

REPORT OF AUDIT
HICKORY UNDERGROUND WATER CONSERVATION
DISTRICT NO. 1
SEPTEMBER 30, 2023

Jodi Crudginton, CPA, LLC
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INTRODUCTORY SECTION

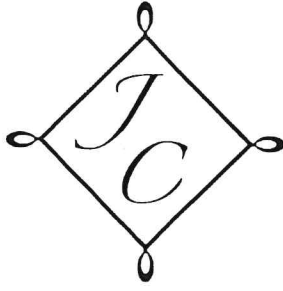
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**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
DISTRICT OFFICIALS
SEPTEMBER 30, 2023**

| | |
|----------------|--------------------------|
| Amy Greer | President |
| Bill Sloan | Vice-President |
| Gay Nesloney | Secretary |
| Steve Magill | Board Member |
| Shawn Oliver | Board Member |
| David Huie | Manager |
| Angelina Deans | Assistant Manager |
| Ronnie Moore | Field and Lab Technician |

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hickory Underground Water Conservation District No. 1
Brady, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hickory Underground Water Conservation District No. 1, Brady, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Hickory Underground Water Conservation District No. 1's, basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hickory Underground Water Conservation District No. 1, Brady, Texas, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hickory Underground Water Conservation District No. 1, Brady, Texas, 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 Hickory Underground Water Conservation District No. 1'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 Hickory Underground Water Conservation District No. 1'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 Hickory Underground Water Conservation District No. 1'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 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.

Jodi Crudginton, CPA, LLC

Brady, Texas
February 27, 2024

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2023**

Our discussion and analysis of the Hickory Underground Water Conservation District's performance provides an overview of the District's financial activities for the year ending September 30, 2023. Please read it in conjunction with the District's financial statements, which begin on page 10.

Using this Annual Report

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 four components: 1) government-wide financial statements, 2) fund financial statements, 3) schedule of revenues, expenditures and changes in fund balances, budget and actual (budgetary basis) and 4) notes to the financial statements. The Statement of Net Position and the Statement of Activities, on pages 10 and 11 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements.

The Statement of Net Position and the Statement of Activities

Our analysis of the District as a whole begins on page 10. The Statement of Net Position and the Statement of Activities report information about the District as a whole and indicate whether the District's financial condition is better or worse than the prior year. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. The District's net position, the difference between assets and liabilities, is a measure of the District's financial position. Over time, increases and decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating.

All of the District's activities are considered to be governmental activities, as the District has no business-type activities.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2023**

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the District's general fund, which is reported as a governmental fund.

Governmental funds - The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations.

Reporting the District's Fiduciary Responsibilities

At this time, the District has no fiduciary responsibilities.

The District as a Whole

Shown below is a comparison of net position for the prior fiscal year and the current year ended September 30, 2023. Net position has increased by \$308,854. This is an indicator that the District's financial condition has improved. Most of the change can be attributed to an increase in cash deposits.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2023**

| | Governmental Activities 9-30-23 | Governmental Activities 9-30-22 |
|-------------------------------------|--|--|
| Current and other assets \$ | 3,430,800 \$ | 3,104,443 |
| Capital assets | 70,575 | 86,722 |
| Total assets | 3,501,375 | 3,191,165 |
| Long-term liabilities | 23,918 | 22,397 |
| Other liabilities | 3,189 | 3,354 |
| Total liabilities | 27,107 | 25,751 |
| Net investment in capital assets | 70,575 | 86,722 |
| Unrestricted | 3,403,693 | 3,078,692 |
| Ending net position \$ | 3,474,268 \$ | 3,165,414 |

Governmental Activities

The following schedule presents a comparison between general fund revenues and expenditures for the fiscal year ended September 30, 2023 and the prior fiscal year.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2023**

| Revenues: | <u>9-30-23</u> | <u>9-30-22</u> | <u>Increase (Decrease)</u> |
|-----------------------|-------------------|-------------------|--------------------------------|
| Taxes | \$ 722,178 | 698,992 | \$ 23,186 |
| Interest | 55,464 | 13,014 | 42,450 |
| Attorney Fees | 3,369 | 2,046 | 1,323 |
| Miscellaneous | 4,003 | 1,717 | 2,286 |
| Total Revenues | \$ 785,014 | \$ 715,769 | \$ 69,245 |

