

REPORT OF EXAMINATION

**REAL EDWARDS
CONSERVATION AND RECLAMATION
DISTRICT**

Leakey, Texas

**For the Year Ended
September 30, 2020**

REAL EDWARDS CONSERVATION AND RECLAMATION DISTRICT
LEAKEY, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020

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NEFFENDORF & BLOCKER, P.C.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Real Edwards Conservation and Reclamation District
Leakey, TX 78873

Members of the Board:

We have audited the accompanying financial statements of the governmental activities and the major fund of Real Edwards Conservation and Reclamation District, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles 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. 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Real Edwards Conservation and Reclamation District, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 21 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.

Neffendorf + Blocker, P.C.

NEFFENDORF & BLOCKER, P.C.
Fredericksburg, Texas

April 7, 2021

REAL EDWARDS CONSERVATION AND RECLAMATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Real Edwards Conservation and Reclamation District, we offer readers of the District's financial statements this narrative overview and analysis of the financial statements of the District for the year ended September 30, 2020. Please read it in conjunction with the independent auditors' report on page 1, and District's Basic Financial Statements which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$305,240 (net position). Of this amount, \$231,902 (unrestricted net position) may be used to meet the District's ongoing obligations to citizen's and creditors.
- The District's net position increased by \$80,180 as a result of this year's operations.
- At September 30, 2020, the District's governmental funds reported combined ending fund balances of \$214,501, an increase of \$71,251 in comparison with the prior year.
- At September 30, 2020, the unreserved fund balance of the general fund was \$204,501, or 133 percent of total general fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 & 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (also on pages 10 & 11) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 12) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (operating fund) is presented as required supplementary information on page 21.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider other factors as well, such as changes in the District's customers or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

➤ Governmental activity - Most of the District's basic services are reported here, including the operations and administration. Property taxes and permits and fees finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements on pages 10 & 11 provide detailed information about the most significant funds - not the District as a whole. Governmental fund types include the general fund.

➤ Governmental funds - All of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the adjustments column and Note 3 to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$305,240 to \$385,420. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - were \$221,902 at September 30, 2020. This increase in governmental net position was the result of three factors. First, the District's expenditures exceeded the revenues by \$71,251. Second, the District recorded depreciation in the amounts of \$10,718. Third, the District paid principal on the debt of \$19,493.

Table I
Real Edwards Conservation and Reclamation District

NET POSITION

	Governmental Activities		
	2020	2019	Change
Current and Other Assets	\$ 233,413	\$ 164,568	\$ 68,845
Capital Assets	153,518	164,236	(10,718)
Total Assets	\$ 386,931	\$ 328,804	\$ (58,127)
Long-Term Liabilities	\$ -	\$ 8,084	\$ (8,084)
Other Liabilities	1,511	15,480	(13,969)
Total Liabilities	\$ 1,511	\$ 23,564	\$ 22,053
Net Position:			
Invested in Capital Assets			
Net of Related Debt	\$ 153,518	\$ 144,743	\$ 8,775
Restricted	10,000	-	10,000
Unrestricted	221,902	160,497	61,405
Total Net Position	\$ 385,420	\$ 305,240	\$ 80,180

Table II
Real Edwards Conservation and Reclamation District

CHANGES IN NET POSITION

	Governmental Activities		
	2020	2019	Change
Revenues			
Registration and Fees	\$ 8,996	\$ 4,950	\$ 4,046
Maintenance & Operations Taxes	214,021	204,404	9,617
Investment Earnings	2,262	2,961	(699)
Miscellaneous	11,529	220	11,309
Total Revenue	\$ 236,808	\$ 212,535	\$ 24,273
Expenses:			
Salaries and Benefits	\$ 77,763	\$ 102,686	\$ (24,923)
Professional Fees	6,192	14,673	(8,481)
Other Operating	61,782	49,193	12,589
Depreciation	10,718	10,718	-
Debt Service Interest	173	2,936	(2,763)
Total Expenses	\$ 156,628	\$ 180,206	\$ (23,578)
Increase (Decrease) In			
Net Position	\$ 80,180	\$ 32,329	\$ 47,851
Net Position Beginning	305,240	272,911	32,329
Net Position Ending	\$ 385,420	\$ 305,240	\$ 80,180

The District's total revenues increased by \$24,273 (11.4%) due to an increase in property tax revenues and insurance proceeds.

