

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

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Independent Auditor's Report

Board of Directors
High Plains Underground Water District No. 1
Lubbock, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of High Plains Underground Water Conservation District No. 1 (the District), as of and for the fiscal year ended September 30, 2018, 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.

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 general fund of High Plains Underground Water Conservation District No. 1, as of September 30, 2018, and the respective changes in financial position, thereof 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, schedule of changes in net pension asset and related ratios, schedule of employer contributions, and budgetary comparison information 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.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

December 28, 2018

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

This section of High Plains Underground Water Conservation District No. 1's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2018. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

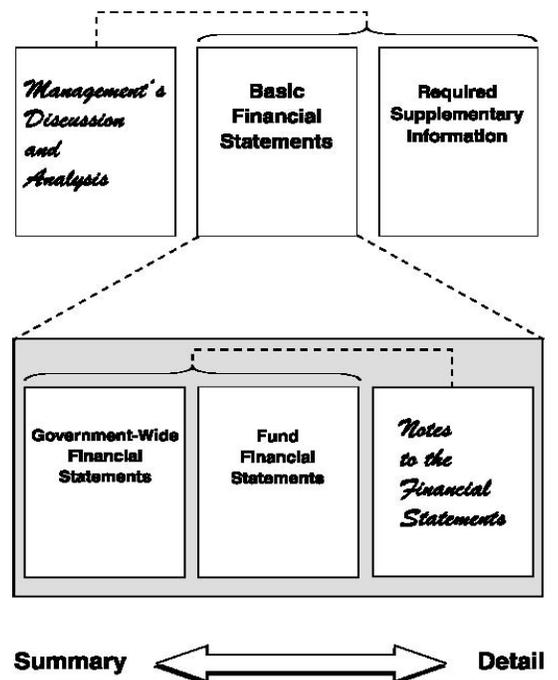
- The District's net position was \$8,380,945 at September 30, 2018. Of this amount, \$7,737,759 (unrestricted net position) may be used to meet the District's ongoing obligations.
- During the year, the District's revenues were \$435,953 more than the \$2,807,466 expensed in general administration and depreciation.
- The General Fund reported a fund balance this year of \$7,554,398. Of this amount, \$7,307,499 is available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Fiduciary Fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the County's Annual Financial Report



The financial statements also include notes that explain some of 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-1 shows how the required parts of this annual report are arranged and related to one another.

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.

**FIGURE A-2
MAJOR FEATURES OF THE DISTRICT'S GOVERNMENT-WIDE AND FUND STATEMENTS**

Type of Statement	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	Statement of net position	Balance Sheet (assets + deferred outflows - liabilities - deferred inflows)	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of flow/outflow	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received	All revenues and expenses during year; regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (see table of contents) presents information on all of the District's assets, liabilities, deferred inflows and outflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (see table of contents) presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

The District has one fund:

The District's only governmental fund is the General Fund which is used to account for all financial resources of the District.

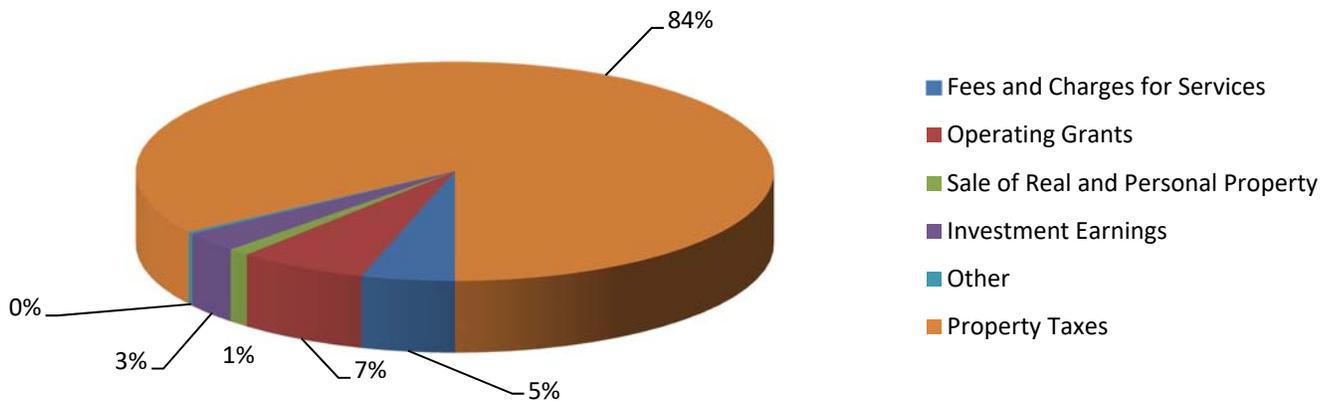
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position was \$8,380,945 at September 30, 2018. The District's net position reflects its investment in capital assets (e.g. land, buildings and improvements, machinery and equipment, and furniture and fixtures) of \$643,186, less accumulated depreciation and any related outstanding debt. The remaining balance of unrestricted net position, \$7,737,759, may be used to meet the District's ongoing obligations to the citizens and creditors.

