

**ROLLING PLAINS
GROUNDWATER CONSERVATION DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

ROLLING PLAINS GROUNDWATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT

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FINANCIAL SECTION



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Independent Auditor's Report

Board of Directors
Rolling Plains Groundwater Conservation District
Seymour, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities and major fund of Rolling Plains Groundwater Conservation District (District), as of and for the year 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 major fund of Rolling Plains Groundwater Conservation District as of September 30, 2023, and respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
November 8, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Rolling Plains Groundwater Conservation District (District), we offer readers of the District's Annual Financial Report this narrative overview and analysis of the District's financial performance during the year ended September 30, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities at September 30, 2023 by \$2,509,297 (net position). Of this amount, \$2,357,219 (unrestricted net position) may be used to meet the District's obligations.
- During the year, the District's total net position increased by \$572,023. The District's expenses, which totaled \$306,600, were less than the District's program revenues of \$8,464 and general revenues of \$870,159.
- The total cost of the District's programs increased \$105,671 or 53% from last fiscal year.
- The General Fund reported a fund balance as of September 30, 2023 of \$2,347,542, which is an increase of \$423,543 in comparison with the prior year amount.
- As of September 30, 2023, the all of the District's General Fund's fund balance was committed and represents 518% of the total General Fund 2022-23 expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

All of the District's services are reported in the government-wide financial statements. Property taxes and groundwater transportation fees finance the activities.

The government-wide financial statements are designed to provide readers a broad overview of the District's finances in a manner similar to a private-sector business.

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

The *statement of activities* details how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes).

Fund Financial Statements

The District uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the District's *fund* – not the District as a whole. The District's only fund is a governmental fund.

The **Governmental fund** is used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's short-term financing requirements.

Because the focus on the *governmental fund* is narrower than that of government-wide financial statements, it is useful to compare the information presented for the *governmental fund* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. These reconciliations facilitate the comparison between the *governmental fund* and *governmental activities*.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of a government's financial position. Exhibited below in Table 1 is the District's net position summarized for the *governmental activities*.

Table 1- District's Net Position

	Governmental Activities			
	2023	2022	Change	Percent
Current and other assets	\$2,362,085	\$1,934,578	\$ 427,507	22%
Capital assets, net	152,078	5,060	147,018	2905%
Total Assets	2,514,163	1,939,638	574,525	30%
Current liabilities	4,866	2,364	2,502	106%
Total Liabilities	4,866	2,364	2,502	106%
Net investment in capital assets	152,078	5,060	147,018	2905%
Unrestricted	2,357,219	1,932,214	425,005	22%
Total Net Position	\$2,509,297	\$1,937,274	\$ 572,023	30%

The net investment in capital assets (e.g. land, building, transportation equipment and furniture and equipment) is \$152,078. The District uses these capital assets to provide the groundwater conservation services.

The remaining balance of net position of \$2,357,219 may be used to meet the District's ongoing obligations.

Changes in Net Position

The District's total revenues, both program and general, were \$878,623. A significant portion, 90%, of the District's revenue came from property taxes. Groundwater transportation fees provided 1% of the revenues and investment earnings 9%. Exhibited below in Table 2 are the District's revenues for the years ended September 30, 2023 and 2022 for the District's *governmental activities*.

Table 2 - District's Revenues

	Governmental Activities			
	2023	Percent	2022	Percent
Groundwater transportation fees	\$ 8,464	1%	\$ 9,287	2%
Property taxes	792,105	90%	560,562	97%
Investment earnings	77,387	9%	7,808	1%
Miscellaneous	667	0%	851	0%
Total Revenues	\$ 878,623	100%	\$ 578,508	100%

Exhibited below in Table 3 are the District's expenses for the years ended September 30, 2023 and 2022 for the District's *governmental activities*. The total cost of all programs and services was \$306,600 for the year ended September 30, 2023.

Table 3 - District's Expenses

	Governmental Activities			
	2023	Percent	2022	Percent
Groundwater conservation services	\$ 306,600	100%	\$ 200,929	100%
Total Expenses	\$ 306,600	100%	\$ 200,929	100%

Governmental Activities

Table 4 presents the various revenue categories and gross costs of each of the District's functional areas for the years ended September 30, 2023 and 2022. Following the table, we provide explanations for the significant or unusual fluctuations between the two periods.