The District's total expenses decreased by \$23,578 due to a decrease in salaries and benefits.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of \$214,501 which is more than last year's total of \$143,250. The primary reason for the General Fund's increase is due to the revenues exceeding the expenditures.

The District adopted the General Fund budget. Actual revenues were more than budgeted amounts and actual expenditures were less than budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2020, the District had the following Capital Assets:

CAPITAL ASSETS

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Land	\$ 45,750	\$ 45,750	\$ -
Furniture and Equipment	39,897	39,897	-
Vehicles	27,491	27,491	-
Office Building	103,500	103,500	\$ -
TOTALS	\$ 216,638	\$ 216,638	\$ -
Accumulated Depreciation	<u>(63,120)</u>	<u>(52,402)</u>	<u>(10,718)</u>
Capital Assets, Net	<u>\$ 153,518</u>	<u>\$ 164,236</u>	<u>\$ (10,718)</u>

More detailed information about the District's capital assets is presented in Note 6 to the financial statements.

Debt

At September 30, 2020, the District had the following outstanding debt.

OUTSTANDING DEBT

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Bank Loan Payable	<u>\$ -</u>	<u>\$ 19,493</u>	<u>\$ (19,493)</u>

More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2021 budget and tax rates. Factors considered in establishing a budget are the funding needs of the District operations and programs necessary to meet the objectives of the District as stated in the District's Enabling Legislation and its By-Laws. The tax-based source of funds are determined as the last item after consideration of all other sources (permits, fees, interest, etc.) and carry forward from prior year. Tax base is computed on that minimum amount necessary to complete the annual funding of the District. Amounts available for appropriation in the General Fund budget are \$264,716 expenditures are estimated to be \$247,424.

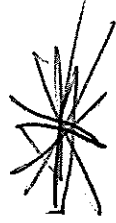
If these estimates are realized, the District's budgetary General fund balance is expected to increase by \$17,292 by the close of 2021.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Real Edwards Conservation and Reclamation District, Leakey, Texas.

BASIC FINANCIAL STATEMENTS

REAL-EDWARDS CONSERVATION & RECLAMATION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2020



	General Fund	Total	Adjust- ments (Note 3)	Statement of Net Assets September 30,	
				2020	2019
ASSETS					
Cash and Investments	\$ 213,684	\$ 213,684	\$	\$ 213,684	\$ 145,421
Receivables:					
Taxes	17,402	17,402		17,402	17,247
Tax Collector	1,977	1,977		1,977	1,550
Utility Deposits	350	350		350	350
Capital Assets (Net of Accumulated Depreciation)			153,518	153,518	164,236
Total Assets	\$ 233,413	\$ 233,413	\$ 153,518	\$ 386,931	\$ 328,804
LIABILITIES					
Current Liabilities:					
Accounts Payable	1,511	1,511		1,511	4,071
Accrued Retirement	-	-		-	-
Loan Payable- Current Portion	-	-		-	11,409
Total Current Liabilities	1,511	1,511	-	1,511	15,480
Long-Term Liabilities:					
Loan Payable- Long-Term Portion	-	-		-	8,084
Total Liabilities	1,511	1,511	-	1,511	23,564
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	17,402	17,402	(17,402)	-	-
Total Deferred Inflows of Resources	17,402	17,402	(17,402)	-	-
FUND BALANCE/NET ASSETS					
Fund Balances:					
Committed for Vehicle Purchase	10,000	10,000	(10,000)		
Unassigned	204,501	204,501	(204,501)		
Total Fund Balances	214,501	214,501	(214,501)	-	-
Total Liabilities & Fund Balances	\$ 233,413	\$ 233,413			
Net Position:					
Net Investments in					
Capital Assets			✓ 153,518	153,518	144,743
Restricted for Vehicle Purchase			10,000	10,000	-
Unrestricted			221,902	221,902	160,497
Total Net Position			\$ 385,420	\$ 385,420	\$ 305,240