Table A-1
High Plains Underground Water Conservation District No. 1's Net Position
 (in thousands)

	Governmental Activities	
	2018	2017
Current and Other Assets	\$ 7,701	\$ 7,192
Capital and Non-Current Assets	1,019	938
Total Assets	\$ 8,720	\$ 8,130
Deferred Outflows of Resources	\$ 151	\$ 155
Current Liabilities	\$ 113	\$ 63
Noncurrent Liabilities	219	191
Total Liabilities	\$ 332	\$ 254
Deferred Inflows of Resources	\$ 158	\$ 86
Net Position		
Net Investment in Capital Assets	\$ 643	\$ 698
Unrestricted	7,738	7,247
Total Net Position	\$ 8,381	\$ 7,945

Changes in Net Position—The District's net position increased by \$435,953 during the current fiscal year. The District has been increasing net position year over year for some time. The decrease in net position change from the prior year is mostly to the District lowering the property tax rate over time to manage reserves.



Governmental Activities—Total revenues for the fiscal year ending September 30, 2018 were \$3,243,419. Approximately 84% of the District’s revenue comes from property taxes, while 5% comes from fees and charges for services. Operating grants account for 7% of total revenues. Investment and other earnings accounted for another 4%.

Expenditures increased by approximately \$265,000 from the prior year with the largest increase related to administering a grant pass through for district water users.

Table A-2
High Plains Underground Water Conservation District No. 1 Changes in Net Position
(in thousands)

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues		
Charge for Services	\$ 154	\$ 177
Operating Grants and Contributions	212	26
General Revenues		
Property Taxes	2,735	2,725
Investment Earnings	96	48
Other Income	10	8
Sale of Real and Personal Property	36	26
Total Revenues	<u>\$ 3,243</u>	<u>\$ 3,010</u>
Expenses:		
General Administration and Depreciation	<u>\$ 2,807</u>	<u>\$ 2,542</u>
Total Expenses	<u>\$ 2,807</u>	<u>\$ 2,542</u>
Increase in Net Position	\$ 436	\$ 468
Beginning Net Position	<u>7,945</u>	<u>7,477</u>
Ending Net Position	<u><u>\$ 8,381</u></u>	<u><u>\$ 7,945</u></u>

FINANCIAL ANALYSIS OF THE DISTRICT’S FUND

The General Fund is the only operating fund of the District. At the end of the fiscal year, \$7,307,499 of fund balance is unassigned. As a measure of the fund’s liquidity, it may be useful to compare unassigned fund balances to total fund expenditures. Unassigned fund balances represent 257% of total General Fund expenditures.

General Fund Budgetary Highlights — At the end of the year, actual expenditures were \$335,438 under final budgeted amounts. Revenues exceeded the budget by \$124,056.

CAPITAL ASSETS

Capital Assets — As of September 30, 2018, the District has invested in a broad range of capital assets, including land, buildings and improvements, machinery and equipment, and furniture and fixtures.

Major events affecting capital assets during the year were:

- Purchase of four vehicle with trade-ins

More detailed information about the District's capital assets can be found in the notes to the financial statements.

Table A-3
High Plains Underground Water Conservation District No. 1's Capital Assets
(in thousands)

	Governmental Activities	
	2018	2017
Land	\$ 180	\$ 180
Buildings and Improvements	491	491
Machinery and Equipment	698	664
Furniture and Fixtures	43	43
Total	\$ 1,412	\$ 1,378
Less: Total Accumulated Depreciation	(769)	(680)
Net Capital Assets	\$ 643	\$ 698

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The appraised value used for the 2018-2019 budget preparation is estimated to be up from the 2017 valuation to the 2018 valuation which combined with the decreased tax rate is still expected to increase property tax revenues for 2018-2019.
- The tax rate established for 2018 is \$0.0067, which is \$0.000123 cents per \$100 lower than the rate used in 2017.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2019 fiscal year.

Budgeted expenditures are expected to increase approximately three percent to \$2,977,600. The District has added no major new programs or initiatives to the 2018-2019 budget.

If these estimates are realized, the District's budgetary General Fund balance is expected to be unchanged.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the High Plains Water District office at 2930 Avenue Q, Lubbock, Texas 79411.

