

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Annual Financial Report
For The Year Ended December 31, 2022

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors and
General Manager
Middle Trinity Groundwater Conservation District
930 N. Wolfe Nursery Road
Stephenville, Texas 76401

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Middle Trinity Groundwater Conservation District (the District) 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 and each major fund of the District, as of December 31, 2022, 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.

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 the District, 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 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 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.

Boucher, Morgan & Young

Stephenville, Texas
May 3, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Middle Trinity Groundwater Conservation District (MTGCD) offers this narrative overview and analysis (MD&A) of our financial activities for the year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

The MTGCD is a political subdivision of the State of Texas. The stated objectives of the District are to preserve, conserve and protect the groundwater resources of Erath, Comanche, Bosque and Coryell counties. The District's Management Plan, updated and approved by the Texas Water Development Board in July, 2022, is the "road map" used in meeting these objectives. In implementing its Management Plan, MTGCD utilizes statutory authorities provided and mandated by Chapter 36 of the Texas Water Code coupled with policymaking and oversight by the locally elected Board of Directors. Activities performed by the District include, but are not limited to, registration and permitting of all existing water wells, registration and permitting of all new water wells, identification and plugging of abandoned water wells, well level monitoring, and educating the public on the importance of water conservation.

The annual budget is the fundamental element of MTGCD's financial planning and control. The General Manager, and his staff, after reviewing historical expenses and analyzing projected revenues and expenses, develops a proposed budget. This budget is presented to the Board of Directors in July and August. The budget is modified and adopted by the Directors no later than September 30th to allow for the timely adoption of an annual tax rate. Budget-to-actual comparisons and itemized disbursements are presented to the Board at each monthly board meeting.

The MTGCD Board of Directors holds regular monthly meetings and permit hearings on the first Thursday of each month at 1:00 PM. The public is encouraged to attend. The board meeting and permit hearing notices and agendas are posted on the door of the MTGCD office and on the District's website. The District's office is located at 930 N Wolfe Nursery Road in Stephenville, Texas.

Overview of Financial Statements:

This Management Discussion and Analysis is intended to serve as an introduction to MTGCD's basic financial statements. The Statement of Net Position and the Statement of Activities included in this report are those of the District as a whole and report its activities in such a way that helps answer the question "Is the District as a whole better off or worse off as a result of the year's activities?" These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District has only one type of activity as presented in these statements:

Governmental activities – The District’s basic services are reported here including well mapping, monitoring, plugging and consulting services to the citizens and businesses within the District. The tax revenues and miscellaneous service fees finance these activities.

**Middle Trinity Groundwater Conservation District’s Financial Analysis:
Net Position as of December 31**

	Governmental Activities				
	2022	2021	2020	2019	2018
Current and other assets	\$3,621,201	\$4,240,268	\$4,318,882	\$4,287,937	\$4,231,789
Capital assets	2,813,595	1,680,998	1,297,118	969,740	702,597
Total assets	<u>6,434,796</u>	<u>5,921,266</u>	<u>5,616,000</u>	<u>5,257,677</u>	<u>4,934,386</u>
Other liabilities	265,331	64,492	51,097	18,822	30,924
Total liabilities	<u>265,331</u>	<u>64,492</u>	<u>51,097</u>	<u>18,822</u>	<u>30,924</u>
Net position:					
Net Investment in					
Capital Assets	2,813,595	1,680,998	1,297,118	969,740	702,597
Restricted	4,561	4,535	4,264	4,247	4,239
Unrestricted	<u>3,351,309</u>	<u>4,171,241</u>	<u>4,263,521</u>	<u>4,264,868</u>	<u>4,196,626</u>
Total net position	<u><u>\$6,169,465</u></u>	<u><u>\$5,856,774</u></u>	<u><u>\$5,564,903</u></u>	<u><u>\$5,238,855</u></u>	<u><u>\$4,903,462</u></u>