4/28/2021

REAL-EDWARDS CONSERVATION & RECLAMATION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED - SEPTEMBER 30, 2020

	General Fund	Total	Adjust- ments (Note 3)	Statement of Activities September 30,	
				2020	2019
Revenues:					
Ad Valorem Tax Collections	\$ 208,950	\$ 208,950	\$ 154	\$ 209,104	\$ 200,590
Penalty and Interest	4,917	4,917		4,917	3,814
Investment Interest	2,262	2,262		2,262	2,961
Registration Fees	8,996	8,996		8,996	4,950
Miscellaneous	1,035	1,035	10,494	11,529	220
Total Revenues	226,160	226,160	10,648	236,808	212,535
Expenditures/Expenses:					
Salaries	\$ 66,492	\$ 66,492	\$	\$ 66,492	\$ 75,271
Payroll Taxes	6,797	6,797		6,797	7,695
Employee Benefit	1,890	1,890		1,890	5,813
Employee Health Insurance	2,584	2,584		2,584	13,907
Auto	388	388		388	1,019
Office Supplies and Postage	5,804	5,804		5,804	5,197
Computer Repairs	5,607	5,607		5,607	6,558
Monitoring and Lab Supplies	100	100		100	603
Tax Collection Fees	2,089	2,089		2,089	2,069
Travel	2,558	2,558		2,558	2,431
Appraisal District	15,292	15,292		15,292	10,918
Professional Fees	6,192	6,192		6,192	14,673
Insurance/Bonds	3,801	3,801		3,801	2,860
Conferences and Meetings	3,931	3,931		3,931	7,036
GMA 7/ Region J	1,500	1,500		1,500	2,193
Election	-	-		-	-
Special Projects	1,083	1,083		1,083	901
Utilities	4,840	4,840		4,840	4,901
Public Notices	99	99		99	180
Education Program	2,712	2,712		2,712	2,327
Debt Service- Principal	19,493	19,493	(19,493)	-	-
Debt Service- Interest	173	173		173	2,936
Repairs & Maintenance	-	-	11,978	11,978	-
Depreciation	-	-	10,718	10,718	10,718
Total Expenditures/Expenses	153,425	153,425	3,203	156,628	180,206
Excess (deficiency) of revenues over expenditures	72,735	72,735 ✓	7,445		
Insurance Proceeds	10,494	10,494 ✓	(10,494)		
Insurance Repairs	(11,978)	(11,978) ✓	11,978		
Change in Fund Balance/Net Position	71,251	71,251 ✓	8,929	80,180 ✓	32,329
Fund Balance/Net Position					
Beginning of the Year	143,250	143,250	161,990	305,240	272,911
End of the Year	\$ 214,501	\$ 214,501	\$ 170,919	\$ 385,420	\$ 305,240

The notes to the Financial Statements are an integral part of this statement.

REAL EDWARDS CONSERVATION AND RECLAMATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1. CREATION OF DISTRICT

The Real Edwards Conservation and Reclamation District was created by the 56th Legislature in 1959 as a Conservation and Reclamation District and has the following broad ranging powers:

- The control, storing, preservation, and distribution of storm and flood waters within the District and the waters of the rivers and streams within the District,
- The Conservation, preservation, development, and recharging of the underground waters and water-bearing formations within the District, and
- The conservation and development of the soil and the reclamation and irrigation of lands within the District.

The District's Board of Directors, a nine-member group, has governance responsibilities over all activities related to the District's operations within the jurisdiction of Real Edwards Conservation and Reclamation District. Because members of the Board of Directors are elected by the public, they have the primary accountability for fiscal matters.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Real Edwards Conservation and Reclamation District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

The District has developed criteria to determine if the activities of any outside agencies or organizations should be included within its financial statements. The criteria includes the amount of oversight responsibility exercised by the District over the activities of an agency or organization, the scope of public service of an agency or organization, and the nature of any special financing relationships which may exist between the District and an agency or organization. Oversight responsibility includes financial interdependency, selection of the governing authority, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The District's financial statements include all funds over which the District exercises oversight responsibility. The District does not exercise oversight responsibility over any other reporting entity. Also, The District is not included as a part of any other reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Real Edwards Conservation and Reclamation District nonfiduciary activities. *Governmental activities* include sources supported by taxes, fees and charges for services.

