

**CAMERON COUNTY  
IRRIGATION DISTRICT NO. 2**

**ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2022**



**ROBERTO LOPEZ**

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CAMERON COUNTY  
IRRIGATION DISTRICT NO. 2

ANNUAL FINANCIAL REPORT

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CAMERON COUNTY IRRIGATION DISTRICT NO. 2

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF: CAMERON.....

I, Sam Simmons of the Cameron County Irrigation District No. 2 hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 14<sup>th</sup> day of March, 2024 its annual audit report for the fiscal period ended December 31, 2022 and that copies of the annual audit report have been filed in the District's office, located at 26041 FM 510 San Benito, Texas.

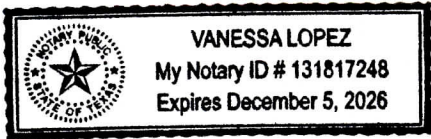
This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of the Texas Water Code Section 49.194.

Date: 3/14/24

By: *Sam E. Simmons*

(Signature of District Representative)

Sworn to and subscribed to before me this 14<sup>th</sup> day of March

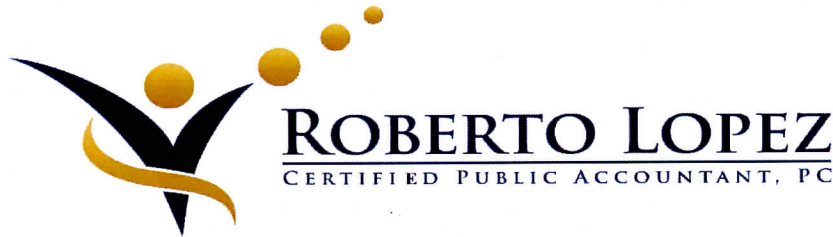


*Vanessa Lopez*  
(Signature of Notary)

My Commission Expires on: December 5, 2026

Notary Public in the State of Texas.





MEMBER OF TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Cameron County Irrigation District No. 2  
San Benito, Texas

### Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Cameron County Irrigation District No. 2, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Cameron County Irrigation District No. 2, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cameron County Irrigation District No. 2, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

#### **Required Supplementary Information**

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

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule in page 35, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Roberto Lopez*

Roberto Lopez CPA PC

Harlingen, Texas  
January 16, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**CAMERON COUNTY IRRIGATION DISTRICT NO. 2**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
DECEMBER 31, 2022

This discussion and analysis of Cameron County Irrigation District No. 2's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. The MD&A should be read in conjunction with the District's basic financial statements and the accompanying notes to those financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent year by \$31,808,437 (net position). Of this amount \$707,025 (unrestricted net position) may be used to meet the District's ongoing obligations to landowners and creditors. This amount equals 22.84% of the total operating expenses for the 2022 year, which means the District could operate about 2.40 months using the unrestricted funds alone.
- The remainder of \$26,906,763 represent a restriction equal to the net amount invested in land, buildings, equipment, and construction in progress and \$4,194,650 represent a board imposed restriction for water delivery system improvements.
- The District's total net position decreased by \$875,566. The District continues to operate without the need for debt borrowing.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction of the district's financial statements, consisting of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

This report also contains other schedules in addition to the basic financial statements themselves.

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

The statement of net position presents information on all the District's net position and liabilities, with the difference between two reported as total net position. Over time increases or decreases in net position may serve as useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information on how the District's net position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### December 31, 2022

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements related to finance. The District's funds are all categorized as governmental funds.

**General Fund** – General Fund (M&O) is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in the other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the M&O.

**Special Revenue Funds** – Special revenue funds are funds set aside by the District's board of directors to finance special purpose projects. For the year ended December 31, 2022 the District had two special purpose projects; the Canal Rehab project and the Water 2025 metering project. Grants from the Bureau of Reclamation together with funding from the District's M&O funds were deposited into these funds and only project related expenditures were paid from these funds.

**Notes to the Financial Statements** – The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-29 of this report.

### 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 decreased from \$32,684,003 to \$31,808,437. 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 – was \$707,025 as of December 31, 2022.

The decrease in governmental net position was the net result of two factors. First, the District's expenditures exceeded the revenues by \$1,057,170. Second, the District's recognition of depreciation decreased the net position by \$729,109.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2022**

The following table reflects a summary of Net Position compared to prior year.

<b>Table I</b>		
<b>NET POSITION</b>		
<b>DECEMBER 31,</b>		
	<b>2022</b>	<b>2021</b>
<b>Assets:</b>		
Current assets	\$ 6,293,724	\$ 5,803,348
Capital assets, net	26,906,763	27,459,596
<b>Total assets</b>	<b>33,200,487</b>	<b>33,262,944</b>
<b>Deferred outflows of resources:</b>		
Pension contributions	215,011	318,002
<b>Total deferred outflows of resources</b>	<b>215,011</b>	<b>318,002</b>
<b>Liabilities:</b>		
Current liabilities	174,607	190,424
<b>Total liabilities</b>	<b>174,607</b>	<b>190,424</b>
<b>Deferred inflows of resources:</b>		
Pension	846,947	252,370
Unavailable revenue	585,506	454,149
<b>Total deferred inflows of resources</b>	<b>1,432,453</b>	<b>706,519</b>
<b>Net Position:</b>		
Net invested in Capital Assets,	26,906,763	27,459,596
Restricted	4,194,630	4,585,827
Unrestricted	707,025	638,580
<b>Total Net Position</b>	<b>\$ 31,808,438</b>	<b>\$ 32,684,003</b>