Changes in Net Position for the Years Ended December 31

	Governmental Activities				
	2022	2021	2020	2019	2018
Revenues:					
Tax revenues	\$ 960,043	\$ 934,378	\$ 918,222	\$ 890,486	\$ 854,142
Charges for services	4,800	1,574	200	245	1,705
Capital grants and contributions	-	-	25,000	-	-
Other revenues	56,061	12,509	24,690	92,030	68,216
Total revenues	<u>1,020,904</u>	<u>948,461</u>	<u>968,112</u>	<u>982,761</u>	<u>924,063</u>
Program expenses:					
Water well registration and monitoring	708,213	656,590	642,064	614,511	589,383
Depreciation expense	-	-	-	32,857	26,275
Total expenses	<u>708,213</u>	<u>656,590</u>	<u>642,064</u>	<u>647,368</u>	<u>615,658</u>
Increase in net position	312,691	291,871	326,048	335,393	308,405
Net position- beginning	<u>5,856,774</u>	<u>5,564,903</u>	<u>5,238,855</u>	<u>4,903,462</u>	<u>4,595,057</u>
Net position- ending	<u><u>\$6,169,465</u></u>	<u><u>\$5,856,774</u></u>	<u><u>\$5,564,903</u></u>	<u><u>\$5,238,855</u></u>	<u><u>\$4,903,462</u></u>

Property tax revenue, the District's largest revenue, increased by \$25,665. The increase in property taxes was due to combination of an increase in property tax base and a decrease in the tax rate from .85 cents per \$100 of valuation to .73 cents per \$100 of valuation. Property taxes made up 94% of the total revenue. . Since the inception of the District, the Board has consistently lowered or kept the same tax rate since it began assessing taxes.

Budgetary Highlights:

The MTGCD's general fund activities operated with a final expenditures budget total of \$761,397. The total expenditures of the general fund were \$1,843,128 for the year. The general fund experienced a decrease in fund balance totaling \$763,759 for the year, with much of that decrease resulting from the construction of the education center

Capital Assets and Debt Administration:

Since its confirmation by voters in May of 2002, the MTGCD has invested in several capital assets and constructed a home office building. This amount, net of accumulated depreciation, as of December 31, 2022, is \$2,813,595. There is depreciation expense each year reflected for general fixed assets presented only with the government wide financial statements. . In 2022, construction commenced on the "The Ditch" Water Discovery Center located at 950 N Wolfe Rd, Stephenville, Texas, adjacent to the District's office. The District's motivation behind the construction of The Ditch is to develop a space to provide an opportunity to give back to the community in which it serves. The outdoor learning center will provide a place where families, schools, and other visitors can enjoy the natural scape of native plant species, pollinator gardens, and other learning areas centered around groundwater and its conservation.

Contacting the MTGCD's Financial Management:

This Management Discussion and Analysis is intended to provide a general overview of the MTGCD's finances for all interested parties. Questions concerning any of the information provided in this report and /or requests for additional information should be addressed to the MTGCD General Manager, 930 N Wolfe Nursery Road, Stephenville, Texas, 76401 or by telephone at (254) 965-6705.

BASIC FINANCIAL STATEMENTS

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT EXHIBIT A-1
STATEMENT OF NET POSITION
December 31, 2022

	Primary Government	
	Governmental Activities	Total
ASSETS:		
<i>Cash and Investments</i>	\$ 2,902,901	\$ 2,902,901
<i>Due from Other Governments</i>	280,723	280,723
<i>Prepaid Expense</i>	5,911	5,911
<i>Taxes Receivable (net of uncollectible)</i>	431,666	431,666
Capital Assets (net of accumulated depreciation):		
<i>Land</i>	792,446	792,446
<i>Building</i>	385,784	385,784
<i>Furniture and Equipment</i>	7,110	7,110
<i>Vehicles</i>	53,171	53,171
<i>Software</i>	6,233	6,233
<i>Construction in Process- Learning Center</i>	1,568,851	1,568,851
Total Assets	6,434,796	6,434,796
LIABILITIES:		
<i>Accounts Payable</i>	241,197	241,197
<i>Accrued Expenses</i>	24,134	24,134
Total Liabilities	265,331	265,331
NET POSITION		
<i>Net Investment in Capital Assets</i>	2,813,595	2,813,595
<i>Restricted for Debt Service</i>	-	-
<i>Unrestricted</i>	3,355,870	3,355,870
Total Net Position	\$ 6,169,465	\$ 6,169,465

The accompanying notes are an integral part of the financial statements.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