The Statement of Activities demonstrates how other people or entities that participate in services the District operates have shared in the payment of the direct costs.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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 recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences, claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from customers are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Temporary investments are stated at cost.

2. Capital Assets

Capital assets, which include furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciable assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Computer	5
Furniture and Equipment	7
Vehicles	5

3. Fund Equity

The District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

4. Implementation of new GASB Accounting Standard:

The District has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* as well as GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB 63 and 65, amounts previously reported as deferred charges as a part of total assets have been reported in a separate section as deferred outflows of resources and amount previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

5. Budget

The Board of Directors adopts an annual budget for the general fund in accordance with the Accounting Principles applicable to this fund.

6. Use of Estimates

The presentation 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 3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total Fund Balance - Governmental Funds	\$	214,501
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$216,638 and the accumulated depreciation was \$52,402. In addition, long-term liabilities, including loans payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		144,742
2 The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(10,718)
3 Reclassification of unavailable revenues for property taxes to revenues in the government-wide statements (convert from modified accrual basis to accrual basis).		17,402
4 Current year long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as reductions in long-term debt in the government-wide financial statements. The effect of including the 2020 debt principal payments is to increase net position.		19,493
Net Position of Governmental Activities	\$	<u>385,420</u>

Reconciliation of the Governmental Fund Statement of Revenues, Expenditure, and Changes in Fund Balance to the Statement of Activities

Total Net Change in Fund Balances - Governmental Funds	\$	71,251
1 Current year long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2020 debt principal payments is to increase net position.		19,493
2 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(10,718)
3 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Taxes Receivable		154
Change in Net Position of Governmental Activities	\$	<u>80,180</u>

NOTE 4. DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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 carrying amount of the District's deposits was \$49,954 and the bank balance was \$48,379. The District's cash deposits at September 30, 2020 and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

The District's temporary investments at September 30, 2020 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>
Certificates of Deposit-				
Hondo National Bank	\$ 93,730	\$ 93,730	\$ 93,730	-
First State Bank of Uvalde	70,000	70,000	70,000	
	<u>\$ 163,730</u>	<u>\$ 163,730</u>	<u>\$ 163,730</u>	

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does address 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 its deposits at year-end and during the year ended September 30, 2020 was covered by depository insurance or by pledged collateral held by the District's agent bank in the District's name.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, the District was not exposed to concentration of credit risk or foreign currency risk.

NOTE 5. PROPERTY TAXES

By September 1 of each year, the rate of taxation is set by the board of directors based upon the valuation of property within the District as of January 1. Taxes are due October 1 and become delinquent after January 31 of the following year.

The District contracted with the Real County Appraisal District and the Edwards Central Appraisal District for the appraisal of taxes. The District contracted with the Real County Tax Assessor/Collector and the Edwards County Tax Assessor/Collector for the collection of taxes. For the 2019 tax roll, the tax rate was \$0.0200 per \$100 valuation. For Real County, the assessed valuation was \$571,747,748 and the tax levy was \$105,007. For Edwards County, the assessed valuation was \$563,709,538 and the tax levy was \$107,727.

NOTE 6. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year September 30, 2020, was as follows:

	Primary Government			
	Beginning			Ending
	Balance			Balance
	10/1/19	Additions	Retirements	9/30/20
Governmental Activities				
Land	\$ 45,750	\$ -	\$ -	\$ 45,750
Furniture and Equipment	39,897	-	-	39,897
Vehicles	27,491	-	-	27,491
Office Building	103,500	-	-	103,500
Totals	\$ 216,638	\$ -	\$ -	\$ 216,638
Less Accumulated Depreciation	(52,402)	(10,718)		(63,120)
Capital Assets, Net	\$ 164,236	\$ (10,718)	\$ -	\$ 153,518