BASIC FINANCIAL STATEMENTS

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-1

STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	<u>Primary Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 55,051
Investments	7,571,744
Property Taxes Receivable (Net)	33,062
Due from Appraisal Districts	3,756
Grant Receivables	3,290
Other Receivables	100
Accrued Interest Receivable	7,168
Prepaid Expenses	26,899
Net Pension Asset	376,199
Capital Assets (Net of Accumulated Depreciation):	
Land	180,119
Buildings and Improvements	199,453
Machinery and Equipment	261,849
Furniture & Fixtures	1,765
Total Assets	<u>\$ 8,720,455</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Plan - Employer Contributions	\$ 53,279
Pension Plan - Changes in Assumptions	18,704
Pension Plan - Experience Differences	16,485
Pension Plan - Earnings Differences	62,309
Total Deferred Outflows of Resources	<u>\$ 150,777</u>
LIABILITIES:	
Accounts Payable	\$ 89,806
Other Current Liabilities	23,804
Non-Current Liabilities	
Accrued Compensated Absences	218,798
Total Liabilities	<u>\$ 332,408</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension Plan - Experience Differences	\$ 55,251
Pension Plan - Earnings Differences	102,628
Total Deferred Inflows of Resources	<u>\$ 157,879</u>
NET POSITION:	
Net Investment in Capital Assets	\$ 643,186
Unrestricted	7,737,759
Total Net Position	<u><u>\$ 8,380,945</u></u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Fees & Charges for Services</u>	<u>Operating Grants and Contributions</u>	and Changes in Net Position
				<u>Primary Gov. Governmental Activities</u>
<u>Departments/Programs</u>				
PRIMARY GOVERNMENT:				
Governmental Activities				
General Administration	\$ 2,665,899	\$ 153,560	\$ 212,483	\$ (2,299,856)
Depreciation	141,567			(141,567)
Total Governmental Activities	<u>\$ 2,807,466</u>	<u>\$ 153,560</u>	<u>\$ 212,483</u>	<u>\$ (2,441,423)</u>
General Revenues:				
Property Taxes				\$ 2,735,251
Gain on the Sale of Capital Assets				35,606
Investment Earnings				96,170
Miscellaneous Revenue				10,349
Total General Revenues				<u>\$ 2,877,376</u>
Change in Net Position				\$ 435,953
Net Position - Beginning				7,944,992
Net Position - Ending				<u>\$ 8,380,945</u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-3

**BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2018**

	<u>General Fund</u>
ASSETS:	
Cash and Cash Equivalents	\$ 55,051
Investments	7,571,744
Property Taxes Receivable (Net)	33,062
Due from Appraisal Districts	3,756
Grant Receivables	3,290
Other Receivables	100
Accrued Interest Receivable	7,168
Prepaid Expenses	26,899
Total Assets	<u>\$ 7,701,070</u>
LIABILITIES:	
Accounts Payable	\$ 89,806
Other Current Liabilities	23,804
Total Liabilities	<u>\$ 113,610</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable Revenue - Property Taxes	<u>\$ 33,062</u>
Total Deferred Inflows of Resources	<u>\$ 33,062</u>
FUND BALANCES:	
Nonspendable:	
Prepaid Items	\$ 26,899
Committed for:	
Technical Development	220,000
Unassigned	7,307,499
Total Fund Balances	<u>\$ 7,554,398</u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-4