EXHIBIT A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Positi</u>
		<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT:				
Governmental Activities:				
<i>Water Well Registration and Monitoring</i>	\$ <u>708,213</u>	\$ <u>4,800</u>	\$ <u>(703,413)</u>	\$ <u>(703,413)</u>
Total Governmental Activities	<u>708,213</u>	<u>4,800</u>	<u>(703,413)</u>	<u>(703,413)</u>
 Total Primary Government	 <u>\$ 708,213</u>	 <u>\$ 4,800</u>	 <u>(703,413)</u>	 <u>(703,413)</u>
 General Revenues:				
<i>Tax Revenues</i>			960,043	960,043
<i>Penalties and Interest on Delinquent Taxes</i>			3,931	3,931
<i>Gain(Loss) on Disposal of Asset</i>			(2,318)	(2,318)
<i>Investment Earnings</i>			<u>54,448</u>	<u>54,448</u>
Total General Revenues			<u>1,016,104</u>	<u>1,016,104</u>
Change in Net Position			312,691	312,691
Net Position - Beginning			<u>5,856,774</u>	<u>5,856,774</u>
Net Position - Ending			<u>\$ 6,169,465</u>	<u>\$ 6,169,465</u>

The accompanying notes are an integral part of the financial statements.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT EXHIBIT A-3
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2022

	General Fund	Debt Service Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS AND OTHER DEBITS			
Assets:			
<i>Cash and Investments</i>	\$ 2,902,901	\$ -	\$ 2,902,901
<i>Due from Other Governments</i>	280,723	-	280,723
<i>Prepaid Expense</i>	5,911	-	5,911
<i>Taxes Receivable (net of uncollectible)</i>	431,666	-	431,666
Total Assets and Other Debits	<u>\$ 3,621,201</u>	<u>\$ -</u>	<u>\$ 3,621,201</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
<i>Accounts Payable</i>	\$ 241,197	\$ -	\$ 241,197
<i>Accrued Expenses</i>	24,134	-	24,134
Total Liabilities	<u>265,331</u>	<u>-</u>	<u>265,331</u>
DEFERRED INFLOWS			
<i>Deferred Property Taxes</i>	431,666	-	431,666
Total Deferred Inflows	<u>431,666</u>	<u>-</u>	<u>431,666</u>
FUND BALANCES			
<i>Nonspendable:</i>			
<i>Prepaid Items</i>	5,911	-	5,911
<i>Unassigned</i>	2,918,293	-	2,918,293
Total Fund Balances	<u>2,924,204</u>	<u>-</u>	<u>2,924,204</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 3,621,201</u>	<u>\$ -</u>	<u>\$ 3,621,201</u>

The accompanying notes are an integral part of the financial statements.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT **EXHIBIT A-4**
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2022

Total fund balances - governmental funds balance sheet	\$ 2,924,204
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:	
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.	2,813,595
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	<u>431,666</u>
Net position of governmental activities - statement of net position	<u>\$ 6,169,465</u>

The accompanying notes are an integral part of the financial statements.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT EXHIBIT A-5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	General Fund	Debt Service Fund	Total Governmental Funds
Revenue:			
<i>Property Tax Revenues</i>	\$ 1,016,190	\$ 26	\$ 1,016,216
<i>Penalties and Interest</i>	3,931	-	3,931
<i>Charges for Services</i>	4,800	-	4,800
<i>Investment Earnings</i>	54,448	-	54,448
Total revenues	1,079,369	26	1,079,395
Expenditures:			
Current:			
<i>Personnel</i>	383,963	-	383,963
<i>Building Occupancy</i>	35,498	-	35,498
<i>Travel and Training</i>	48,508	-	48,508
<i>Office Expenses</i>	26,081	-	26,081
<i>Insurance and Bond</i>	7,903	-	7,903
<i>Mapping and Monitoring Well Costs</i>	14,924	-	14,924
<i>Professional Legal Fees</i>	51,981	-	51,981
<i>Professional Hydrology Fees and Well Plugging Cost</i>	25,489	-	25,489
<i>Professional Fees Other</i>	56,410	-	56,410
<i>Public Information Costs</i>	17,689	-	17,689
<i>Computer System Services</i>	19,075	-	19,075
<i>Field Technician Vehicle Costs</i>	8,438	-	8,438
Capital Outlay:			
<i>Vehicle Purchase</i>	54,396	-	54,396
<i>3D Model</i>	21,616	-	21,616
<i>Learning Center</i>	1,071,157	-	1,071,157
Total Expenditures	1,843,128	-	1,843,128
Excess (Deficiency) of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	(763,759)	26	(763,733)
Other Financing Sources (Uses)			
<i>Transfers in</i>	4,561	-	4,561
<i>Transfers out</i>	-	(4,561)	(4,561)
Total Other Financing Sources (Uses)	4,561.00	(4,561)	-
Net Change in Fund Balances	(759,198)	(4,535)	(763,733)
Fund Balances - Beginning	3,683,402	4,535	3,687,937
Fund Balances - Ending	\$ 2,924,204	\$ -	\$ 2,924,204