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2022

The following table provides a summary of the District's operations for the year ended December 31, 2022:

<b>Table II</b> <b>CHANGES IN NET POSITION</b> <b>DECEMBER 31,</b>		
	2022	2021
<b>Revenues:</b>		
Flat rate assessments	\$ 816,960	\$ 825,378
Operating revenues	1,101,821	1,384,057
Sale of assets	(53,558)	66,324
Interest income	53,903	67,757
Intergovernmental	118,468	204,920
Total Revenues	\$ 2,037,593	\$ 2,548,436
<b>Expenses:</b>		
Irrigation operating	3,094,765	3,242,940
Total Expenses	\$ 3,094,765	\$ 3,242,940
<b>Change in Net Position:</b>	(1,057,170)	(694,504)
Beginning Net position	32,684,005	33,378,509
Change in pension Net Position	181,607	-
Ending Net Position	\$ 31,808,437	\$ 32,684,005

Compared with the prior fiscal year, total income decreased by \$510,843, and total expenses decreased by \$148,175.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2022**

**ANALYSIS OF CHANGES IN CAPITAL ASSETS AND LONG-TERM DEBT**

	Beginning Balance Jan 01, 2022	Additions	Deletions	Ending Balance Dec 31, 2022
Land, Reservoirs & Right-of-Way	\$ 918,911	\$ -	\$ 42,242	\$ 876,669
Buildings	772,697	-	318,324	454,373
Improvements	31,078,825	-	-	31,078,825
Auto & Trucks	432,621	27,349		459,970
Machinery & Equipment	2,476,770	100,660	101,104	2,476,326
Furniture & Fixtures	43,362			43,362
Construction in progress	2,404,991	408,833		2,813,824
Total at historical cost	\$ 38,128,177	\$ 536,842	\$ 461,670	\$ 38,203,348
Less accumulated depreciation	10,668,581	\$ 729,109	\$ 101,104	\$ 11,296,586
Governmental activities capital assets, net	<u>\$ 27,459,596</u>	<u>\$ (192,267)</u>	<u>\$ 360,566</u>	<u>\$ 26,906,763</u>

This year's major additions included:

Water Smart Canal repair project	408,833
Auto and equipment	128,009

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues were \$804,903 under budget. Actual expenditures were under budget by \$264,071.

**THE BUDGET AND ECONOMIC ENVIRONMENT**

The District will continue to apply for funding and grants to update and improve the efficiency of our canal system.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers 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 any questions about this report or need additional financial information, contact the District Manager at P.O Box 687 San Benito, Texas, 78586.



## BASIC FINANCIAL STATEMENTS

CAMERON COUNTY IRRIGATION DISTRICT NO. 2  
STATEMENT OF NET POSITION  
As of December 31, 2022

**ASSETS**

Cash & cash equivalents	\$ 4,311,296
Receivables:	
Flat rate taxes - net of uncollectible	554,081
Trade	38,297
Receivable due from federal agency	157,581
Notes receivable-portion due within one year	34,454
Prepaid expenses	93,101
Net pension asset	1,000,840
Total current assets	<u>\$ 6,189,650</u>
Notes receivable, less current portion included above	\$ 104,073
Capital assets:	
Land	\$ 876,669
Other capital assets	37,326,679
Accumulates depreciation	<u>(11,296,586)</u>
Total capital assets	<u>\$ 26,906,763</u>
Total Assets	\$ 33,200,487

**DEFERRED OUTFLOWS OF RESOURCES**

Pension	\$ 215,011
Total assets and Deferred Outflows of Resources	<u>\$ 33,415,497</u>

**LIABILITIES AND NET POSITION**

Accounts payable	\$ 25,470
Accrued expenses	42,938
Refundable deposits	106,199
Total Liabilities	<u>\$ 174,607</u>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable revenue	\$ 585,506
Pension	846,947
Total deferred inflows of resources	<u>\$ 1,432,453</u>

**Net Position**

Net Investment in capital assets	\$ 26,906,763
Restricted	4,194,650
Unrestricted	707,025
Total Net Position	<u>\$ 31,808,437</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 33,415,497</u>

The accompanying notes are an integral part of these financial statements

CAMERON COUNTY IRRIGATION DISTRICT NO. 2  
STATEMENT OF ACTIVITIES  
For the year ended December 31, 2022

<u>Function/Program</u>	<u>Expenses</u>	<u>Program revenues</u> Operating, Grant and contributions	Net expenses revenues and changes <u>in net position</u> Governmental Activities
Governmental activities:			
Irrigation distribution	\$ 3,094,765	\$ 1,220,289	\$ (1,874,476)
Total governmental activities	<u>\$ 3,094,765</u>	<u>\$ 1,220,289</u>	<u>\$ (1,874,476)</u>
General revenues:			
Flat rate taxes			\$ 816,960
Interest income			53,903
Loss on Sale of Assets			<u>(53,558)</u>
Total general revenues			<u>\$ 817,305</u>
Change in net position			\$ (1,057,170)
Net position, beginning			32,684,005
Change in pension Net Position			181,607
Net position, ending			<u>\$ 31,808,437</u>

The accompanying notes are an integral part of these financial statements

CAMERON COUNTY IRRIGATION DISTRICT NO. 2  
GOVERNMENTAL FUND BALANCE SHEET  
For the year ended December 31, 2022