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

Total Fund Balances - Governmental Fund Balance Sheet	\$ 7,554,398
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:	
Capital assets used in governmental activities are not reported in the fund.	643,186
Net pension asset required by GASB 68 is not reported in the fund.	376,199
Deferred outflows of resources for pensions are not reported in the fund.	150,777
Deferred inflows of resources for pensions are not reported in the fund.	(157,879)
Property taxes receivable unavailable to pay current expenditures are deferred in the fund.	33,062
Payables for compensated absences which are not due in the current period are not reported in the fund.	<u>(218,798)</u>
Net Position of Governmental Activities - Statement of Net Position	<u>\$ 8,380,945</u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	<u>Major Funds</u> <u>General</u> <u>Fund</u>
Revenues:	
Taxes:	
Property Taxes	\$ 2,736,684
Permits	131,100
Depletion Requests	22,460
Grant Revenue	212,483
Investment Earnings	96,170
Miscellaneous Revenue	10,349
Total Revenues	<u>\$ 3,209,246</u>
Expenditures:	
Current:	
General Administration	\$ 2,698,771
Capital Outlay	145,981
Total Expenditures	<u>\$ 2,844,752</u>
Excess of Revenues Over Expenditures	<u>\$ 364,494</u>
Other Financing Sources:	
Proceeds from Sale of Capital Assets	\$ 95,000
Total Other Financing Sources	<u>\$ 95,000</u>
Net Change in Fund Balances	\$ 459,494
Fund Balances - Beginning	<u>7,094,904</u>
Fund Balances - Ending	<u><u>\$ 7,554,398</u></u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$ 459,494
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital assets are not reported as expenses in the SOA.	145,981
The depreciation of capital assets used in governmental activities is not reported in the funds.	(141,567)
The loss from the disposition of a capital asset is not recorded in the fund.	(59,394)
Unavailable revenue that does not meet the availability criteria in the funds is reported as income in the SOA.	(1,433)
Pension asset and related deferred inflows and outflows changes are reported as a component of pension expense in the SOA.	60,747
Changes in compensated absences balances are not reported in the fund, this is the changes in those amounts.	<u>(27,875)</u>
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$ 435,953</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The High Plains Underground Water Conservation District No. 1 (the District) was formed for the purpose of conserving, preserving, protecting, and recharging the underground water of subdivision No. 1 of the underground water reservoir located under the high plains of Texas. The District was authorized by Article 7880-3c Revised Civil Statutes of the State of Texas (Acts of the 51st Legislature, 1949). The District's programs include providing water depletion information to landowners, regulating the spacing of irrigation wells and educating the public concerning water conservation issues. The District's operations are financed primarily from ad valorem taxes. The District operates under a board-manager form of government. There are five elected board member positions. The members of the Board of Directors are elected by the public, have authority to make decisions, appoint administrators and managers, and significantly influence operations and have the primary accountability for fiscal matters. The District is not included in any other governmental reporting entity and has no component units included within the 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 District's non-fiduciary activities. Governmental activities include programs supported primarily by taxes, fees, grants, and other income.

The Statement of Activities presents a comparison between expenses and program revenues for the function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include a) fees charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements provide reports on the financial condition and results of operations. The District considers the General Fund major and reports its financial condition and results of operations in a single column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Government-Wide Financial Statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with accounting principles generally accepted in the United States of America.

Property tax revenues are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as deferred revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as deferred revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

Grant revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the District, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as grant receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as grant receivables and revenues when the related expenditures are incurred.

D. FUND ACCOUNTING

The District applies GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which the amounts in the funds may be spent. Application of the Statement requires the District to classify and report amounts in the appropriate fund balance classifications. The District's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. From interpretation of the adopted policy the District will spend its fund in the following order: Committed, Assigned, and Unassigned, if more than one classification of fund balance is available.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

The District reports the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restrictions are placed on fund balances when legally enforceable legislation establishes the District's right to assess, levy, or charge fees to be used for a specific purpose – such as the District's grant revenue if received in advance of use, which must be used on that grant program. Legal enforceability means that the District can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Board. Committed amounts cannot be used for any other purposes unless the Board removes those constraints by taking the same type of actions (legislation, resolution, or ordinance). Committed fund balances include non-liquidated encumbrances at year end that are carried forward to the next fiscal year. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Board. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the General Manager or (b) an appointed body or official to which the Board has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment with the General Fund conveys that the intended use of those amounts is for specific purposes that are narrower than the general purposes of the District itself.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The accounts of the District are organized in one fund. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, deferred inflows and outflows, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

The District maintains the following fund:

Major Governmental Fund:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources and related expenditures of the District. The main sources of revenue are property taxes, fees, depletion studies, and investment earnings.

E. OTHER ACCOUNTING POLICIES

- 1. The District considers all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents.
2. Capital assets include land, buildings and improvements, machinery and equipment, and furniture and fixtures are reported in the applicable governmental activities columns in the Government-Wide Financial Statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such 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.

Buildings and improvements, machinery and equipment, and furniture and fixtures of the District are depreciated using the straight line method over the following estimated useful lives:

Table with 2 columns: Assets, Years. Rows include Buildings and Improvements (15-65), Vehicles and Equipment (5-15), and Furniture and Fixtures (7-20).

- 3. The District provides statutory workers' compensation insurance for its employees.

II. PROPERTY TAX

Property taxes are levied by October 1st 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 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District's taxes on real property are a lien against such property until paid. The District may foreclose real property upon which it has a lien for unpaid taxes. Although the District makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing 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, 2018, the carrying amount of the District's cash and cash equivalents and investments was \$7,626,795 and the bank balance was \$7,641,235.