| Expenses: | <u>9-30-23</u> | <u>9-30-22</u> | <u>Increase (Decrease)</u> |
|------------------------|----------------|----------------|--------------------------------|
| Salaries | \$ 249,322 | \$ 196,693 | \$ 52,629 |
| Payroll Taxes | 3,656 | 2,884 | 772 |
| Health Insurance | 104,462 | 82,999 | 21,463 |
| Contract Labor | - | 640 | (640) |
| Retirement | 18,581 | 14,605 | 3,976 |
| Storage | 540 | 540 | - |
| Utilities | 3,305 | 3,377 | (72) |
| Telephone | 3,580 | 3,515 | 65 |
| Furniture | 576 | 727 | (151) |
| Copier | 3,503 | 3,483 | 20 |
| Maintenance | 112 | 375 | (263) |
| Office Supplies | 2,314 | 2,209 | 105 |
| Janitorial | 11 | 191 | (180) |
| Election/Legal Notices | 550 | 565 | (15) |
| Legislative Service | 2,813 | 2,340 | 473 |
| Appraisal District | 23,115 | 21,471 | 1,644 |
| Legal Fees | 950 | 1,001 | (51) |
| Accounting | 8,090 | 7,880 | 210 |
| Computer | 3,219 | 3,160 | 59 |

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2023**

| Expenses: | <u>9-30-23</u> | <u>9-30-22</u> | <u>Increase (Decrease)</u> |
|-----------------------------|-------------------|-------------------|--------------------------------|
| Vehicle Expense | \$ 1,490 | \$ 1,821 | \$ (331) |
| Vehicle Insurance | 490 | 483 | 7 |
| Travel | 1,044 | 1,172 | (128) |
| Meetings | 361 | 1,477 | (1,116) |
| Dues and Miscellaneous | 3,761 | 4,033 | (272) |
| Bonds and Insurance | 3,507 | 3,112 | 395 |
| Building Insurance | 631 | 545 | 86 |
| Postage | 1,096 | 597 | 499 |
| Attorney Fees | 3,369 | 2,046 | 1,323 |
| Education Information | 5,710 | 6,971 | (1,261) |
| Water Management | 9,856 | 3,756 | 6,100 |
| Depreciation | 16,146 | 13,389 | 2,757 |
| Total Expenses | <u>476,160</u> | <u>388,057</u> | <u>88,103</u> |
| Increase in net position | <u>\$ 308,854</u> | <u>\$ 327,712</u> | <u>(18,858)</u> |

Revenues increased by \$69,245. Most of the increase was from tax revenue and interest income.

Expenses increased by \$88,103. In employee related expenses, salaries increased by \$52,629. Health insurance increased by \$21,463, and retirement increased by \$3,976. In other expenses, water management and depreciation increased by \$6,100 and \$2,757, respectively.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2023**

General Fund Budgetary Highlights

The District did not amend the budget for the fiscal year ending September 30, 2023. A budgetary comparison schedule is presented on pages 16 and 17. The District had no expenditures in excess of budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of September 30, 2023 the District had \$70,575 invested in capital assets, net of depreciation, including land, a building, vehicles, hydro-geo equipment, and office equipment as represented below:

| | 9-30-23 | 9-30-22 |
|-----------------------------|----------------|----------------|
| Land | \$ 5,000 | \$ 5,000 |
| Building | 73,482 | 73,482 |
| Vehicles | 35,512 | 35,512 |
| Hydro Geo | 48,807 | 48,808 |
| Office Equipment | 28,129 | 28,129 |
| Accumulated Depreciation | (120,355) | (104,209) |
| | \$ 70,575 | \$ 86,722 |

During the fiscal year, the District did not purchase any capital assets.

The District does not own any infrastructure assets.

Debt

The District has no debt.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2023**

Economic Factors and Next Year's Budgets and Rates

Higher interest rates have benefitted the District as funds currently held in reserve for future litigation, hydro-geo research, building renovation, and vehicle replacement increase in value. Despite that, the cost of day-to-day budget items such as postage, vehicle expenses, office supplies, and insurance have increased dramatically; therefore, the District did not increase its tax rate for the first time since 2019.

District Programs and Water Management

The District continues to expand its data collection network, providing rain gauges and enlisting the aid of landowners to report rainfall totals. We have added over 30 stations across the District this year.

As water level equipment ages and needs to be replaced, the District will be purchasing new monitoring and measuring tools. The District is looking into software updates that would allow us to upload real-time water levels for public access.