	General Fund	Special Revenue Rehabilitation Project	Eliminations	Total Governmental Funds
<b>ASSETS</b>				
Cash & cash equivalents	\$ 274,227	\$ 4,037,069	\$ -	\$ 4,311,296
Receivables:				
Flat rate taxes - net of uncollectible	554,081	-	-	554,081
Trade	38,297	-	-	38,297
Receivable due from federal agency	-	157,581	-	157,581
Notes receivable	138,527	-	-	138,527
Prepaid expenses	93,101	-	-	93,101
Total Assets	<u>\$ 1,098,233</u>	<u>\$ 4,194,650</u>	<u>\$ -</u>	<u>\$ 5,292,884</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities				
Accounts payable	\$ 25,470	\$ -	\$ -	\$ 25,470
Accrued expenses	42,938	-	-	42,938
Refundable deposits	106,199	-	-	106,199
Total Liabilities	<u>\$ 174,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,606</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	<u>\$ 585,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585,506</u>
Fund Equity				
Fund Balance				
Nonspendable	\$ 93,101	\$ -	\$ -	\$ 93,101
Restricted	-	4,194,650	-	4,194,650
Unassigned	245,020	-	-	245,020
Total Fund Equity	<u>\$ 338,121</u>	<u>\$ 4,194,650</u>	<u>\$ -</u>	<u>\$ 4,532,772</u>
Amounts reported for governmental activities in the statement of net assets are different because:				
Fund Equity				\$ 4,532,772
Net pension asset				1,000,840
Deferred outflows pension				215,011
Deferred inflows pension				(846,947)
Sub-total				<u>\$ 4,901,676</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported				
Capital assets				38,203,350
Accumulated depreciation				(11,296,586)
Net Position, December 31, 2022				<u><u>\$ 31,808,437</u></u>

The accompanying notes are an integral part of these financial statements

CAMERON COUNTY IRRIGATION DISTRICT NO. 2  
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES-ALL GOVERNMENTAL TYPES  
For the year ended December 31, 2022

	General Fund	<u>Special Revenue</u> Rehabilitation Project	Total Governmental Funds
<b>REVENUES</b>			
Water sales wholesale users	\$ 919,283	\$ -	\$ 919,283
Flat rate assessment	816,960	-	816,960
Service revenue	182,537	-	182,537
Intergovernmental receipts	-	118,468	118,468
Interest income	34,053	19,850	53,903
Total revenues	<u>\$ 1,952,832</u>	<u>\$ 138,318</u>	<u>\$ 2,091,151</u>
<b>EXPENDITURES</b>			
Payroll	\$ 1,114,806	\$ -	\$ 1,114,806
Payroll expenses	345,051	-	345,051
Legal and Audit fee	25,858	-	25,858
Water assessment fees	56,454	-	56,454
Gasoline and oil	101,990	-	101,990
Utilities	205,942	-	205,942
Insurance	5,272	-	5,272
Office expenses	102,967	-	102,967
Other fees	367	-	367
Repairs and maintenance	404,210	-	404,210
Capital outlay	128,009	408,833	536,842
Bad debts	2,738	-	2,738
Total expenditures	<u>\$ 2,493,664</u>	<u>\$ 408,833</u>	<u>\$ 2,902,497</u>
Excess of expenditures over (under) revenues	\$ (540,832)	\$ (270,515)	\$ (811,347)
Other financing sources (uses)			
Proceeds from sale of assets	\$ 307,008	\$ -	\$ 307,008
Interfund transfers	120,662	(120,662)	-
Total other financing sources (uses)	<u>\$ 427,670</u>	<u>\$ (120,662)</u>	<u>\$ 307,008</u>
Net changes in fund balances-total government	\$ (113,162)	\$ (391,177)	\$ (504,339)
Fund balance, beginning of year	451,283	4,585,828	5,037,111
Fund balance, end of year	<u>\$ 338,121</u>	<u>\$ 4,194,650</u>	<u>\$ 4,532,772</u>

The accompanying notes are an integral part of these financial statements

CAMERON COUNTY IRRIGATION DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the year ended December 31, 2022

Amounts for governmental activities in the Statement of Activities are different because:

Net Changes in Fund Balances - total governmental funds	\$ (504,339)
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Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	536,842
Depreciation	(729,109)

Recognition of the basis of assets sold decreases net position	<u>(360,566)</u>
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Change in net position of governmental activities	<u><u>\$ (1,057,170)</u></u>
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The accompanying notes are an integral part of these financial statements

**CAMERON COUNTY IRRIGATION DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Cameron County Irrigation District No. 2 have been prepared in conformity with generally accepted accounting principles (GASB) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies and practices used by the District.

**1. The Reporting Entity**

Cameron County Irrigation District No. 2 was created by order of the Cameron County Commissioners Court as a water control and improvement district on June 26, 1916 under the provisions of Chapter 51, Texas Water Code. The date of sale regarding the District's first bond issue was April 19, 1917. During 1981, the District was converted into an irrigation district under the provisions of Chapter 58, Texas Water Code, and under the Article XVI, Section 59 of the Texas Constitution. The District is under the authority of the Texas Commission of Environmental Quality and is operated under and governed by Chapter 59 of the Texas Water Code. The District's primary operation is to provide irrigation water to an area of approximately 150,000 acres in Cameron County. The District obtains water from the Rio Grande River under the rights granted by the State of Texas permitting use of up to 1,759,780 acre-feet annually. On May 4, 1991, a consolidation agreement was authorized by popular election, whereby Cameron County Irrigation District No. 13 was consolidated into Cameron County Irrigation District No. 2 effective June 30, 1991. On May 4, 2019, a consolidation agreement was authorized by popular election, whereby Cameron County Irrigation District No. 16 was consolidated into Cameron County Irrigation District No. 2 effective June 30, 2019.