Table 4 - Changes in Net Position

	Governmental Activities			
	2023	2022	Change	% Change
Revenues:				
Program revenues:				
Groundwater transportation fees	\$ 8,464	\$ 9,287	\$ (823)	-9%
General revenues:				
Property taxes	792,105	560,562	231,543	41%
Investment earnings	77,387	7,808	69,579	891%
Miscellaneous	667	851	(184)	-22%
Total revenues	<u>878,623</u>	<u>578,508</u>	<u>300,115</u>	<u>52%</u>
Expenses:				
Groundwater conservation services	<u>306,600</u>	<u>200,929</u>	<u>105,671</u>	<u>53%</u>
Total expenses	<u>306,600</u>	<u>200,929</u>	<u>105,671</u>	<u>53%</u>
Change in net position	<u>\$ 572,023</u>	<u>\$ 377,579</u>	<u>\$ 194,444</u>	<u>51%</u>

The significant changes between years were as follows:

- Property taxes increased due to an increase in the tax levy from an increased tax rate and taxable values.
- Investment earnings increased due to an increase in total investments and the significant increase in interest rates between years.
- Groundwater conservation service expenses increased mostly due to (1) overlap of the former and new General Manager of about three months, (2) additional salary and benefits for the new General Manager, (3) increase mapping fees, (4) and increase in weather modification fees.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously stated, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental Fund

The focus of the District's governmental fund is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

General Fund

As of September 30, 2023, the ending fund balance for the General Fund was \$2,347,542, of which all was committed. The fund balance represents 518% of the total General Fund expenditures for the year ended September 30, 2023. Total fund balance increased \$423,543 in the current fiscal year.

General Fund revenues totaled \$877,161, an increase of \$298,886 or 52% over the preceding fiscal period. This increase is mainly due to (1) an increase in property taxes of \$230,314 from an increase in the tax rate and tax values and (2) an increase in investment earnings of \$69,579 due to the increase amount of investments and significant increase in interest rates during the year.

General Fund expenditures totaled \$453,618, an increase of \$250,840 or 124% from the preceding year. Most of the increase is as follows:

- Capital outlay increased \$149,402 as the District purchased a building, transportation equipment and other furniture and equipment.
- Payroll costs increased \$50,600 due to the (1) overlap of the former and new General Manager of about three months and (2) additional salary and benefits for the new General Manager.

General Fund Budgetary Highlights

Over the course of the fiscal year, the District revised its budget once. Actual expenditures were \$353,802 below the final budget amount of \$807,420. Four of the individual variances were significant, with one being over expended. Capital Outlay was over expended by \$74,402. The District failed to budget enough to cover the capital outlay expenditures for the year. The favorable variances were Mapping and Engineering (\$34,650), Payroll and related costs (\$30,253) and Recharge Project (\$250,620). These were all due to conservative budgeting.

Resources available were \$69,741 above the final budgeted amount. The only significant individual variance related to investment earnings of \$64,387. The District did not amend its budget for the increased interest rates during the year.

CAPITAL ASSETS

At September 30, 2023, the District had invested in a broad range of capital assets totaling \$152,078, net of accumulated depreciation, including land, buildings, transportation equipment, and furniture and equipment. See Table 5 below.

Table 5 - Capital Assets, Net

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Land	\$ 7,775	\$ -	\$ 7,775	N/A
Building and improvements	82,630	69	82,561	119654%
Transportation equipment	54,106	-	54,106	N/A
Furniture and equipment	7,567	4,991	2,576	52%
Totals	<u>\$ 152,078</u>	<u>\$ 5,060</u>	<u>\$ 147,018</u>	<u>2905%</u>

Capital assets, net of accumulated depreciation, increased \$147,018 or 2905% from the previous year. Additional information about the District's capital assets is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following indicators were taken into account when adopting the 2023-24 General Fund budget.

- Revenues in the General Fund's 2023-24 budget are \$900,000, an increase of \$22,839 or 3% from the actual 2022-23 revenues of \$877,161.

- Expenditures in most budget categories are similar to the previous fiscal year with the total 2023-24 expenditure budget of \$900,000, an increase of \$446,382 or 98% from the actual 2022-23 expenditures of \$453,618. The District's budget includes significant changes from the prior year actual amounts as follows:
 - Capital outlay to decrease \$74,402 to \$75,000.
 - Payroll and related costs to increase \$44,853 to \$161,900.
 - Mapping and engineering to increase \$142,650 to \$175,000.
 - Recharge enhancement to increase from \$0 to \$287,000.

If these estimates are realized, the District's General Fund's fund balance will not significantly change by September 30, 2024.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's General Manager.

