

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT

**FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2023**

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
Nine Month Financial Report
For The Nine Month Period Ended September 30, 2023

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
FINANCIAL SECTION		
Independent Auditors' Report	1	
Management's Discussion and Analysis.....	4	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	8	A-1
Statement of Activities.....	9	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	10	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	11	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	12	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	13	A-6
Notes to the Financial Statements	15	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule:		
General Fund.....	25	B-1

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 nine months ended September 30, 2023, 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 September 30, 2023, and the respective changes in financial position thereof for the nine months 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 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 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
January 30, 2024

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 nine months ended September 30, 2023. 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 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 periods?" 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 period 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 September 30, 2023 and December 31, 2022

Governmental Activities

	September 30, 2023	December 31, 2022
Current and other assets	\$ 2,295,875	\$ 3,621,201
Capital assets	3,804,108	2,813,595
Total assets	<u>6,099,983</u>	<u>6,434,796</u>
Other liabilities	239,865	265,331
Total liabilities	<u>239,865</u>	<u>265,331</u>
Net position:		
Net Investment in		
Capital Assets	3,804,108	2,813,595
Restricted	-	4,561
Unrestricted	<u>2,056,010</u>	<u>3,351,309</u>
Total net position	<u>\$ 5,860,118</u>	<u>\$ 6,169,465</u>

Changes in Net Position for the Nine Months Ended September 30, 2023 and the Year Ended December 31, 2022

Governmental Activities

	9 Month Period Ended September 30, 2023	Year Ended December 31, 2022
Revenues:		
Tax revenues	\$ 74,626	\$ 960,043
Charges for services	3,000	4,800
Other revenues	149,604	56,061
Total revenues	<u>227,230</u>	<u>1,020,904</u>
Program expenses:		
Water well registration and monitoring	536,577	708,213
Total expenses	<u>536,577</u>	<u>708,213</u>
Increase (decrease) in net position	(309,347)	312,691
Net position- beginning	6,169,465	5,856,774
Net position- ending	<u>\$ 5,860,118</u>	<u>\$ 6,169,465</u>

The District experienced a decrease of \$885,417 in property tax revenue, constituting its largest revenue source. This reduction in property taxes can be attributed to a combination of factors, including an expansion in the property tax base and a reduction in the tax rate – from 0.85 cents per \$100 of valuation to 0.73 cents per \$100 of valuation. Notably, property taxes accounted for 33% of the total revenue. Since the District's inception, the Board has demonstrated a consistent commitment to fiscal responsibility by either lowering or maintaining the same tax rate throughout its history of tax assessments. This approach reflects the Board's dedication to prudent financial management and ensuring a balanced fiscal environment for the District and its constituents.

In addition, the Board adopted, by resolution, a shift in the accounting years, transitioning from a calendar year (1/1/2023 - 12/31/2023) to a fiscal year (10/1/2023 - 9/30/2023). This change signifies a strategic move to align the District's financial reporting and planning with the fiscal cycle, facilitating a more coherent and effective approach to budgeting and resource management. The adjustment in accounting years reflects the Board's proactive measures to enhance financial oversight and streamline operational processes for the benefit of the District and its stakeholders.

Budgetary Highlights:

The MTGCD's general fund activities operated with a final expenditures budget total of \$1,889,597. The total expenditures of the general fund were \$1,485,872 for the period. The general fund experienced a decrease in fund balance totaling \$891,898 for the period, with much of that decrease resulting from the construction of the education center and the decrease in property tax revenues resulting from the change in fiscal year end.

Capital Assets and Debt Administration:

Since its ratification by voters in May of 2002, the MTGCD has strategically invested in multiple capital assets and successfully erected a dedicated home office building. As of September 30, 2023, the net value of these assets, after accounting for accumulated depreciation, stands at \$3,804,108. It is noteworthy that for the year ending September 30, 2023, due to the shift in fiscal year end, the current depreciation expenses represents nine months, and these are exclusively reflected in the government-wide financial statements pertaining to general fixed assets.