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the District is considered to be financially accountable. There are no component units included.

The government-wide financial statements consist of the statements of net position and the statement of activities. The governmental fund financial statements consist of the balance sheet and the statement of revenues, expenditures, and changes in fund balances. These statements report information on all the activities of the reporting entity with the exception of fiduciary activity. Generally, the effect of inter-fund activity has been eliminated from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges.

**2. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, consistent with the presentation of the proprietary fund and fiduciary fund financial statements. Income is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

**CAMERON COUNTY IRRIGATION DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Income is recognized as soon as it is both measurable and available. Income is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if it is 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, expenditures related to claims and judgments are recorded only when payment is due.

**3. Budgetary Policy**

The District's budget is generated using the modified accrual basis of accounting. The budget was not amended during the year.

**4. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**5. Cash and Cash Equivalents**

The District defines cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and other highly liquid interest-bearing deposit accounts with maturities of three months or less.

**6. Investments**

The District is authorized to invest in 1) U.S. Treasury obligations and government agency securities of the United States of America, its agencies and instrumentalities, provided the payment of the principal and interest are fully guaranteed by the insured, 2) certificates of deposit and other evidence of deposits from credit unions, banks, saving banks, trust companies or savings and loan associations that are fully guaranteed; 3) direct obligations of the State of Texas; 4) local government investment pools of potential subdivisions in the State of Texas which invest in instruments and follow practices allowed by the Public Funds Investment Act, and 5) obligations of states, agencies, counties, cities, and other potential subdivisions of any state rated not less than A or its equivalent in investment quality. The investments are carried at fair value. Short-term investments are reported at cost including accrued interest, which approximates fair value. The District is required by Government code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy, that policy must address the following areas: (1) safety of principle and liquidity, (2) portfolio diversification, (3) allowable investments,



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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued*)**

(4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments.

**7. Receivables**

*Flat rate assessments* are levied by October 1 and are payable January 1. Unpaid amounts become delinquent on December 1. District flat rate assessments are recognized to the extent that they result in current receivables. Delinquent flat rate assessments have been reported in the financial statements at the original assessed amount. An allowance for uncollectible assessments has been established based upon historical results and a review of amounts due at year end.

*Trade receivables* represent amounts due from regular customers for normal sales of water.

*Note receivable – portion due within one year* represents the sum of amounts currently receivable other than from customers. For classified balance sheets, represent the current amount receivable, that is amounts expected to be collected within one year or the normal operating cycle, if longer. The portion of notes receivable expected to be receivable outside of one year are reflected as Notes Receivable, less current portion.

Amounts due from a federal agency represent amounts due from grantor agency to reimburse for the federal share of expenditures paid by District upfront. The District makes fund requests on a quarterly basis. Although, amounts due represent old outstanding receivables the District feels that they will eventually receive the amounts.

**8. Restricted Net Position**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

**9. Capital Assets**

Capital assets, which include property, plant, equipment, and prospective reporting of infrastructure assets (e.g., channel, bulkheads) are reported in the applicable governmental type activity on the statement of net position. The District has elected to report infrastructure retroactively. Major infrastructure assets that were acquired or purchased in years ending June 30, 1980, are to be capitalized. All purchased capital assets are valued at cost. Donated capital assets are valued at their estimated fair market value on the date received. 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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**CAMERON COUNTY IRRIGATION DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued*)**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30 years
Improvements	40 years
Machinery and equipment	7-15 years
Vehicles	5 years
Furniture and fixture	5-10 years

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments within the deferred expenditures (expenses) line item in both government-wide and fund financial statements.

**10. Prepaid Expenses**

Prepaid assets are assets that arises on a balance sheet as a result of the District making payments for goods and services to be received in the near future. While prepaid expenses are initially recorded as assets, their value is expensed over time as the benefit is received into the income statement, because unlike conventional expenses, the District will receive something of value in the near future.

**11. Compensated Absences**

Vested or accumulated sick leave is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards Board No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive vacation pay benefits. These financial statements reflect no accrual of compensated absences as the amount is immaterial.

**12. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has only pension amounts that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position 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 and will not be recognized as an inflow of resources (revenue) until that time. The government has only pension amounts and, the governmental fund report unavailable revenues for flat rate assessments. These

CAMERON COUNTY IRRIGATION DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued*)**

amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**13. Fund Equity**

Nonspendable fund balance includes amounts that are not in a spendable form (prepaid expenses, for example) or are required to be maintained intact (the principal of an endowment fund, for example).

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

**14. Refundable Deposits**

Prepayments of water sales are recorded as refundable deposits until the time that the water is delivered to the customers. Many times, especially after a heavy rainfall, the customers will cancel their water deliveries and their deposits are refunded.

**15. Leases**

The District has adopted FASB ASC 842, Leases, with a date of initial application of January 1, 2022. For leases with a lease term greater than one year, the District recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The District determines whether an arrangement is or contains a lease at contract

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

inception. Operating leases with a duration greater than one year are included in operating lease right-of-use assets, current portion operating lease liabilities, and operating lease liabilities, net of current portion, the District's Statement of Net Position at December 31, 2022. Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the District uses a risk free rate of a period comparable with that of the lease term. The District considers the lease term to be noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the District is reasonably certain not to exercise the option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor.

The operating lease right-of-use assets also include any lease payments and exclude lease incentives received or receivable. Lease expense is recognized on a straight-line basis over the expected lease term. Variable lease expenses are recorded when incurred.