BASIC FINANCIAL STATEMENTS

**ROLLING PLAINS
GROUNDWATER CONSERVATION DISTRICT**

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 57,923
Investments	2,292,631
Receivables:	
Accounts	1,045
Due from other governments	809
Property taxes, net	9,677
Capital assets, not being depreciated	7,775
Capital assets, being depreciated, net	144,303
Total assets	2,514,163
Liabilities	
Accounts payable	4,866
Net position	
Net investment in capital assets	152,078
Unrestricted	2,357,219
Total net position	\$ 2,509,297

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

**ROLLING PLAINS
GROUNDWATER CONSERVATION DISTRICT**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<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>
Primary government:			
Governmental activities:			
Groundwater conservation services	<u>\$ 306,600</u>	<u>\$ 8,464</u>	<u>\$ (298,136)</u>
General revenues:			
Property taxes			792,105
Investment earnings			77,387
Miscellaneous revenue			667
Total general revenues			<u>870,159</u>
Change in net position			572,023
Net position, beginning			<u>1,937,274</u>
Net position, ending			<u><u>\$ 2,509,297</u></u>

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

**ROLLING PLAINS
GROUNDWATER CONSERVATION DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2023**

	General Fund
Assets	
Cash and cash equivalents	\$ 57,923
Investments	2,292,631
Receivables:	
Accounts	1,045
Due from other governments	809
Property taxes, net	9,677
Total assets	\$ 2,362,085
Liabilities, Deferred Inflows of Resources and Fund Balance	
Liabilities:	
Accounts payable	\$ 4,866
Deferred inflows of resources:	
Unavailable property taxes	9,677
Fund balance:	
Committed	2,347,542
Total liabilities, deferred inflows of resources and fund balance	\$ 2,362,085

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

**ROLLING PLAINS
GROUNDWATER CONSERVATION DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Total fund balance - governmental fund (Exhibit A-3)		\$ 2,347,542
Amounts reported for <i>governmental activities</i> in the Statement of Net Position (Exhibit A-1) are different because:		
Capital assets used in the governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:		
Gross capital assets	\$ 166,918	
Related accumulated depreciation	14,840	152,078
Property tax receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.		9,677
Total net position - governmental activities (Exhibit A-1)		\$ 2,509,297

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

**ROLLING PLAINS
GROUNDWATER CONSERVATION DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	General Fund
Revenues:	
Property taxes	\$ 790,643
Groundwater transportation fees	8,464
Investment earnings	77,387
Other revenue	667
Total revenues	877,161
Expenditures:	
Advertising and publications	932
Appraisal and collection fees	24,259
Capital outlay	149,402
Contracted office management - NCTMWA	19,131
Director fees	3,400
Dues and subscriptions	3,276
Insurance	2,877
Mapping and engineering	32,350
Office supplies and related	4,779
Payroll and related costs	117,047
Professional services	6,500
Telephone	7,815
Training and education	25,900
Travel and fuel	13,710
Utilities	1,642
Water quality and testing	4,363
Weather modification	36,235
Total expenditures	453,618
Net change in fund balance	423,543
Fund balance, beginning	1,923,999
Fund balance, ending	\$ 2,347,542

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

**ROLLING PLAINS
GROUNDWATER CONSERVATION DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net change in fund balance - governmental fund (Exhibit A-5) \$ 423,543

Amounts reported for *governmental activities* in the Statement of Activities (Exhibit A-2) are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	\$ 149,402	
Depreciation expense for the year	<u>2,384</u>	147,018

Property tax receivables will not be collected for several months after the District's fiscal year ends; therefore, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred inflows increased by this amount this year.

1,462

Change in net position of governmental activities (Exhibit A-2) \$ 572,023

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

ROLLING PLAINS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rolling Plains Groundwater Conservation District (District) is a governmental agency operating under the applicable laws and regulations of the State of Texas. The District was authorized by the passage of House Bill 2862 by the Legislature of the State of Texas on May 26, 1993. The District was created by the citizens of Haskell and Knox Counties through election on January 27, 1999. Baylor County was added to the District after an annexation petition and subsequent referendum on August 12, 2000. Senate Bill 611 of the 77th Legislature was signed by the Governor on May 5, 2001. This changed the name of the District and provided for the Board of Directors to be increased to twelve members to include members from Baylor County. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

The following is a summary of the more significant policies and practices by the District.

A. Reporting Entity

The Board of Directors (Board) is appointed by the commissioners of Haskell, Knox and Baylor Counties; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters. The District is not included in any other governmental reporting entity as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" as revised by both GASB Statements No. 39 and No. 61. There are no component units included within the reporting entity.