The Public Funds Investment Act (Government Code Chapter 2256) (the Act) 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, and (9) 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, and (10) 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 carrying value of investments (certificates of deposit with original maturity of more than three months) at September 30, 2018 was \$7,571,744. The Certificates of Deposit are consider a level one investments and fair value approximates costs. There was no material valuation issues with these types of investments.

Policies Governing Deposits and Investments:

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Disclosures related to certain types of risk the District may have been exposed to at year end:

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, 2018 were covered by depository insurance or by pledged collateral held by the Districts agent bank.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

The District's investments are certificates of deposits covered by pledged securities.

B. FAIR VALUE MEASUREMENT AND APPLICATION

TCDRS categorizes fair value measurements of investment assets and liabilities within the fair value hierarchy established by generally accepted accounting principles as mandated by GASB Statement No. 72. These investments are valued through industry standard practices for the respective type of security at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The hierarchy classifications are based on the transparency of inputs to the valuation techniques used and should not be perceived as the particular investment's risk. These classifications are summarized into three broad levels, arranged from highest to lowest:

Level 1 - Unadjusted inputs using quoted prices in active markets or exchanges for identical investments.

Level 2 - Other significant observable inputs including quoted prices of securities that are comparable in coupon, rating, maturity and industry. Inputs other than quoted prices that are observable take into account operational, market, financial and non-financial factors (interest rates, yield curves, credit risk, and default rates) or other market corroborated inputs that are observable at commonly quoted intervals for the full term of the investment.

Level 3 – Significant inputs that are not observable and cannot be corroborated by observable market data (assumptions, cash flows or earnings multiples). In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The assessment of the significance of particular inputs to their fair value measurements requires judgment and considers factors specific to each asset.

The District's certificates of deposit are measured at cost and are considered a Level 1 investments.

C. ALLOWANCES FOR DOUBTFUL ACCOUNTS

In the Government-Wide Statement of Net Position, the District reported the following receivables net of allowances for uncollectible accounts:

	<u>Balance</u>	<u>Allowance</u>	<u>Net</u>
Taxes Receivable	\$ 115,090	\$ 82,028	\$ 33,062
	<u>\$ 115,090</u>	<u>\$ 82,028</u>	<u>\$ 33,062</u>

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended September 30, 2018 was as follows:

	Balance October 1, 2017	Additions	Retirements	Balance September 30, 2018
Governmental Activities				
Non-Depreciable Assets				
Land	\$ 180,119	\$	\$	\$ 180,119
Total Non-Depreciable Assets	\$ 180,119	\$ 0	\$ 0	\$ 180,119
Depreciable Assets				
Buildings and Improvements	\$ 491,220	\$	\$	\$ 491,220
Machinery and Equipment	664,291	145,981	112,293	697,979
Furniture and Fixtures	42,643			42,643
Total Depreciable Assets	\$ 1,198,154	\$ 145,981	\$ 112,293	\$ 1,231,842
Totals at Historic Cost	\$ 1,378,273	\$ 145,981	\$ 112,293	\$ 1,411,961
Less Accumulated Depreciation				
Buildings and Improvement	\$ 276,298	\$ 15,469	\$	\$ 291,767
Machinery and Equipment	365,110	123,919	52,899	436,130
Furniture and Fixtures	38,699	2,179		40,878
Total Accumulated Depreciation	\$ 680,107	\$ 141,567	\$ 52,899	\$ 768,775
Governmental Activities Capital Assets, Net	\$ 698,166	\$ 4,414	\$ 59,394	\$ 643,186

Current year depreciation expense was not allocated in the statement of activities.

E. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. This separate financial statement element, represents a current consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (expense/expenditure) until then.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, 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 only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The Governmental Fund reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

F. ACCRUED COMPENSATED ABSENCES

The District allows employees to accumulate unused sick leave to a maximum 60 days. Sick leave is accrued at the rate of eight hours per month. Unused sick leave accumulated in excess of 60 days is paid to employees annually in December. Upon termination up to 60 days of sick leave will be paid to the employee.

Vacation time is accrued at the following rates for employees:

1. Less than 10 years of service receive 8 hours a month with a maximum carry over of 192 hours.
2. More than 10 years of service receive 10 hours a month with a maximum carry over of 240 hours.

Vacation unused at the time of termination is paid out the employee at an amount not to exceed the max carryover for that employee.

Unused accrued compensated absences as of September 30, 2018 totaled \$218,798.

G. RISK MANAGEMENT

Health Care

During the year ended September 30, 2018, employees of the District were covered through an external health insurance policy. The District pays the premium only for full time, regular employees. The employee has the option of adding dependents to the plan at that employee own expense.