**NOTE B – FASB ASC 606 NEW ACCOUNTING GUIDANCE**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and required the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for good or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to the new Topic 606 and Subtopic 640-40 as the "new guidance." No retrospective transition was necessary from the adoption of the new guidance.

**NOTE C – DEPOSITS AND INVESTMENTS**

At year end, the carrying amount of cash and investment accounts was \$4,311,296, and the balances were fully covered by federal depository insurance and pledged securities.

Cash as of December 31, 2022, are as follows:

Cash	\$ 1,826,300
Certificate of deposits	<u>2,484,996</u>
	\$ 4,311,296

*Interest Rate Risk*

The investment policy stated that certain operating and reserve funds shall be invested with a maturity not exceeding nine months to two years.

**CAMERON COUNTY IRRIGATION DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE C – DEPOSITS AND INVESTMENTS – (Continued)**

*Credit Risk*

The District's investment policy limits authorized investments to short-term securities and certificate of deposits to allow the District to remain fluid.

*Concentration of Credit Risk*

The investment policy is silent in the concentration of holding in the various types of securities and investments.

*Custodial Credit Risk*

The District's funds are secured by the depository's pledged securities. The District's cash is collateralized by FDIC and pledged securities with values of \$4,280,140.

	<u>Amounts per Books</u>	<u>Amounts per Bank Statements</u>
Cash in bank - General Fund	\$ 273,177	\$ 254,467
Cash in bank - Special revenue fund	1,552,073	1,552,073
Certificates of Deposits	2,484,996	2,484,996
	<u>\$ 4,310,246</u>	<u>\$ 4,291,535</u>

**NOTE D – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

*A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position*

The governmental fund balance sheet includes reconciliation between the fund balance for total governmental funds and net position reported in the government-wide statement of net position. One element of that reconciliation explains that "Governmental funds do not report assets that have been capitalized.

However, in the statement of net position, capital assets are reported net of accumulated depreciation, The detail of the \$26,906,763 difference are as follow:

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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE D – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (Continued)**

Land, Reservoirs & Right-of-Way	\$ 876,669
Buildings	454,373
Improvements	31,078,825
Auto & Trucks	459,970
Machinery & Equipment	2,476,326
Furniture & Fixtures	43,362
Construction in progress	2,813,824
Less: accumulated depreciation	<u>(11,296,586)</u>
	\$ 26,906,763

*B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities*

The government fund statement of revenue, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental fund and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reports as depreciation expense.” The difference are as follows:

Capital outlay	\$ 536,842
Depreciation	<u>(729,109)</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities.</i>	<u>\$ (192,267)</u>

**NOTE E – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*1. Budgetary Information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. As the District’s budget is not an “appropriated budget”, it does not use encumbrances in its accounting or reporting function. Budgetary integration is employed as a management control device during the year. The budget was not amended during the year.

The Board of Directors approves the budget. The District Manager is authorized to transfer budget amounts between categories, but any revisions that alter appropriations must be approved by the Board, expenditures may not legally exceed budgeted appropriations at the fund level.



**CAMERON COUNTY IRRIGATION DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE F – DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources at December 31, 2022, consisted of the following:

	<u>General Fund</u>
Unavailable revenue	\$ 585,506
Pension	846,947
Total	<u>\$ 1,432,453</u>

Unavailable revenue in the amount of \$585,506 at December 31, 2022, respectively, pertains to collections on the subsequent year's flat rate assessments, collected during 2022.

**NOTE G – FLAT RATE ASSESSMENTS RECEIVABLE**

Flat rate taxes receivable at December 31, 2022 are as follows:

	<u>2022</u>
Flat rate	\$ 642,443
Less allowance for uncollectible	<u>(88,362)</u>
Net total receivable	\$ 554,081

**NOTE H – NOTES RECEIVABLE**

The District's Notes Receivable at December 31, 2022, is comprise of the following:

	<u>Balances at Beginning of the year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at end of the year</u>
Note receivable City of San Benito 4.0% Note, \$39,995.49 due each Sept 20 Through 2025. Secured by the related Property	\$ 171,656		\$ 33,129	\$ 138,527

**CAMERON COUNTY IRRIGATION DISTRICT NO. 2**  
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**NOTE H – NOTES RECEIVABLE – (Continued)**

The annual note receivable requirements to maturity are as follows:

<u>Year ended</u> <u>December 31,</u>	<u>Notes Receivable</u> <u>San Benito</u>
2023	34,454
2024	35,833
2025	37,266
2026	30,974
Thereafter	-
Total Notes Receivables due	138,527
Less current portion	34,454
	104,073

**NOTE I – CAPITAL ASSETS ACTIVITY**

Capital asset activity for the District, for the year ended December 31, 2022, was as follows:

	Beginning Balance <u>Jan 01, 2022</u>	Additions	Deletions	Ending Balance <u>Dec 31, 2022</u>
Land, Reservoirs & Right-of-Way	\$ 918,911	\$ -	\$ 42,242	\$ 876,669
Buildings	772,697	-	318,324	454,373
Improvements	31,078,825	-	-	31,078,825
Auto & Trucks	432,621	27,349		459,970
Machinery & Equipment	2,476,770	100,660	101,104	2,476,326
Furniture & Fixtures	43,362			43,362
Construction in progress	2,404,991	408,833		2,813,824
Total at historical cost	<u>\$ 38,128,177</u>	<u>\$ 536,842</u>	<u>\$ 461,670</u>	<u>\$ 38,203,348</u>
Less accumulated depreciation	10,668,581	\$ 729,109	\$ 101,104	\$ 11,296,586
Governmental activities capital assets, net	<u>\$ 27,459,596</u>	<u>\$ (192,267)</u>	<u>\$ 360,566</u>	<u>\$ 26,906,763</u>

**NOTE J – SALE OF ASSETS**

The District sold some land, buildings, and equipment. The total loss from the sale of assets totaled \$307,008.