B. Basis of Presentation

Government-wide financial statements

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the District's governmental activities which are programs supported primarily by taxes and grants.

The government-wide statement of activities presents a comparison between direct expenses and program revenues 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 fees and charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues.

Fund financial statements

Separate fund-based financial statements are provided for the governmental fund. The fund financial statements provide information about the District's fund. The General Fund is the District's only operating fund and accounts for all financial resources of the District. All general tax revenues and other receipts are accounted for in this fund. From the fund are paid general operating costs and fixed charges. This is a budgeted fund and any unassigned fund balance is considered resources available for current operations.

ROLLING PLAINS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Government fund-level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property tax revenues associated with the current fiscal period are susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

GASB Statement No. 34 eliminates the presentation of account groups but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Position.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of the prior year. Taxes are levied on October 1, and become delinquent after January 31. The District is permitted by the Municipal Finance Law of the State of Texas to levy taxes (exclusive of those amounts levied to service long-term debt) up to \$.80 per \$100 of assessed valuation for general services. The tax rate to finance general governmental services for the year ended September 30, 2023 was \$.028081 per \$100 valuation.

ROLLING PLAINS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Property tax receivables as of September 30, 2023 consist of the following:

Gross receivables	\$19,354
Less: Allowance for uncollectibles	(9,677)
 Net receivables	 <u>\$ 9,677</u>
 Amount expected to be collected within one year	 <u>\$ 3,500</u>

Allowances for uncollectible receivables are based upon historical experience in collecting those receivables. Uncollectible amounts are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

E. Capital Assets

The District follows the policy of capitalizing expenditures equal to or greater than \$400 for property and equipment with a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets as follows:

Building	40 years
Transportation Equipment	10 years
Furniture and Equipment	5-20 years

F. 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 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. For the year ended September 30, 2023, the District has no items that qualify for reporting in this category.

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 represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, property taxes receivable. Property taxes receivable of \$9,677 is unavailable and therefore cannot be recognized as revenue in the governmental funds until received.

ROLLING PLAINS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

G. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Board of Directors. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions or enabling legislation. The District's Board of Directors have committed all of the District's fund balance at September 30, 2023 as follows:

Reserves	\$ 100,000
Managed Aquifer Recharge Program	<u>2,247,542</u>
	<u>\$2,347,542</u>

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

ROLLING PLAINS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds.

H. Risk Management

The District is exposed to various risks of loss related to torts, damage to and destruction of assets, and errors and omissions. The District purchased commercial insurance for liability through an independent third-party carrier. There were no significant reductions in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions are reported below:

The District did not violate any finance-related legal and contractual provisions during the year, except over-expending its budget in one category by \$74,402.

B. Deficit Fund Balance of Individual Funds

The District had no funds with deficit fund balances as of September 30, 2023.

NOTE 3 - DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

ROLLING PLAINS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONT'D.)

A. Cash Deposits

At September 30, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,350,554 and the bank balance was \$2,364,472. The District's cash deposits at September 30, 2023 and during the year ended September 30, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

B. Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (Act), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The District's investments at September 30, 2023 are shown below:

<u>Investment or Investment Type</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of Deposit	8.83	\$ 725,487
TexPool Investment Pool	0.84	<u>1,567,144</u>
Total		<u>\$2,292,631</u>

ROLLING PLAINS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONT'D.)

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District values its certificates of deposit using Level 2 inputs (from bank statements) while all investment pools are valued at net asset value per unit/share.

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The District participates in the following public funds investment pool:

The TexPool Local Government Investment Pool (TexPool) is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

ROLLING PLAINS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONT'D.)

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District's deposits were adequately secured by FDIC coverage and pledged securities.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

ROLLING PLAINS GROUNDWATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2023

NOTE 4 - CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended September 30, 2023 was as follows:

	Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ 7,775	\$ -	\$ 7,775
Capital assets being depreciated:				
Building	-	82,630	-	82,630
Building improvements	1,384	-	1,384	-
Transportation equipment	-	54,791	-	54,791
Furniture and equipment	<u>27,433</u>	<u>4,206</u>	<u>9,917</u>	<u>21,722</u>
Total capital assets being depreciated	<u>28,817</u>	<u>141,627</u>	<u>11,301</u>	<u>159,143</u>
Less accumulated depreciation:				
Building	-	-	-	-
Building improvements	1,313	71	1,384	-
Transportation equipment	-	684	-	684
Furniture and equipment	<u>22,444</u>	<u>1,629</u>	<u>9,917</u>	<u>14,156</u>
Total accumulated depreciation	<u>23,757</u>	<u>2,384</u>	<u>11,301</u>	<u>14,840</u>
Total capital assets being depreciated, net	<u>5,060</u>	<u>139,243</u>	<u>-</u>	<u>144,303</u>
Capital assets, net	<u>\$ 5,060</u>	<u>\$147,018</u>	<u>\$ -</u>	<u>\$152,078</u>

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Cloud Hosting Services

The District is in a contract with Collier Consulting for cloud hosting services that require future payment commitments over the next 7 years for a total of \$47,600.

Managed Aquifer Recharge Program

The District entered into four contracts to assist the District in developing a managed aquifer recharge program. All of the contracts are based on hourly rates with the District-approved work orders. At September 30, 2023, no specific work orders were approved or any dollars expended. However, the District has budgeted \$287,000 for this project in 2023-24.

Litigation

The District is not involved in any pending or threatened litigation, claims or assessments at September 30, 2023.

**ROLLING PLAINS
GROUNDWATER CONSERVATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2023**

NOTE 6 - SIMPLIFIED EMPLOYEE PENSION PLAN

The District has a Simplified Employee Pension Plan (SEP) to provide retirement and incidental benefits for its employees. The District contributes fifteen percent of the employees' wages to the SEP, which was \$15,267 for the year ended September 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

ROLLING PLAINS GROUNDWATER CONSERVATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 785,820	\$ 785,820	\$ 790,643	\$ 4,823
Groundwater transportation fees	8,000	8,000	8,464	464
Investment earnings	13,000	13,000	77,387	64,387
Other revenue	600	600	667	67
	<u>807,420</u>	<u>807,420</u>	<u>877,161</u>	<u>69,741</u>
Total revenues				
Expenditures:				
Advertising and publications	2,000	2,000	932	1,068
Appraisal and collection fees	25,000	25,000	24,259	741
Capital outlay	75,000	75,000	149,402	(74,402)
Conservation/Legislative meetings/seminars	15,000	15,000	-	15,000
Contracted office management - NCTMWA	28,000	28,000	19,131	8,869
Director fees	5,000	5,000	3,400	1,600
Dues and subscriptions	4,500	4,500	3,276	1,224
Insurance	3,000	3,000	2,877	123
Mapping and engineering	70,000	67,000	32,350	34,650
Office supplies and related	14,000	14,000	4,779	9,221
Payroll and related costs	89,300	147,300	117,047	30,253
Professional services	36,500	18,500	6,500	12,000
Recharge project	250,620	250,620	-	250,620
Repairs and maintenance	2,500	2,500	-	2,500
Telephone	10,000	10,000	7,815	2,185
Training and education	40,000	40,000	25,900	14,100
Travel and fuel	30,000	30,000	13,710	16,290
Utilities	2,500	2,500	1,642	858
Water quality and testing	4,500	7,500	4,363	3,137
Weather modification	100,000	60,000	36,235	23,765
	<u>807,420</u>	<u>807,420</u>	<u>453,618</u>	<u>353,802</u>
Total expenditures				
Net change in fund balance	-	-	423,543	423,543
Fund balance, beginning	<u>1,923,999</u>	<u>1,923,999</u>	<u>1,923,999</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,923,999</u>	<u>\$ 1,923,999</u>	<u>\$ 2,347,542</u>	<u>\$ 423,543</u>

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

ROLLING PLAINS GROUNDWATER CONSERVATION DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED SEPTEMBER 30, 2023

A. BUDGETARY INFORMATION

Annual budgets are adopted on the cash basis of accounting for the General Fund. All annual appropriations lapse at fiscal year end.

The General Manager has the responsibility of preparing the District's budget. Before October 1, a proposed budget is presented to the District's Board of Directors. A public hearing is then held and the Board of Directors takes action on the proposed budget. Before determining the final budget, the Board of Directors may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the estimate of revenues and available fund balance.

Once the budget has been adopted by the Board of Directors, the General Manager is responsible for monitoring the expenditures of the District to prevent expenditures from exceeding budgeted appropriations and for keeping the Board of Directors advised of the conditions of the accounts.

No amendments may be made without the Board of Directors' approval. No supplemental appropriations were required during the year.

During the year ended September 30, 2023, the District over-expended its budget for capital outlay by \$74,402.