H. RETIREMENT PENSION PLAN

Plan Description:

The District provides retirement, disability and death benefits for all of its full time employees through a non-traditional defined benefit pension plan in TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 760 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a Comprehensive Annual Financial Report (CAFR) on a calendar basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS. Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after ten years of service.

Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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 employer within the actuarial constraints imposed by the Texas state statutes governing TCDRS so that 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 Texas state statutes governing TCDRS.

Pension Plan Fiduciary Net Position:

Detailed information about the TCDRS fiduciary net position is available in a separately-issued CAFR that includes financial statements and required supplementary information mentioned in the above section.

The information provided by TCDRS shows the following information regarding the Pension Plan fiduciary net position for the District as of December 31, 2017.

<u>Net Pension Asset</u>	<u>Total</u>
Total Pension Liability	\$ 1,980,824
Less: Plan Fiduciary Net Position	(2,357,023)
Net Pension Liability (Asset)	<u>\$ (376,199)</u>
 Net Position as Percentage of Total Pension Liability	 118.99%

Benefits Provided:

TCDRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries). The normal service retirement is at age 60 with eight years of credited service, when the sum of the member's age and years of credited service equals 75 or more years, or after 30 years of service regardless of age. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions:

The plan is funded by monthly contributions from employee deposits and from employer contributions based on the covered payroll of employee members. Under the variable rate plan provisions, the contribution rate of the employer is actuarially determined annually. The required contribution was determined as part of the December 31, 2017 actuarial valuation using the entry age actuarial cost method.

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NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

The actuarial assumptions at December 31, 2017 included (a) an 8.00% investment rate of return (net of administrative expenses), and (b) a projected salary increase of 4.90%. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The employer contribution rate was 7.00% for 2017. The deposit rate payable by employee members is the rate of 7.00% as adopted by the governing body of the employer. 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 Texas state statutes governing TCDRS.

	Contribution Rates	
	2017	2016
Member	7.00%	7.00%
Employer	7.00%	7.00%

2017 Employer Contributions	\$ 70,620
2017 Member Contributions	\$ 70,620

Actuarial Assumptions:

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight Line over remaining expected working life
Asset Valuation Method	
Smoothing Period	Five Years
Recognition Method	Non-asymptotic
Corridor	None
Remaining Amortization Period	0 years
Discount Rate	8.10%
Long-Term Expected Investment	
Rate of Return*	8.10%
Salary Increases*	4.90%
Payroll Growth Rate	0.00%

*Includes Inflation of 2.75%

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

The actuarial methods and assumptions are primarily based on a study of the District's workforce and estimate of benefits it will pay its employees. The economic and demographic assumptions have been established based on the 2013 experience study for TCDRS, details of which can be found in the 2013 Investigation and Experience Report on the TCDRS website. The RP-2000 Active Employee Mortality Table was used with a four-year set forward.

Discount Rate:

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entities are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. 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. The long-term rate of return on pension plan investments is 8.10%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2017 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
US Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities - Developed	11.00%	4.55%
International Equities - Emerging	8.00%	5.55%
Investment-Grade Bonds	3.00%	75.00%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%
Total	<u>100.00%</u>	

* - Geometric real rates of return in addition to assumed inflation of 1.95%, per Cliffwater's 2018 capital market assumptions

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the Net Pension Liability / (Asset) if the discount rate used was one percent less than and one percent greater than the discount rate that was used (8.10%) in measuring the December 31, 2016 Net Pension Asset.

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total Pension Liability	\$ 2,224,618	\$ 1,980,824	\$ 1,773,441
Fiduciary Net Position	(2,357,023)	(2,357,023)	(2,357,023)
Net Pension Liability / (Asset)	\$ <u>(132,405)</u>	\$ <u>(376,199)</u>	\$ <u>(583,582)</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At December 31, 2017, the District reported an asset of \$376,199 for its proportionate share of the TCDRS net pension amount.

The net pension asset was measured as of December 31, 2017 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The employer's proportion of the net pension asset was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period January 1, 2017 through December 31, 2017.

For the plan year ended December 31, 2017 there were changes in assumptions and plan provisions. The plan reflected new annuity purchase rates which was a change to plan provisions and adopted new mortality tables which were changes in assumptions.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

At December 31, 2017, the District reported its proportionate share of the TCDRS deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows/(Inflows) of Resources
Differences Between Expected and Actual Economic Experience	\$ (38,766)
Changes of Assumptions	18,704
Net Difference Between Projected and Actual Earnings	(40,319)
Contributions Paid to TCDRS Subsequent to the Measurement Date	53,279
Total	\$ <u>(7,102)</u>

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

The net amounts of the employer's balances of deferred outflows and inflows related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
2018	\$ 38,899
2019	(6,539)
2020	(21,144)
2021	(18,318)
2022	0
Thereafter	0