Near the end of September 2023, the construction of the "The Ditch" Water Discovery Center was nearing completion at 950 N Wolfe Nursery Rd, Stephenville, Texas, positioned adjacent to the District's office. The primary motivation behind the initiation of The Ditch project is rooted in the District's commitment to creating a space that not only enhances community engagement but also serves as a platform to give back to the community it diligently serves.

The envisioned outdoor learning center is designed to be a haven where families, schools, and other visitors can immerse themselves in the natural beauty of native plant species, explore a pollinator garden, and engage in various learning areas that revolve around groundwater and its conservation. The District aims to foster environmental awareness and education, making The Ditch a valuable asset for the community's enrichment.

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
STATEMENT OF NET POSITION
September 30, 2023

EXHIBIT A-1

	Primary Government Governmental Activities
ASSETS:	
Cash and Investments	\$ 2,256,773
Due from Other Governments	2,335
Prepaid Expense	13,062
Taxes Receivable (net of uncollectible)	23,705
Capital Assets (net of accumulated depreciation):	
Land	792,446
Building	375,231
Furniture and Equipment	46,030
Vehicles	43,083
Software	1,133
Construction in Process- Learning Center	2,546,185
Total Assets	<u>6,099,983</u>
LIABILITIES:	
Accounts Payable	217,686
Accrued Expenses	22,179
Total Liabilities	<u>239,865</u>
NET POSITION	
Net Investment in Capital Assets	3,804,108
Unrestricted	2,056,010
Total Net Position	<u>\$ 5,860,118</u>

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

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

EXHIBIT A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT:				
Governmental Activities:				
Water Well Registration and Monitoring	\$ 536,577	\$ 3,000	\$ (533,577)	\$ (533,577)
Total Governmental Activities	<u>536,577</u>	<u>3,000</u>	<u>(533,577)</u>	<u>(533,577)</u>
Total Primary Government	<u>\$ 536,577</u>	<u>\$ 3,000</u>	<u>(533,577)</u>	<u>(533,577)</u>

General Revenues:			
Tax Revenues		74,626	74,626
Penalties and Interest on Delinquent Taxes		7,931	7,931
Donated Property		41,218	41,218
Investment Earnings		<u>100,455</u>	<u>100,455</u>
Total General Revenues		<u>224,230</u>	<u>224,230</u>
Change in Net Position		<u>(309,347)</u>	<u>(309,347)</u>
Net Position - Beginning		<u>6,169,465</u>	<u>6,169,465</u>
Net Position - Ending		<u>\$ 5,860,118</u>	<u>\$ 5,860,118</u>

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

MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2023

EXHIBIT A-3

	<u>General Fund</u>
ASSETS AND OTHER DEBITS	
Assets:	
Cash and Investments	\$ 2,256,773
Due from Other Governments	2,335
Prepaid Expense	13,063
Taxes Receivable (net of uncollectible)	<u>23,704</u>
Total Assets and Other Debits	<u><u>\$ 2,295,875</u></u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	
Liabilities:	
Accounts Payable	\$ 217,686
Accrued Expenses	<u>22,179</u>
Total Liabilities	<u>239,865</u>
DEFERRED INFLOWS	
Deferred Property Taxes	<u>23,704</u>
Total Deferred Inflows	<u>23,704</u>
FUND BALANCES	
Nonspendable:	
Prepaid Items	13,063
Unassigned	<u>2,019,243</u>
Total Fund Balances	<u>2,032,306</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u><u>\$ 2,295,875</u></u>

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

**MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2023**

EXHIBIT A-4

Total fund balances - governmental funds balance sheet	\$ 2,032,306
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.	3,804,108
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	<u>23,704</u>
Net position of governmental activities - statement of net position	<u>\$ 5,860,118</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 9 Month Period Ended September 30, 2023