The District also hopes to continue to add programs to its public education/outreach endeavor. In 2023, we supplied books to area 4th and 5th grade students and educational materials to their teachers. In 2024, we hope to reach older students and adults through creative innovative approaches.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the District Office at 111 East Main Street, P.O. Box 1214, Brady, TX 76825.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

| | | GENERAL FUND |
|--|----|-------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ | 3,394,631 |
| Receivables, net | | |
| Taxes | | 19,802 |
| Accounts | | 1,763 |
| Interest | | 13,587 |
| Prepaid Expenses | | 1,017 |
| Total Current Assets | | 3,430,800 |
| Noncurrent Assets | | |
| Land (Note 5) | | 5,000 |
| Other Capital Assets, net of depreciation (Note 5) | | 65,575 |
| Total Noncurrent Assets | | 70,575 |
| Total Assets | | 3,501,375 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | | 3,189 |
| Total Current Liabilities | | 3,189 |
| Noncurrent Liabilities | | |
| Accrued Compensated Absences (Note 1) | | 23,918 |
| Total Noncurrent Liabilities | | 23,918 |
| Total Liabilities | | 27,107 |
| NET POSITION | | |
| Net Investment in Capital Assets | | 70,575 |
| Unrestricted | | 3,403,693 |
| TOTAL NET POSITION | \$ | 3,474,268 |

See accompanying notes to the basic financial statements.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2023

| | | <u>General Government</u> |
|---|----|---------------------------|
| Expenses: | | |
| Salaries | \$ | 249,322 |
| Payroll Taxes | | 3,656 |
| Health Insurance | | 104,462 |
| Retirement | | 18,581 |
| Storage Building | | 540 |
| Utilities | | 3,305 |
| Telephone | | 3,580 |
| Furniture | | 576 |
| Copier | | 3,503 |
| Maintenance | | 112 |
| Office Supplies | | 2,314 |
| Janitorial | | 11 |
| Election/Legal Notices | | 550 |
| Appraisal District | | 23,115 |
| Legal Fees | | 950 |
| Legislative Service | | 2,813 |
| Accounting | | 8,090 |
| Computer | | 3,219 |
| Vehicle Expense | | 1,490 |
| Vehicle Insurance | | 490 |
| Travel | | 1,044 |
| Meetings | | 361 |
| Dues and Miscellaneous | | 3,761 |
| Bonds and Insurance | | 3,507 |
| Building Insurance | | 631 |
| Postage | | 1,096 |
| Attorney Fees on Tax Collection | | 3,369 |
| Education Information | | 5,710 |
| Water Management | | 9,856 |
| Depreciation | | 16,146 |
| Total Governmental Activities | | <u>476,160</u> |
| General Revenues: | | |
| Taxes | | |
| Property Taxes, Levied for General Purposes | | 722,178 |
| Attorney Fees on Tax Collections | | 3,369 |
| Interest Revenue | | 55,464 |
| Miscellaneous | | 4,003 |
| Total General Revenues | | <u>785,014</u> |
| Change in Net Position | | 308,854 |
| Net Position, Beginning | | 3,165,414 |
| Net Position, Ending | \$ | <u><u>3,474,268</u></u> |

See accompanying notes to the basic financial statements.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

| | <u>GENERAL FUND</u> |
|--|----------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 3,394,631 |
| Receivables, net | |
| Taxes (Note 1) | 19,802 |
| Accounts | 1,763 |
| Interest | 13,587 |
| Total Assets | \$ <u>3,429,783</u> |
| LIABILITIES | |
| Liabilities | |
| Accounts Payable | \$ 3,189 |
| Total Liabilities | <u>3,189</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Taxes | \$ 19,802 |
| FUND BALANCES | |
| Fund Balance: | |
| Unreserved | 246,851 |
| Committed for: | |
| Litigation | 1,952,500 |
| Research | 1,162,500 |
| Building Renovations | 10,000 |
| Vehicle Replacement | 34,841 |
| Special Purposes | 100 |
| Total Fund Balances | <u>3,406,792</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ <u>3,429,783</u> |

See accompanying notes to the basic financial statements.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

| | | <u>GENERAL FUND</u> |
|---|----|-------------------------|
| Reconciliation of the total fund balance of governmental funds to the net position of governmental activities: | | |
| Total Fund Balances | \$ | 3,406,792 |
| Amounts reported for governmental activities in statements of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, (net of accumulated depreciation of \$120,358) | | 70,575 |
| Other assets used in the governmental activities are not financial resources and therefore are not reported in the funds. Prepaid Insurance | | 1,017 |
| Property taxes receivable are not available to pay for current period expenditures and are not recognized as revenue in the governmental funds. Deferred inflows of resources - property taxes | | 19,802 |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds: Accrued Compensated Absences | | <u>(23,918)</u> |
| Net Position of Governmental Activities | \$ | <u>3,474,268</u> |