The accompanying notes are an integral part of the financial statements.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT **EXHIBIT A-6**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

Net change in fund balances - total governmental funds \$ (763,733)

Amounts reported for governmental activities in the statement of activities ("SOA") are different because:

Governmental funds report capital outlays as expenditures. However, in the SOA the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

The following details support this adjustment:

Capital outlay	\$ 1,160,115	
Net book value of disposals	(2,318)	
Depreciation expense	<u>(25,200)</u>	1,132,597

Revenues that do not provide current financial resources are not included in the fund financial statements. (56,173)

Change in net position of governmental activities - statement of activities \$ 312,691

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies

The Middle Trinity Groundwater Conservation District (the District) was formed by legislative action in 2002 to provide public information and devise controls over the groundwater in eight counties in Texas. The District is charged with mapping and registering all wells in the participating County areas. Initially, the various counties' commissioners appointed a temporary board of directors until such time that the counties decided whether or not to participate in the District. During the period from December, 2001 through May, 2002, several of the counties elected not to continue participation. As of December 31, 2022, Erath, Comanche, Bosque and Coryell Counties of Texas are participants in the District. The District's board of directors had twelve directors with staggered elected positions, three from each of the four counties.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as specified in Statement 34 of the Government Accounting Standards Board (GASB), the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accounting principles outlined in that standard have been adopted by the Middle Trinity Groundwater Conservation District and are presented in this financial report. The following is a summary of the significant policies:

A. The Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statements 61, "Defining the Financial Reporting Entity," including whether:

- the organization is legally separate
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on these criteria, the District has no component units. The District is not a component unit of any other reporting entity as defined by the GASB Statements.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies (continued)

Excluded from the reporting entity:

The individual counties for which the District provides water well mapping and monitoring services are not considered to be component units of the District.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of governments. The District currently has only governmental activities financed through property tax revenues, nominal service fees, and other nonexchange transactions. The District has no business-type activities financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Government and for each 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. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs 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.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. There are no other funds to be aggregated and reported as nonmajor funds.

There are no proprietary funds of the District generating significant operating revenues, such as charges for services, resulting from exchange transactions associated with the principal activity of the fund.

The District reports two major governmental funds in 2022, the General Fund and the Debt Service Fund. The General Fund is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal, interest and fiscal charges on long-term debt.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from operating grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: These financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the susceptible-to-accrual concept, and the portion not received is reported as deferred revenue. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Cash and Investments

Cash and Cash Equivalents - Cash includes amounts in demand deposits and savings accounts, as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments – Investments with a maturity of less than one year when purchased are stated at cost or amortized cost. As of December 31, 2022, the District did not have any investments with a maturity greater than one year when purchased.

E. Capital Assets

All acquisitions of assets in excess of \$5,000 are capitalized. Capital assets purchased or constructed are reported at historical cost. Donated fixed assets would be recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Furniture and equipment	5-10 years
Vehicles	5 years
Building	40 years
Software	5 years

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2022

F. Accrued Compensated Absences

The District accrues earned vacation pay in all applicable funds. In accordance with accounting principles generally accepted in the United States of America, the District recognizes liabilities for future employee vacations for which payments are probable and can be estimated reasonably. Earned, unused medical leave time is not paid upon termination of employment for any reason. Due to this policy, no accrued liability for sick leave has been recorded.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, 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 government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

H. Fund Balance and Net Position

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in the spendable form or (b) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other government, or (b) imposed by law through constitutional provisions or enabled legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolutions of the Board, the District's highest level of decision-making authority. These amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies (continued)

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. In circumstances where an expense is to be made for a purpose for which amounts are available in multiple net position classifications, restricted position will be fully utilized first followed by unrestricted as necessary.

I. Use of Estimates

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

J. Budgetary Control

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

Prior to January 1, the General Manager submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to January 1, the budget is adopted by board approval.
3. Any revisions that alter the total expenditures of any fund must be approved by the Board.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies (continued)

4. Formal budgetary integration is employed as a management control device during the year for the General Fund. A budget is legally adopted for the General Fund.

Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The General Fund Budgetary Comparison Schedule presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results. All appropriations lapse on December 31 of the fiscal year. Budget amounts are as originally adopted or as amended by the Board. For the year ended December 31, 2022 expenditures exceed appropriations in the General Fund by \$1,081,731. These excess expenditures were funded by the use of reserves.