NOTE 7. LOAN PAYABLE

Changes in long-term debt appear below:

	Balance 10/1/19	Issued	Retired	Balance 9/30/20	Due Within One Year
Loan Payable-					
Peoples State Bank	\$ 19,493	\$ -	\$ 19,493	\$ -	\$ -

The District obtained a loan from the Peoples State Bank for the purchase of a building. The original loan amount of \$110,000 is due in monthly installments of \$1,000 (including interest at 4.13%) until maturity on February 1, 2023, when the entire amount of unpaid principal and interest is due. The District made an additional principal payment of \$17,493 in November, 2019, paying off the loan.

NOTE 8. EMPLOYEE BENEFITS

In addition to the social security program, the District provided a benefit plan to its' full-time employee. For the year ended September 30, 2020, the District contributed \$1,890 for this benefit plan.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the District is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2020 were \$2,455.

NOTE 10. EMPLOYEE INSURANCE BENEFITS

All full-time employees of the District are eligible for medical, dental and vision coverage through the Texas Municipal League. The District pays the premium for eligible employees. Employees at their option may authorize payroll withholdings to pay premiums for eligible family members.

NOTE 11. OPERATING LEASE

The District has entered into a lease agreement beginning December 2015 with Xerox Corporation for a copy machine. The lease period is for 48 months at \$161.77 a month. The District paid a total of \$2,202 for this lease for the year ended September 30, 2020.

NOTE 12. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures in the General Fund budget exceeded appropriations for a few line items but not in total.

NOTE 13. SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 7, 2021, the date which the financial statements were available to be issued. The District is not aware of any subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

REAL-EDWARDS CONSERVATION & RECLAMATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON
SCHEDULE - GENERAL FUND - FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad Valorem Tax Collections	\$ 214,328	\$ 214,328	\$ 208,950	\$ (5,378)
Penalty and Interest	-	-	4,917	4,917
Investment Interest	1,500	1,500	2,262	762
Registration Fees	7,000	7,000	8,996	1,996
Miscellaneous	500	500	1,035	535
Total Revenues	223,328	223,328	226,160	2,832
Expenditures/Expenses:				
Salaries	\$ 82,000	\$ 72,616	\$ 66,492	\$ 6,124
Payroll Taxes	6,645	6,645	6,797	(152)
Employee Benefit	3,375	3,375	1,890	1,485
Employee Health Insurance	13,500	13,500	2,584	10,916
Auto	2,000	2,000	388	1,612
Office Supplies and Postage	6,100	6,100	5,804	296
Computer Repairs	5,000	5,000	5,607	(607)
Monitoring and Lab Supplies	3,000	3,000	100	2,900
Tax Collection Fees	4,067	4,067	2,089	1,978
Travel	9,500	8,000	2,558	5,442
Appraisal District	12,840	12,840	15,292	(2,452)
Professional Fees	18,500	18,700	6,192	12,508
Insurance/Bonds	3,500	3,500	3,801	(301)
Conferences and Meetings	6,900	6,900	3,931	2,969
GMA 7/ Region J	2,500	2,500	1,500	1,000
Election	2,000	2,000	-	2,000
Special Projects	3,000	3,000	1,083	1,917
Utilities	6,265	6,265	4,840	1,425
Public Notices	1,000	1,000	99	901
Education Program	4,250	4,250	2,712	1,538
Debt Service- Principal	12,000	19,527	19,493	34
Debt Service- Interest	-	173	173	-
Capital Outlay	7,000	8,500	-	8,500
Total Expenditures/Expenses	214,942	213,458	153,425	60,033
Excess (deficiency) of revenues over expenditures	8,386	9,870	72,735	62,865
Insurance Proceeds		10,494	10,494	-
Insurance Repairs		(11,978)	(11,978)	-
Change in Fund Balance/Net Position	8,386	8,386	71,251	62,865
Fund Balance/Net Position				
Beginning of the Year	143,250	143,250	143,250	-
End of the Year	\$ 151,636	\$ 151,636	\$ 214,501	\$ 62,865

The notes to the Financial Statements are an integral part of this statement.