF ACCOUNTING

The statements are presented on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is used whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits in checking, savings, and money market accounts.

5. ACCOUNTS RECEIVABLE

Accounts receivable consists of monthly water production fees that have not yet been received. Accounts receivables are stated at the amount management expects to collect from outstanding balances. No allowance has been established as management estimates all outstanding amounts will be collected.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. INVESTMENTS

State statutes authorize the District to invest in (a) obligations of United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (d); or (e).

The District has adopted an investment policy that further limits the available investment options to obligations of the United States or its agencies and instrumentalities, certificates of deposit, and local government investment pools.

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the Statement of Net Position.

8. PROPERTY AND EQUIPMENT

Capital assets with a useful life in excess of one year and exceeding \$1,000 are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line method. Depreciable lives are generally estimated at 5 years for equipment. Leasehold improvements follow the shorter of the life of the lease or useful life of the improvements. Currently, the leasehold improvements are estimated at 3 years.

9. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

10. PENSIONS

The net pension liability (or asset), deferred inflows, and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS), and additions to and deductions from TCDRS' fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

12. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the District, which are permitted production fees. Operating expenses are the necessary costs incurred to provide water conservation.

13. USE OF ESTIMATES

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

NOTE B -- CASH AND INVESTMENTS

1. Cash and Cash Equivalents

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2020, the District's bank deposits were covered by federal deposit insurance. All of the District's deposits were fully collateralized, including certificates of deposit.

2. Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that the District's investment practices adhered to the requirements of the Act.

As of September 30, 2020, the District's investments consisted of only certificates of deposit that are presented at amortized cost.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2020

NOTE C -- PROPERTY AND EQUIPMENT

Changes in property and equipment were as follows:

	Balance 10/1/19	Additions	Disposals	Balance 9/30/20
Furniture and Equipment	\$ 53,662	\$ 3,591	\$ -	\$ 57,253
Leasehold Improvements	-	7,153	-	7,153
Accumulated Depreciation	<u>(47,052)</u>	<u>(4,549)</u>	<u>-</u>	<u>(51,601)</u>
Property and Equipment, Net	<u>\$ 6,610</u>	<u>\$ 6,195</u>	<u>\$ -</u>	<u>\$ 12,805</u>

	Balance 10/1/18	Additions	Disposals	Balance 9/30/19
Furniture and Equipment	\$ 51,216	\$ 5,888	\$ (3,442)	\$ 53,662
Accumulated Depreciation	<u>(46,580)</u>	<u>(3,914)</u>	<u>3,442</u>	<u>(47,052)</u>
Property and Equipment, Net	<u>\$ 4,636</u>	<u>\$ 1,974</u>	<u>\$ -</u>	<u>\$ 6,610</u>

NOTE D -- ECONOMIC DEPENDENCY/CONCENTRATIONS

Funding for the operation of the District is provided through permitted production fees charged for groundwater produced from the Trinity aquifer in Bexar, Comal and Kendall Counties. One producer represented 47% and 69% of production revenues in fiscal years 2020 and 2019, respectively. The same producer represented 32% and 54% of accounts receivable as of September 30, 2020 and 2019, respectively.

NOTE E -- LEASE

The District currently leases office space under a three-year agreement ending January 31, 2023. The lease requires annual payments of \$24,000. Two payments remain for February 1, 2021 and 2022.

NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Plan Description

The District participates as one of nearly 800 plans in the nontraditional, defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the state of Texas and administered in accordance with the TCDRS Act as an agent multiple-employer retirement system for County and District employees in the State of Texas. The Board of Trustees of TCDRS is responsible for the administration and management of the system. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (CONT.)

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS. Members can retire at age 60 and above with 5 or more years of service or with 30 years regardless of age or when the sum of their age and years of service equals 75 or more. A member is vested after 5 years but must leave his accumulated contributions in the plan. Members who withdraw their personal contributions in a partial lump sum are entitled to any amounts contributed by the employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute.

At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Contributions

The District has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The District contributed using the actuarially determined rate of 10.71% for the calendar years of 2019 and 2020.

The contribution rate payable by the employee members is 7% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Benefits Provided

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the District-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2020

NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (CONT.)

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

	12/31/2019
Inactive Employees Receiving Benefits	0
Inactive Employees	0
Active Employees	2
	2

Net Pension Liability

The District's Net Pension Liability (NPL) (or asset) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Real Rate of Return	5.25%
Inflation	2.75%
Long-Term Investment Return	8.00%

The long-term expected rate of return on pension plan investments is 8.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2020

NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (CONT.)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return (Geometric)</u>
US Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities - Developed	7.00%	5.20%
International Equities - Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	-0.20%
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships (MLPs)	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability (or asset) was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability (or asset).

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.10%) or 1-percentage point higher (9.10%) than the current rate:

	<u>Discount Rate 7.10%</u>	<u>Discount Rate 8.10%</u>	<u>Discount Rate 9.10%</u>
Net Pension Liability (Asset)	\$ 3,751	\$ (2,037)	\$ (6,951)

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2020

NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (CONT.)