**CAMERON COUNTY IRRIGATION DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE K – PENSION COVERAGE FOR DISTRICT EMPLOYEES**

*1. Plan Description*

Cameron County Irrigation District No. 2 provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of statewide agent multiple-employer public employee retirement system consisting of 741 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available at [www.tcdrs.com](http://www.tcdrs.com).

*2. Benefits Provided*

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 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 10 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 before they are eligible to retire are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act 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 deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

*3. Funding Policy*

The employer has chosen a fixed plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the regular 7.0% contribution rate of the employer is a fixed percent equal to 7% contribution rate payable by the employee members as adopted by the governing board of the employer. This regular contribution rate of the employer is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of the plan inception or when benefit increases were adopted was limited by the TCDRS Act. To what the actuary determined could be adequately financed by the commitment of the employer to contribute the same amount as the employees. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the option available in the TCDRS Act.

**CAMERON COUNTY IRRIGATION DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE K – PENSION COVERAGE FOR DISTRICT EMPLOYEES – (Continued)**

If a plan has had adverse experience, the TCDRS Act has provision which allow the employer to contribute a fixed supplemental contribution rate determined by the System's actuary above the regular rate for 25 years or to reduce benefits earned in the future.

*4. Annual Pension Cost*

For the employer's accounting year ending December 31, 2022, the annual pension income for the TCDRS plan for its employees was \$101,889 and the actual contributions were \$79,718. While the actual contributions were not actuarially determined but were a fixed percent of the covered payroll of the participating employees, the annual required contributions were in compliance with the GASB Statements No. 68 parameters based on the actuarial valuation as of December 31, 2021, the basis for assessing the adequacy of the financial arrangements beginning with the contribution rate for the calendar year. The December 31, 2021, actuarial valuation is the most recent valuation.

**Net Pension Liability / (Asset)**

<b>Net Pension Liability / (Asset)</b>	<b>December 31, 2020</b>	<b>December 31, 2021</b>
Total pension liability	\$5,863,179	\$6,203,454
Fiduciary net position	5,984,844	7,204,293
Net pension liability / (asset)	(121,665)	(1,000,840)
Fiduciary net position as a % of total pension liability	102.08%	116.13%
Pensionable covered payroll <sup>(1)</sup>	\$1,292,734	\$1,188,742
Net pension liability / (asset) as a % of covered payroll	(9.41%)	(84.19%)

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

*Note: Rounding differences may exist above or in other tables in this report.*

<sup>(1)</sup> Payroll is calculated based on contributions as reported to TCDRS.

**Discount Rate**

Discount rate <sup>(2)</sup>	7.60%	7.60%
Long-term expected rate of return, net of investment expense <sup>(2)</sup>	7.60%	7.60%
Municipal bond rate <sup>(3)</sup>	Does not apply	Does not apply

<sup>(2)</sup> This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

<sup>(3)</sup> The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply. See page 6 of this report for further details.

**CAMERON COUNTY IRRIGATION DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE K – PENSION COVERAGE FOR DISTRICT EMPLOYEES – (Continued)**

*5. Other Key Actuarial Assumptions*

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2021. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

	Beginning Date	Ending Date
Valuation date	December 31, 2020	December 31, 2021
Measurement date	December 31, 2020	December 31, 2021
Employer's fiscal year	January 1, 2022	December 31, 2022

The following are the key assumptions and methods used in this GASB analysis.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	3.2 years (based on contribution rate calculated in 12/31/2021 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation



**CAMERON COUNTY IRRIGATION DISTRICT NO. 2**  
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**NOTE K – PENSION COVERAGE FOR DISTRICT EMPLOYEES – (Continued)**

**Changes in Net Pension Liability / (Asset)**

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2020	\$5,863,179	\$5,984,844	\$(121,665)
Changes for the year:			
Service cost	119,564		119,564
Interest on total pension liability <sup>(1)</sup>	445,450		445,450
Effect of plan changes <sup>(2)</sup>	0		0
Effect of economic/demographic gains or losses	33,689		33,689
Effect of assumptions changes or inputs	(10,766)		(10,766)
Refund of contributions	(39,123)	(39,123)	0
Benefit payments	(208,539)	(208,539)	0
Administrative expenses		(3,898)	3,898
Member contributions		83,212	(83,212)
Net investment income		1,305,239	(1,305,239)
Employer contributions		83,212	(83,212)
Other <sup>(3)</sup>	0	(653)	653
Balances as of December 31, 2021	\$6,203,454	\$7,204,293	\$(1,000,840)

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> No plan changes valued.

<sup>(3)</sup> Relates to allocation of system-wide items.