At December 31, 2017, the District reported deferred resource outflows for the TCDRS pension plan as follows:

	Deferred Outflows (Inflows) of Resources
Total Net Amounts as of December 31, 2016 Measurement Date	\$ 68,117
Contributions Made Subsequent to the Measurement Date	53,279
Contributions Made Prior to the Measurement Date	(51,283)
Net Deferred Outflows/(Inflows) Related to the Year Ending December 31, 2017	(73,275)
Amortization of Deferred Outflows/(Inflows)	(3,940)
Total Net Amounts as of December 31, 2017	\$ <u>(7,102)</u>

Pension Expense

Pension expense for the plan for the year ended December 31, 2017 was \$11,870 and was calculated as follows:

	Pension Expense
Service Cost	\$ 112,135
Interest on Total Pension Liability	148,530
Administrative Expenses	1,567
Member Contributions	(70,620)
Expected Investment Return Net of Investment Expenses	(164,487)
Amortization of Deferred Inflows and Outflows of Resources	(14,379)
Other	(876)
Total Pension Expense as of December 31, 2017	\$ <u>11,870</u>

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Employees Covered by Benefit Terms:

At the December 31, 2017 valuation and measurement date, the plan reported the following regarding employees covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	8
Inactive Employees Entitled to but not Yet Receiving Benefits	13
Active Employees	<u>17</u>
Total Plan Employees	<u><u>38</u></u>

I. LITIGATION, COMMITMENTS, AND SUBSEQUENT EVENTS

There is no pending litigation against the District at September 30, 2018, that would have a material effect on the financial statements.

Grant Programs - The District participates in State grant programs, which are governed by various rules and regulations of the grantor agencies. Cost charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The District has evaluated subsequent events through December 28, 2018, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit B-1

**SCHEDULE OF CHANGES IN NET PENSION
ASSET AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>
TOTAL PENSION LIABILITY				
Service Cost	\$ 98,889	\$ 101,531	\$ 113,065	\$ 112,135
Interest Cost	119,457	125,191	132,673	148,530
Effect of Plan Changes		(18,577)		
Effect of Economic/Demographic Losses	(61,865)	(64,104)	(28,728)	20,606
Effect of Assumptions Changes or Inputs		14,589		16,085
Benefit Payments/Refunds of Contributions	<u>(102,355)</u>	<u>(66,999)</u>	<u>(81,027)</u>	<u>(74,745)</u>
Net Change in Total Pension Liability	\$ 54,126	\$ 91,631	\$ 135,983	\$ 222,611
Total Pension Liability, Beginning	<u>1,476,473</u>	<u>1,530,599</u>	<u>1,622,230</u>	<u>1,758,213</u>
Total Pension Liability, Ending	\$ <u>1,530,599</u>	\$ <u>1,622,230</u>	\$ <u>1,758,213</u>	\$ <u>1,980,824</u>
FIDUCIARY NET POSITION				
Employer Contributions	\$ 68,464	\$ 68,196	\$ 67,130	\$ 70,620
Member Contributions	68,464	68,196	67,130	70,620
Investment Income, Net of Expenses	105,048	18,494	133,066	292,773
Benefit Payments/Refunds of Contributions	(102,355)	(66,999)	(81,027)	(74,745)
Administrative Expenses	(1,250)	(1,257)	(1,443)	(1,567)
Other	<u>10,909</u>	<u>6,920</u>	<u>31,208</u>	<u>876</u>
Net Change in Fiduciary Net Position	\$ 149,280	\$ 93,550	\$ 216,064	\$ 358,577
Fiduciary Net Position, Beginning	<u>1,539,552</u>	<u>1,688,832</u>	<u>1,782,382</u>	<u>1,998,446</u>
Fiduciary Net Position, Ending	\$ <u>1,688,832</u>	\$ <u>1,782,382</u>	\$ <u>1,998,446</u>	\$ <u>2,357,023</u>
NET PENSION ASSET	\$ <u>(158,233)</u>	\$ <u>(160,152)</u>	\$ <u>(240,233)</u>	\$ <u>(376,199)</u>
Fiduciary Net Position as a % of Total Pension Liability	110.34%	109.87%	113.66%	118.99%
Covered-Employee Payroll	\$ 978,050	\$ 974,227	\$ 958,995	\$ 1,008,862
Net Pension Asset as a % of Covered Employee Payroll	-16.18%	-16.44%	-25.05%	-37.29%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, only years for which the new GASB statements have been implemented are shown.