2. Property Taxes

Taxes assessed on valuations as of January 1 each year are levied late in the calendar year beginning October 1. Property taxes attach as an enforceable lien on property at the time levied. The District has entered into contracts to have the property taxes collected by the Erath County Tax Assessor Collector, the Comanche County Tax Assessor Collector, The Bosque County Tax Assessor Collector and the Coryell County Tax Assessor Collector. The Erath County Appraisal District, Comanche Central Appraisal District, Bosque County Appraisal District and Coryell County Appraisal District perform the appraisal services for Middle Trinity Groundwater Conservation District. District property tax revenues are recognized in the General Fund and Debt Service Fund when levied to the extent that they are available, and result in current receivables. Property taxes that are deemed uncollectible are presented as a reserve against revenues and property taxes receivable.

The taxes receivable and the allowances for uncollectible property taxes receivable as of December 31, 2022 are as follows:

	<u>Maintenance & Operating</u>	
	<u>Taxes</u>	<u>Allowance for</u>
	<u>Receivable</u>	<u>Uncollectible</u>
Erath County	\$ 193,909	\$ (31,579)
Comanche County	75,542	(15,272)
Bosque County	117,144	(20,718)
Coryell County	136,742	(24,102)
Total	\$ 523,337	\$ (91,671)

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2022

3. Changes in Capital Assets

A summary of changes in capital assets is as follows:

	<u>2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>2022</u>
Capital assets not being depreciated:				
Land	\$ 792,446	\$ -	\$ -	\$ 792,446
CIP	470,242	1,098,609	-	1,568,851
Total assets not being depreciated	<u>1,262,688</u>	<u>1,098,609</u>	<u>-</u>	<u>2,361,297</u>
Capital assets being depreciated:				
Furniture and equipment	58,663	7,110	-	65,773
Vehicles	36,479	54,396	(23,172)	67,703
Building	562,845	-	-	562,845
Software	34,000	-	-	34,000
Total capital assets being depreciated	<u>691,987</u>	<u>61,506</u>	<u>(23,172)</u>	<u>730,321</u>
Less accumulated depreciation for:				
Furniture and equipment	58,663	-	-	58,663
Vehicles	31,057	4,329	(20,854)	14,532
Building	162,990	14,071	-	177,061
Software	20,967	6,800	-	27,767
Total accumulated depreciation	<u>273,677</u>	<u>25,200</u>	<u>(20,854)</u>	<u>278,023</u>
Total capital assets being depreciated net of depreciation	<u>418,310</u>	<u>36,306</u>	<u>(2,318)</u>	<u>452,298</u>
Governmental activities capital assets net of depreciation	<u>\$ 1,680,998</u>	<u>\$ 1,134,915</u>	<u>\$ (2,318)</u>	<u>\$ 2,813,595</u>

Depreciation was charged to the general governmental in the amount of \$25,200 for the year ended December 31, 2022. Depreciation is not reported in the General fund financial statements but in government wide financial statement, only.

4. Accrued Compensated Absences

The District's board approved policy allows employees to carry over from year to year the portion of vacation unused during the District's calendar year not to exceed five days. The general manager must approve any vacation an employee wishes to carry into the following year in excess of 40 hours. Accumulated vacation time is paid upon an employee's termination if they have been employed longer than one year. The accrued vacation payable as of December 31, 2022 amounted to \$20,601. The District does not report the accrual for accumulated sick days since those days are forfeited upon termination.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2022

5. Cash in Banks and Short-Term Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

At year end, the bank balance of the District's cash in unrestricted depository accounts totaled \$128,521 as of December 31, 2022, which had a weighted average maturity of 24 days. The full bank balance was covered by depository insurance under the FDIC Temporary Liquidity Guarantee Program.

The District's investment policy allows investments in certificates of deposit, public funds investment pools, direct obligations of the United States of America or its subdivisions and state and local government securities. During the year ended December 31, 2022 the District did not own any types of securities other than those permitted by statute and their policy.

All investments consisted of pooled investments held by TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of short-term investments with an average maturity of less than 30 days thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District has no specific limitations with respect to this metric.

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2022

5. Cash in Banks and Short-Term Investments (continued)

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating required by (where applicable) the Public Funds Investment Act, the District's investment policy, or debt agreements, is AAA. The actual rating as of December 31, 2022 for TexPool was AAAM.