**6. Sensitivity Analysis**

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the Cameron County Irrigation District #2 net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$6,966,848	\$6,203,454	\$5,551,423
Fiduciary net position	7,204,293	7,204,293	7,204,293
Net pension liability / (asset)	(\$237,445)	(\$1,000,840)	(\$1,652,870)

**CAMERON COUNTY IRRIGATION DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE K – PENSION COVERAGE FOR DISTRICT EMPLOYEES – (Continued)**

**Pension Expense / (Income)**

<b>Pension Expense / (Income)</b>	<u>January 1, 2021 to December 31, 2021</u>
Service cost	\$119,564
Interest on total pension liability <sup>(1)</sup>	445,450
Effect of plan changes	0
Administrative expenses	3,898
Member contributions	(83,212)
Expected investment return net of investment expenses	(451,648)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(9,901)
Recognition of assumption changes or inputs	108,423
Recognition of investment gains or losses	(235,116)
Other <sup>(2)</sup>	653
Pension expense / (income)	<u>\$(101,889)</u>

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> Relates to allocation of system-wide items.

As of December 31, 2021, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ 19,558	\$ 32,402
Changes of assumptions	7,177	102,891
Net difference between projected and actual earnings	820,212	-
Contributions subsequent to the Measurement date	N/A	79,718

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

**CAMERON COUNTY IRRIGATION DISTRICT NO. 2  
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**NOTE K – PENSION COVERAGE FOR DISTRICT EMPLOYEES – (Continued)**

Year ended December 31:

2022	\$(76,538)
2023	(268,337)
2024	(196,060)
2025	(170,719)
2026	0
Thereafter <sup>(4)</sup>	0

**NOTE L – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage of, and destruction of assets, errors and omissions, natural disasters, health and dental benefits to employees, and employee accidents and injuries for which the District carries commercial insurance. The District is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

**NOTE M – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 16, 2024, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**REQUIRED SUPPLEMENTARY INFORMATION**

CAMERON COUNTY IRRIGATION DISTRICT NO. 2  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
For the year ended December 31, 2022

REVENUES/INCOME	Original & Final Budget	Actual Amounts	Variance with Budget
Water sales	\$ 1,567,000	\$ 919,283	\$ (647,717)
Flat rate assessment	872,000	816,960	(55,040)
Service revenue	277,985	182,537	(95,448)
Interest income	750	34,053	33,303
Total revenues/income	<u>\$ 2,717,735</u>	<u>\$ 1,952,832</u>	<u>\$ (764,903)</u>
EXPENDITURES/EXPENSES			
Payroll	\$ 1,188,360	\$ 1,114,806	\$ 73,554
Payroll expenses	387,700	345,051	42,649
Legal and audit fees	34,500	25,858	8,642
Water assessment fees	53,250	56,454	(3,204)
Gasoline and oil	106,100	101,990	4,110
Utilities	254,450	205,942	48,508
Insurance	56,500	5,272	51,228
Office expenses	56,825	102,967	(46,142)
Other fees	10,975	367	10,608
Repairs and maintenance	552,075	404,210	147,865
Capital outlay	57,000	128,009	(71,009)
Bad debits	-	2,738	(2,738)
Total expenditures	<u>\$ 2,757,735</u>	<u>\$ 2,493,664</u>	<u>\$ 264,071</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (40,000)</u>	<u>\$ (540,832)</u>	<u>\$ (500,832)</u>
Other financing sources/(uses)			
Interfund transfers	\$ -	\$ 120,662	\$ 120,662
Proceeds from sale of property	40,000	307,008	267,008
Total other financing sources (uses)	<u>\$ 40,000</u>	<u>\$ 427,670</u>	<u>\$ 387,670</u>
Excess of revenues and other Sources over (under) expenditures	<u>\$ -</u>	<u>\$ (113,162)</u>	<u>\$ (113,162)</u>
Fund balances/net position:			
Beginning of the year	451,283	451,283	-
End of the year	<u>\$ 451,283</u>	<u>\$ 338,121</u>	<u>\$ (113,162)</u>



CAMERON COUNTY IRRIGATION DISTRICT NO. 2  
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM  
PENSION INFORMATION

SCHEDULE OF PENSION EXPENSE/(INCOME)

	January 1, 2021 to December 31, 2021
1. Total Service cost	\$ 119,564
2. Interest on total pension liability	445,450
3. Effect of plan changes	-
4. Administrative expenses	3,898
5. Member contributions	(83,212)
6. Expected investment return net of investment expenses	(451,648)
7. Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(9,901)
Recognition of assumption changes or inputs	108,423
Recognition of investment gains or losses	(235,116)
8. Other	653
Pension expense/(Income)	\$ (101,889)