	<u>General Fund</u>
Revenue:	
Property Tax Revenues	\$ 482,588
Penalties and Interest	7,931
Charges for Services	3,000
Investment Earnings	<u>100,455</u>
Total revenues	<u>593,974</u>
Expenditures:	
Current:	
Personnel	275,784
Building Occupancy	29,017
Travel and Training	33,334
Field Technician Vehicle Costs	8,991
Office Supplies	17,385
Insurance and Bond	6,731
Mapping and Monitoring Well Costs	14,746
Professional Legal Fees	57,429
Professional Hydrology Fees and Well Plugging Cost	5,748
Professional Fees Other	31,401
Public Information Costs	18,490
Computer System Services	9,482
Capital Outlay:	
3D Model	163,174
Learning Center	<u>814,160</u>
Total Expenditures	<u>1,485,872</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	<u>(891,898)</u>
Net Change in Fund Balances	(891,898)
Fund Balances - Beginning	<u>2,924,204</u>
Fund Balances - Ending	<u><u>\$ 2,032,306</u></u>

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

**MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the 9 Month Period Ended September 30, 2023**

EXHIBIT A-6

Net change in fund balances - total governmental funds		\$ (891,898)
<p>Amounts reported for governmental activities in the statement of activities ("SOA") are different because:</p> <p>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.</p> <p>The following details support this adjustment:</p>		
Capital outlay	\$ 977,334	
Depreciation expense	<u>(28,039)</u>	949,295
Contributions of capital assets that will be used in activities reported in governmental funds are reported as donated capital revenue in the SOA.		41,218
Revenues that do not provide current financial resources are deferred in the fund financial statements. This is the change in these amounts this year.		<u>(407,962)</u>
Change in net position of governmental activities - statement of activities		<u>\$ (309,347)</u>

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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 September 30, 2023, 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 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.

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.

1. **Summary of Significant Accounting Policies (continued)**

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 non-exchange 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 non-major 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 one major governmental fund in 2023, the General 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.

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 period 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 September 30, 2023, 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

1. **Summary of Significant Accounting Policies (continued)**

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.

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 nine months 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.
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.

1. Summary of Significant Accounting Policies (continued)

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 September 30 of the fiscal year. Budget amounts are as originally adopted or as amended by the Board. For the period ended September 30, 2023 expenditures were less than appropriations in the General Fund by \$403,725.

k. New Accounting Pronouncement

For the years ended September 30, 2023, the District implemented Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements. This statement establishes requirements for accounting for applicable subscription-based information technology arrangements (SBITAs) based on the principle that a subscription asset derives from contracts that convey control of the right to use another entity’s information technology software, alone or in combination with tangible capital assets, for a specified period. In accordance with this statement, a government is required to recognize an intangible right-to-use subscription asset and a corresponding subscription liability. This statement was adopted by the District as of January 1, 2023 and it had no effect on fiscal year 2023.

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 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 September 30, 2023 are as follows:

	<u>Maintenance & Operating</u>	
	<u>Taxes</u>	<u>Allowance for</u>
	<u>Receivable</u>	<u>Uncollectible</u>
Erath County	\$ 7,518	\$ (3,990)
Comanche County	9,011	(5,508)
Bosque County	10,909	(5,114)
Coryell County	18,806	(7,927)
Total	<u>\$ 46,244</u>	<u>\$ (22,539)</u>

3. Changes in Capital Assets

A summary of changes in capital assets is as follows:

	<u>2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>2023</u>
Capital assets not being depreciated:				
Land	\$ 792,446	\$ -	\$ -	\$ 792,446
CIP	1,568,851	977,334	-	2,546,185
Total assets not being depreciated	<u>2,361,297</u>	<u>977,334</u>	-	<u>3,338,631</u>
Capital assets being depreciated:				
Furniture and equipment	65,773	41,218	-	106,991
Vehicles	67,703	-	-	67,703
Building	562,845	-	-	562,845
Software	34,000	-	-	34,000
Total capital assets being depreciated	<u>730,321</u>	<u>41,218</u>	-	<u>771,539</u>
Less accumulated depreciation for:				
Furniture and equipment	58,663	2,298	-	60,961
Vehicles	14,532	10,088	-	24,620
Building	177,061	10,553	-	187,614
Software	27,767	5,100	-	32,867
Total accumulated depreciation	<u>278,023</u>	<u>28,039</u>	-	<u>306,062</u>
Total capital assets being depreciated net of depreciation	<u>452,298</u>	<u>13,179</u>	-	<u>465,477</u>
Governmental activities capital assets net of depreciation	<u>\$ 2,813,595</u>	<u>\$ 990,513</u>	<u>\$ -</u>	<u>\$ 3,804,108</u>

Depreciation was charged to the general governmental in the amount of \$28,039 for the nine month period ended September 30, 2023. Depreciation is not reported in the General fund financial statements but in the government wide financial statements, 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 September 30, 2023 amounted to \$18,640. The District does not report the accrual for accumulated sick days since those days are forfeited upon termination.

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.

The bank balance of the District's cash in unrestricted depository accounts totaled \$186,087 as of September 30, 2023. 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 nine month period ended September 30, 2023 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.

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 September 30, 2023 for TexPool was AAAM with a weighted average maturity of 26 days.

	Governmental Activities
Cash and Cash Equivalents	\$ 148,586
Investments - TexPool	<u>2,108,187</u>
	<u>\$ 2,256,773</u>

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 nine month period ended September 30, 2023 were \$6,441. 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. **Related Party Transaction**

During 2023 the District received a donation of one center pivot, with an estimated fair value of \$41,218. The donated asset was received from a board member to be used in the “The Ditch” Water Discovery Center.

REQUIRED SUPPLEMENTARY INFORMATION

**MIDDLE TRINITY GROUNDWATER CONSERVATION DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the 9 Month Period Ended September 30, 2023**

EXHIBIT B-1

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues:				
Property Tax Revenues	\$ 953,592	\$ 953,592	\$ 482,588	\$ (471,004)
Penalties and Interest	-	-	7,931	7,931
Charges for Services	-	-	3,000	3,000
Investment Earnings	-	-	100,455	100,455
Total revenues	<u>953,592</u>	<u>953,592</u>	<u>593,974</u>	<u>(359,618)</u>
Expenditures:				
Current:				
Personnel	421,664	297,716	275,784	21,932
Building Occupancy	30,526	29,751	29,017	734
Travel and Training	66,500	42,625	33,334	9,291
Field Technician Vehicle Costs	14,500	9,750	8,991	759
Office Supplies	18,800	18,400	17,385	1,015
Insurance and Bond	9,671	9,516	6,731	2,785
Mapping and Monitoring Well Costs	37,000	11,029	14,746	(3,717)
Professional Legal Fees	80,000	68,391	57,429	10,962
Professional Hydrology Fees and Well Plugging Costs	35,000	14,200	5,748	8,452
Professional Fees Other	72,840	68,095	31,401	36,694
Public Information Costs	38,350	28,183	18,490	9,693
Computer System Services	21,000	16,075	9,482	6,593
Election Expense	15,000	-	-	-
Contingency	30,000	-	-	-
3D Model	-	161,000	163,174	(2,174)
Learning Center	60,000	1,114,866	814,160	300,706
Total Expenditures	<u>950,851</u>	<u>1,889,597</u>	<u>1,485,872</u>	<u>403,725</u>
Excess of Revenues Over Expenditures before Other Financing Resources	<u>2,741</u>	<u>(936,005)</u>	<u>(891,898)</u>	<u>44,107</u>
Fund Balances - Beginning	-	-	2,924,204	2,924,204
Fund Balances - Ending	<u>\$ 2,741</u>	<u>\$ (936,005)</u>	<u>\$ 2,032,306</u>	<u>\$ 2,968,311</u>