	Governmental
	Activities
	<hr/>
Cash and Cash Equivalents	\$ 128,521
Investments - TexPool	<hr/> 2,774,380
	<hr/> \$ 2,902,901 <hr/>

6. Participation in Public Entity Risk Pools

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District insures its buildings and contents, public officials' liability, general liability and auto liability under a renewable one-year policy with the Texas Municipal League. The District ensures its workers compensation risk by participating in the Texas Municipal League Intergovernmental Risk Pool which is a self-insurance policy mechanism for political subdivisions in Texas. Rates are set by the State Insurance Board. Each participant's contribution to the pool is adjusted based on its workers' compensation history. The District is responsible only to the extent of premiums paid and contributions made to Texas Municipal League and the Intergovernmental Risk Pool. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in each of the past three fiscal years.

7. Employee Retirement Plan

The District adopted a Simple IRA retirement plan during 2007 as developed by the U.S. Treasury. The District contributes a matching contribution to each eligible employee's Simple IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the year. The District contributions for the year ended December 31, 2022 were \$7,805. The District remits the employee and employer contributions each month to an investment company which deposits the amounts received into individual retirement accounts in the names of the employees. The employees are fully vested in the retirement accounts and are responsible for directing the investment of the funds. The District does not serve as the fiduciary for the retirement fund.

8. **New Accounting Pronouncement**

During fiscal year 2022, the District adopted GASB Statement No. 87, *Leases* (GASB 87), which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Implementation of GASB 87 resulted in no impact to the District's beginning fund balance/net position.

REQUIRED SUPPLEMENTARY INFORMATION

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2022

EXHIBIT B-1

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget
				Positive
				(Negative)
Revenues:				
<i>Property Tax Revenues</i>	\$ 930,543	\$ 930,543	\$ 1,016,190	\$ 85,647
<i>Penalties and Interest</i>	-	-	3,931	3,931
<i>Charges for Services</i>	-	-	4,800	4,800
<i>Investment Earnings</i>	<u>1,500</u>	<u>1,500</u>	<u>54,448</u>	<u>52,948</u>
Total revenues	<u>932,043</u>	<u>932,043</u>	<u>1,079,369</u>	<u>147,326</u>
Expenditures:				
Current:				
<i>Personnel</i>	421,664	384,262	383,963	299
<i>Building Occupancy</i>	32,335	33,922	35,498	(1,576)
<i>Travel and Training</i>	76,100	49,370	48,508	862
<i>Office Expenses</i>	24,900	25,865	26,081	(216)
<i>Insurance and Bond</i>	7,441	7,091	7,903	(812)
<i>Mapping and Monitoring Well Costs</i>	25,500	15,160	14,924	236
<i>Professional Legal Fees</i>	40,000	55,500	51,981	3,519
<i>Contingency</i>	26,000	-	-	-
<i>Well Plugging Costs</i>	23,000	24,500	25,489	(989)
<i>Professional Fees Other</i>	64,678	58,548	56,410	2,138
<i>Public Information Costs</i>	40,779	32,349	17,689	14,660
<i>Computer System Services</i>	20,000	12,000	19,075	(7,075)
<i>Field Technician Vehicle Costs</i>	14,500	8,430	8,438	(8)
<i>Capital Outlay</i>	<u>85,000</u>	<u>54,400</u>	<u>1,147,169</u>	<u>(1,092,769)</u>
Total Expenditures	<u>901,897</u>	<u>761,397</u>	<u>1,843,128</u>	<u>(1,081,731)</u>
Excess of Revenues Over Expenditures				
before Other Financing Resources	<u>30,146</u>	<u>170,646</u>	<u>(763,759)</u>	<u>(934,405)</u>
Other Financing Resources (Uses):				
<i>Transfer From Debt Service Fund</i>	<u>-</u>	<u>-</u>	<u>4,561</u>	<u>4,561</u>
Total Other Financing Resources (Uses)	<u>-</u>	<u>-</u>	<u>4,561</u>	<u>4,561</u>
Excess of Revenues Over Expenditures	30,146	170,646	(759,198)	(929,844)
Fund Balances - Beginning	<u>3,683,402</u>	<u>3,683,402</u>	<u>3,683,402</u>	<u>3,683,402</u>
Fund Balances - Ending	<u>\$ 3,713,548</u>	<u>\$ 3,854,048</u>	<u>\$ 2,924,204</u>	<u>\$ 2,753,558</u>