CAMERON COUNTY IRRIGATION DISTRICT NO. 2  
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM  
PENSION INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 119,564	\$ 122,500	\$ 119,814	\$ 114,648	\$ 109,193	\$ 122,680	\$ 120,682
Interest (on the Total Pension Liability)	445,450	431,014	406,182	383,895	365,170	352,672	335,719
Effect of plan changes	-	-	-	-	-	-	(23,555)
Effect of economic/demographic gains or losses	33,689	(58,672)	30,250	11,906	(57,594)	(96,221)	(15,840)
Effect of assumptions, changes or inputs	(10,766)	308,673	-	-	45,613	-	42,092
Benefit payments, including refunds of employee contributions	(247,662)	(272,676)	(232,840)	(247,784)	(225,981)	(319,952)	(166,427)
Net Change in Total Pension Liability	\$ 340,275	\$ 530,839	\$ 323,406	\$ 262,664	\$ 236,401	\$ 59,179	\$ 292,671
Total Pension Liability - Beginning	5,863,179	5,332,341	5,008,935	4,746,271	4,509,870	4,450,691	4,158,020
Total Pension Liability - Ending (a)	\$ 6,203,454	\$ 5,863,179	\$ 5,332,341	\$ 5,008,935	\$ 4,746,271	\$ 4,509,870	\$ 4,450,691
Plan Fiduciary Net Position							
Contributions - Employer	\$ 83,212	\$ 90,491	\$ 94,442	\$ 61,271	\$ 65,936	\$ 72,427	\$ 77,692
Contributions - Employee	83,212	90,491	94,442	89,540	87,747	83,249	87,859
Investment Income Net of Investment Expense	1,305,239	569,412	784,671	(93,764)	642,406	314,863	47,110
Benefit payments/refunds of contributions	(247,662)	(272,676)	(232,840)	(247,784)	(225,981)	(319,952)	(166,427)
Administrative expenses	(3,898)	(4,379)	(4,002)	(3,838)	(3,308)	(3,426)	(3,046)
Other	(653)	(2,167)	(737)	(2,389)	(1,000)	(2,259)	8,353
Net change in Plan Fiduciary - Net Position	\$ 1,219,450	\$ 471,172	\$ 735,775	\$ (196,963)	\$ 565,800	\$ 144,902	\$ 51,541
Plan Fiduciary Net Position - Beginning	5,984,844	5,513,672	4,777,897	4,974,860	4,409,061	4,264,159	4,212,618
Plan Fiduciary Net Position - Ending (b)	\$ 7,204,293	\$ 5,984,844	\$ 5,513,672	\$ 4,777,897	\$ 4,974,860	\$ 4,409,061	\$ 4,264,159
Net Pension Liability/(asset) - Ending = (a) - (b)	\$ (1,000,840)	\$ (121,665)	\$ (181,331)	\$ 231,038	\$ (228,589)	\$ 100,809	\$ 186,532
Plan Fiduciary Net Positions as a Percentage of Total Pension Liability	116.13%	102.08%	103.40%	95.39%	104.82%	97.76%	95.81%
Pensionable covered Payroll	\$ 1,188,742	\$ 1,292,734	\$ 1,349,166	\$ 1,279,145	\$ 1,253,531	\$ 1,189,277	\$ 1,255,126
Net Pension Liability (asset) as a Percentage of Covered Employee Payroll	(84.19%)	(9.41%)	(13.44%)	18.06%	(18.24%)	8.48%	14.86%

This schedule is presented to illustrate the requirement to show information for 7 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

CAMERON COUNTY IRRIGATION DISTRICT NO. 2  
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 46,004	\$ 55,200	\$ 56,935	\$ 61,271	\$ 65,936	\$ 72,427	\$ 77,692
Actual employee contributions	\$ 83,212	\$ 90,491	\$ 94,442	\$ 61,271	\$ 65,936	\$ 72,427	\$ 77,692
Contribution deficiency (excess)	\$ (37,208)	\$ (35,292)	\$ (37,507)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,188,742	\$ 1,292,734	\$ 1,349,166	\$ 1,279,145	\$ 1,253,531	\$ 1,189,277	\$ 1,255,126
Contributions as a percentage of covered employee payroll	7.0%	7.0%	7.0%	4.8%	5.3%	6.1%	6.2%

NOTES TO SCHEDULE

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age (level percentage of pay)
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	3.2 years (based on contribution rate calculated in 12/31/2021 valuation)
Asset Valuation Method:	5-years smoothed market
Inflation:	2.5%
Salary Increases:	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return:	7.50%, net of administrative and investment expenses, including inflation.
Retirement Age:	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality:	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule.

\*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

CAMERON COUNTY IRRIGATION DISTRICT NO. 2  
FINANCIAL STATEMENT INFORMATION RELATED TO THE  
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period	Amount Recognized for 12/31/2021	Balance of Deferred Inflows 12/31/2021	Balance of Deferred Outflows 12/31/2021
Investment (gains) or losses	\$ (853,591)	12/31/2021	5.0	\$ (170,718)	\$ 682,873	\$ -
	126,706	12/31/2020	5.0	25,341	76,024	-
	399,603	12/31/2019	5.0	(79,921)	159,840	-
	492,629	12/31/2018	5.0	98,526	-	98,525
	(288,314)	12/31/2017	5.0	(57,662)	-	-
Economic/demographic (gains) or losses	33,689	12/31/2021	3.0	11,230	-	22,459
	(58,672)	12/31/2020	3.0	(19,557)	19,558	-
	30,250	12/31/2019	4.0	7,563	-	7,561
	11,906	12/31/2018	5.0	2,381	-	2,382
	(57,594)	12/31/2017	5.0	(11,518)	-	-
Assumptions changes or inputs	(10,766)	12/31/2021	3.0	(3,589)	7,177	-
	308,673	12/31/2020	3.0	102,891	-	102,891
	-	12/31/2019	4.0	-	-	-
	-	12/31/2018	5.0	-	-	-
	45,613	12/31/2017	5.0	9,121	-	-
Employer contributions made subsequent to measurement date		12/31/2021	1	79,718		79,718

## **OTHER SCHEDULES**

CAMERON COUNTY IRRIGATION DISTRICT NO. 2  
SCHEDULE OF CASH AND CASH EQUIVALENTS  
For the year ended December 31, 2022

	<u>2022</u>
Cash	
Petty cash	1,050.00
Checking accounts	<u>1,825,249.53</u>
Total Cash	<u>\$ 1,826,300</u>
Temporary investments	
Certificates of deposits	<u>\$ 2,484,996</u>
Total temporary investment	<u>\$ 2,484,996</u>
Total Cash and Cash Equivalents	<u><u>\$ 4,311,296</u></u>