Changes in Net Pension Liability (Asset)

The below schedule presents the changes in the Net Pension Liability (asset) as of December 31, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2018	\$ 18,390	\$ 18,695	\$ (305)
Changes for the year:			
Service Cost	17,185	-	17,185
Interest	2,882	-	2,882
Plan Changes	-	-	-
Economic/Demographic Gains/Losses	2,214	-	2,214
Assumptions Chnages or Inputs	-	-	-
Refund of Contributions	-	-	-
Benefit Payments	-	-	-
Administrative Expenses	-	(33)	33
Member Contributions	-	8,040	(8,040)
Net Investment Income	-	3,050	(3,050)
Employer Contributions	-	12,255	(12,255)
Other	-	701	(701)
Net Changes	<u>22,281</u>	<u>24,013</u>	<u>(1,732)</u>
Balance at December 31, 2019	<u>\$ 40,671</u>	<u>\$ 42,708</u>	<u>\$ (2,037)</u>

Pension Plan Fiduciary Net Position

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

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2020

NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (CONT.)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the District recognized pension expense of \$9,056. Also as of September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 2,013	\$ 1,228
Changes in Assumptions	-	-
Difference between Projected and Actual Earnings	-	242
Contributions Subsequent to the Measurement Date	12,555	-
	\$ 14,568	\$ 1,470

Deferred outflows of resources in the amount of \$12,555 result from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the plan year ended December 31,		
2020	\$	44
2021		44
2022		43
2023		(61)
2024		78
Thereafter		395
	\$	543

NOTE G -- LITIGATION

Management is unaware of any pending litigation that would could have any material effect on the District's financial position.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE H -- COMMITMENTS

The District has entered into a contract with a consultant to study and execute potential changes to District rules and procedures. The contract was awarded for \$96,740. As of September 30, 2020, \$23,077 had been incurred, leaving an estimated commitment for \$73,663.

In addition, the District entered into election contracts with Bexar, Kendall and Comal counties for the November 2020 election. Estimated costs for the election are \$47,464 and are subject to change based on the allocation among all participating entities of actual costs incurred.

REQUIRED SUPPLEMENTARY INFORMATION

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE LAST TWO CALENDAR YEARS

Total Pension Liability		
	2018	2019
Service Cost	\$ 18,376	\$ 17,185
Interest (on the Total Pension Liability)	1,488	2,882
Changes of Benefit Terms	-	-
Changes of Assumptions	-	-
Economic/Demographic gains or losses	(1,474)	2,214
Benefit Payments, Including Refunds of Employee Contributions	-	-
Net Change in Total Pension Liability	18,390	22,281
Total Pension Liability - Beginning	-	18,390
Total Pension Liability - Ending	\$ 18,390	\$ 40,671
Plan Fiduciary Net Position		
	2018	2019
Contributions - Employer	\$ 10,870	\$ 12,255
Contributions - Employee	7,104	8,040
Net Investment Income	200	3,050
Benefit Payments, Including Refunds of Employee Refunds	-	-
Administrative Expense	(15)	(33)
Other	536	701
Net Change in Plan Fiduciary Net Position	18,695	24,013
Plan Fiduciary Net Position - Beginning	-	18,695
Plan Fiduciary Net Position - Ending	\$ 18,695	\$ 42,708
Net Pension Liability (asset) - Ending	\$ (305)	\$ (2,037)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	101.66%	105.01%
Covered Payroll	\$ 101,491	\$ 114,854
Net Pension Liability as a Percentage of Covered Payroll	-0.30%	-1.77%

The District began participating in the plan in 2018. Information will be accumulated until ten years are presented.

See Independent Auditor's Report.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
 FOR THE LAST THREE FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions As Percent of Payroll
2020	\$ 16,240	\$ 16,240	-	\$ 155,129	10.47%
2019	11,407	11,407	-	106,510	10.71%
2018	8,078	8,078	-	75,429	10.71%

Changes in Assumptions: None

Changes in Plan Provisions: None

The District began participating in the plan in 2018. Information will be accumulated until ten years are presented.

See Independent Auditor's Report

SUPPLEMENTARY INFORMATION

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget		2020 Actual	Variance
	Original	Final		
Operating Revenues:				
Groundwater Production Fees	\$ 450,000	\$ 500,000	\$ 344,802	\$ (155,198)
Other Fees	7,000	7,000	14,056	7,056
Total Operating Revenues	<u>457,000</u>	<u>507,000</u>	<u>358,858</u>	<u>(148,142)</u>
Operating Expenses:				
Staff and Benefits	200,700	238,500	186,826	51,674
Operations	167,975	201,500	115,732	85,768
Outreach and Conservation	67,000	67,000	51,137	15,863
Research	16,500	16,500	8,318	8,182
Depreciation Expense	-	-	4,549	(4,549)
Insurance	3,500	3,500	2,368	1,132
Total Operating Expenses	<u>455,675</u>	<u>527,000</u>	<u>368,930</u>	<u>158,070</u>
Income (Loss) from Operations	<u>1,325</u>	<u>(20,000)</u>	<u>(10,072)</u>	<u>9,928</u>
Nonoperating Revenues:				
Investment Income	25,000	20,000	29,163	9,163
Total Nonoperating Revenues	<u>25,000</u>	<u>20,000</u>	<u>29,163</u>	<u>9,163</u>
Change in Net Position	26,325	-	19,091	19,091
Net Position at Beginning of Year	<u>1,983,231</u>	<u>1,983,231</u>	<u>1,983,231</u>	<u>-</u>
Net Position at End of Year	<u><u>\$2,009,556</u></u>	<u><u>\$1,983,231</u></u>	<u><u>\$2,002,322</u></u>	<u><u>\$ 19,091</u></u>

See Independent Auditor's Report.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Trinity Glen Rose Groundwater Conservation District

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 Trinity Glen Rose Groundwater Conservation District as of September 30, 2020 and 2019, and for the years then ended, and the related notes to the financial statements, which collectively comprise Trinity Glen Rose Groundwater Conservation District's basic financial statements, and have issued our report thereon dated November 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Trinity Glen Rose Groundwater Conservation 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trinity Glen Rose Groundwater Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Trinity Glen Rose Groundwater Conservation 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trinity Glen Rose Groundwater Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters 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.

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive, flowing style.

Armstrong, Vaughan & Associates, P.C.

November 30, 2020