See accompanying notes to the basic financial statements.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2023

REVENUES

| | | |
|-------------------------|----|----------------|
| Property Taxes | \$ | 712,259 |
| Penalties and Interest | | 8,083 |
| Interest on Investments | | 55,464 |
| Attorney Fees | | 3,369 |
| Miscellaneous | | 4,003 |
| Total Revenues | | <u>783,178</u> |

EXPENDITURES

| | | |
|---------------------------------|----|----------------|
| Current | | |
| Salaries | \$ | 247,823 |
| Payroll Taxes | | 3,634 |
| Health Insurance | | 104,462 |
| Retirement | | 18,581 |
| Storage Building | | 540 |
| Utilities | | 3,305 |
| Telephone | | 3,580 |
| Furniture | | 576 |
| Copier Lease | | 3,503 |
| Maintenance | | 112 |
| Office Supplies | | 2,314 |
| Janitorial | | 11 |
| Election/Legal Notices | | 550 |
| Appraisal District | | 23,115 |
| Legal Fees | | 950 |
| Legislative Service | | 2,813 |
| Accounting | | 8,090 |
| Computer | | 3,219 |
| Vehicle Expense | | 1,490 |
| Vehicle Insurance | | 490 |
| Travel | | 1,044 |
| Meetings | | 361 |
| Dues and Miscellaneous | | 3,761 |
| Bonds and Insurance | | 3,500 |
| Building Insurance | | 681 |
| Postage | | 1,096 |
| Attorney Fees on Tax Collection | | 3,369 |
| Education Information | | 5,710 |
| Water Management | | 9,856 |
| Total Expenditures | | <u>458,536</u> |

See accompanying notes to the basic financial statements.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2023

| | | |
|---|----|-------------------------|
| Net Change in Fund Balance | \$ | 324,642 |
| Fund Balance, Beginning of Year | | <u>3,082,150</u> |
| Fund Balance, End of Year | \$ | <u><u>3,406,792</u></u> |
| Reconciliation of the change in fund balances of governmental funds to the change in net assets of governmental activities: | | |
| Net Change in Fund Balances - Total Governmental Funds | \$ | 324,642 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and depreciated. | | |
| Depreciation expense | | (16,146) |
| Property taxes reported as revenue in the Statement of Activities are not yet available. | | |
| Increase in deferred inflow of resources | | 1,836 |
| Governmental funds report insurance expenditures as incurred. The Statement of Activities reports unexpired insurance as prepaid. | | |
| Prepaid insurance | | 44 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Accrued compensated absences | | <u>(1,522)</u> |
| Change in Net Position of Governmental Activities | \$ | <u><u>308,854</u></u> |

See accompanying notes to the basic financial statements.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES</u> | | | | |
| Property Taxes | \$ 700,273 | \$ 700,273 | \$ 721,818 | \$ 21,545 |
| Interest on Investments | 5,400 | 5,400 | 32,570 | 27,170 |
| Attorney Fees | - | - | 3,369 | 3,369 |
| Miscellaneous | - | - | 4,003 | 4,003 |
| Total Revenues | <u>705,673</u> | <u>705,673</u> | <u>761,760</u> | <u>56,087</u> |
| <u>EXPENDITURES</u> | | | | |
| Current | | | | |
| Salaries | 247,741 | 247,741 | 247,823 | (82) |
| Payroll Taxes | 9,290 | 9,290 | 3,634 | 5,656 |
| Health Insurance | 105,000 | 105,000 | 104,462 | 538 |
| Retirement | 18,581 | 18,581 | 18,581 | - |
| Storage | 540 | 540 | 540 | - |
| Utilities | 5,000 | 5,000 | 3,279 | 1,721 |
| Telephone | 5,000 | 5,000 | 3,553 | 1,447 |
| Furniture | 8,000 | 8,000 | 576 | 7,424 |
| Copier | 5,000 | 5,000 | 3,483 | 1,517 |
| Maintenance | 3,000 | 3,000 | 112 | 2,888 |
| Office Supplies | 3,500 | 3,500 | 2,314 | 1,186 |
| Janitorial | 1,000 | 1,000 | 11 | 989 |
| Election/Legal Notices | 3,500 | 3,500 | 550 | 2,950 |
| Appraisal Districts | 26,000 | 26,000 | 23,115 | 2,885 |
| Legislative Service | 25,000 | 25,000 | 2,813 | 22,187 |
| Legal Fees | 25,000 | 25,000 | 950 | 24,050 |
| Accounting | 14,000 | 14,000 | 8,090 | 5,910 |
| Computer | 20,000 | 20,000 | 3,219 | 16,781 |
| Vehicle Expense | 5,121 | 5,121 | 1,436 | 3,685 |
| Vehicle Insurance | 1,200 | 1,200 | 490 | 710 |
| Travel | 4,500 | 4,500 | 1,044 | 3,456 |
| Meetings | 8,500 | 8,500 | 245 | 8,255 |
| Dues and Miscellaneous | 5,000 | 5,000 | 3,761 | 1,239 |
| Bonds and Insurance | 3,500 | 3,500 | 3,500 | - |
| Building Insurance | 1,000 | 1,000 | 681 | 319 |
| Postage | 1,700 | 1,700 | 1,096 | 604 |
| Geological Studies | 120,000 | 118,000 | - | 118,000 |
| Education Information | 20,000 | 20,000 | 5,710 | 14,290 |
| Water Management | 10,000 | 12,000 | 10,400 | 1,600 |
| Attorney Fees on Tax Collection | - | - | 3,369 | (3,369) |
| Total Expenditures | <u>705,673</u> | <u>705,673</u> | <u>458,837</u> | <u>246,836</u> |
| Net Change in Fund Balance | \$ - | \$ - | \$ 302,923 | \$ 302,923 |
| Fund Balance - Beginning | <u>3,082,150</u> | <u>3,082,150</u> | <u>3,082,150</u> | <u>-</u> |
| Fund Balance - Ending, Budgetary Basis | <u>\$ 3,082,150</u> | <u>\$ 3,082,150</u> | <u>3,385,073</u> | <u>\$ 302,923</u> |