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit B-2

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll (1)</u>	<u>Actual Contribution as a % of Covered Employee Payroll</u>
2015	\$ 59,368	\$ 68,464	\$ (9,096)	\$ 978,050	7.00%
2016	53,777	68,196	(14,419)	974,227	7.00%
2017	34,287	70,067	(35,780)	1,003,481	6.98%
2018	25,724	72,615	(46,891)	1,037,277	7.00%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, only years for which the new GASB statements have been implemented are shown.

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit B-3

BUDGETARY COMPARISON - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 2,709,703	\$ 2,709,703	\$ 2,736,684	\$ 26,981
Permits	100,000	100,000	131,100	31,100
Depletion Map Sales	27,000	27,000	22,460	(4,540)
Grant Revenue	10,000	10,000	9,096	(904)
Investment Earnings	30,100	30,100	96,170	66,070
Miscellaneous Revenue	5,000	5,000	10,349	5,349
Total Revenues	\$ 2,881,803	\$ 2,881,803	\$ 3,005,859	\$ 124,056
Expenditures:				
Current:				
General Administration:				
Salaries	\$ 1,025,000	\$ 1,055,000	\$ 1,052,959	\$ 2,041
Social Security/Medicare	80,000	80,000	76,759	3,241
Retirement	80,000	80,000	72,616	7,384
Medical Insurance	254,100	266,100	259,075	7,025
Field Supplies & Repair	65,000	65,000	66,916	(1,916)
Office Supplies	65,000	65,000	48,428	16,572
Postage	7,000	7,000	3,724	3,276
Software/License	125,000	125,000	63,562	61,438
Audit	20,000	20,000	17,000	3,000
Appraisal/Tax Collection	57,525	57,525	47,679	9,846
Consulting	60,000	60,000	33,792	26,208
Legal	56,000	56,000	40,704	15,296
Utilities	17,000	17,000	11,183	5,817
Land Appraiser	40,000	40,000	39,400	600
Telephone/Internet	33,000	33,000	26,224	6,776
Maintenance/Building & Grounds	23,000	28,000	23,142	4,858
Vehicle Insurance	12,500	12,500	12,096	404
Other Insurance	13,000	13,000	11,726	1,274
Board of Directors	58,000	58,000	43,565	14,435
Building Rent	5,100	5,100	5,100	
Dues and Subscriptions	12,000	12,000	9,055	2,945
Election	100,000	100,000	80,373	19,627
Public Relations and Education	200,000	158,000	127,236	30,764
Travel and Meals	55,000	55,000	24,325	30,675
Vehicle Maintenance and Fuel	58,578	61,578	49,701	11,877
Regional Water Planning	20,000	20,000	16,835	3,165
Grants	200,000	200,000	207,482	(7,482)
Other Expenditures:TTU Grant			24,727	(24,727)
Capital Outlay:				
Equipment and Improvements	25,000	17,000		17,000
Field Equipment	30,000	30,000		30,000
Building Improvements	10,000	10,000		10,000
Vehicle Purchase	75,000	75,000	50,981	24,019
Total Expenditures	\$ 2,881,803	\$ 2,881,803	\$ 2,546,365	\$ 335,438
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 459,494	\$ 459,494
Net Change in Fund Balances	\$ 0	\$ 0	\$ 459,494	\$ 459,494
Fund Balances - Beginning	7,094,904	7,094,904	7,094,904	
Fund Balances - Ending	\$ 7,094,904	\$ 7,094,904	\$ 7,554,398	

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

A. PENSION PLAN

CHANGES OF BENEFIT TERMS

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

CHANGES OF ASSUMPTIONS

For the plan year ended December 31, 2017 there were changes in assumptions and plan provisions. The plan reflected new annuity purchase rates which was a change to plan provisions and adopted new mortality tables which were changes in assumptions.

B. BUDGETARY DATA

The District follows these procedures in establishing budgetary data reflected in these financial statements:

1. In the event the Board of Directors increases property taxes three percent or less, no public hearing is required. If the Board increases taxes more than three but less than eight percent, then a public hearing is required prior to final adoption. If the Board increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election. Beginning with the 1999 tax levy, any increase in property taxes will require a public hearing.
2. Public hearings are conducted at the District headquarters to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through adoption of an order by the Board of Directors.
4. Any budget amendments altering expenditures of any department must be approved by the Board of Directors. There must be an emergency condition existing in order for the Board to increase the total budget.
5. Budgets for the various funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP), with the exception of tax revenues being reported on the cash basis. Budget and actual amounts are recorded on the same basis.
6. Expenditures in excess of appropriations are required by state statutes to be reported down to the department classification.
7. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Board of Directors during the year ended September 30, 2018.