See accompanying notes to the basic financial statements.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Taxes/Interest Receivable - The District budgets on the cash basis. | | | \$ 21,418 | |
| Accounts Payable - The District budgets on the cash basis. | | | <u>301</u> | |
| Fund Balance - Ending, GAAP Basis | | | \$ <u><u>3,406,792</u></u> | |

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hickory Underground Water Conservation District No. 1 have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing government accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the District are described below:

Financial Reporting Entity

The Hickory Underground Water Conservation District No. 1 (The District) was created on June 9, 1982 under the terms and provisions of Article XVI, Section 59 of the Constitution of Texas, and Chapter 52 of the Texas Water Code, Vernon's Texas Civil Statutes, together with all amendments and additions thereto. The District operates under an elected Board of Directors - Manager form of government for the following purposes:

1. to formulate, promulgate and enforce rules and regulations for the purpose of conserving, preserving, protecting and recharging the underground water of the underground water reservoir or subdivision thereof;
2. to formulate, promulgate and enforce rules and regulations to control subsidence and to prevent waste of the underground water of the underground water reservoir or subdivision thereof.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards. Based on these standards, the Hickory Underground Water Conservation District No. 1 has no component units.

Basic Financial Statements

The basic financial statements include both government-wide financial statements (based on the District as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

government-wide Statement of Net Position, the governmental activities are presented and reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The District has no business-type activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include contributions that are restricted to meeting the operational requirements of a specific program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. 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 time of related cash flows. Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes are recorded as receivables until they become available. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected as of year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantors have been met.

Governmental fund 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. Available means collectibles within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected as of year-end. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or at year-end and available to pay obligations of the current period.) This includes revenues such as interest revenue.

When fund balance resources are available for a specific purpose in more than one classification, it is the District's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The District's only fund is the general fund. This is the district's primary operating fund. It accounts for all financial resources of the District. By definition, the general fund is a major governmental fund.

The District has no proprietary funds or fiduciary funds.

Assets, Liabilities, and Net Position

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

The District's receivables include property taxes and interest receivable, both of which are recorded at full value with no allowance for doubtful accounts.

Inventories and Prepaid Items

The District carries no material amount of inventory.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements.

Capital Assets

Capital assets include land, buildings, equipment, and vehicles. Capital assets purchased, acquired or developed, are carried at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed. A capitalization threshold of \$1,000 is due for all capital assets. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

| | |
|----------------------------|---------------|
| Buildings and Improvements | 20 - 50 years |
| Equipment | 2 - 15 years |
| Vehicles | 5 years |

Infrastructure

The District has no infrastructure.

Compensated Absences

The District allows employees to accumulate annual leave based on their length of employment with the District. Beginning employees accrue one (1) day per month of leave to a maximum of fifteen (15) days. After three (3) years of employment, leave accrues at one and one-half (1.5) days per month to a maximum of twenty-one (21) days. After ten (10) years of employment, leave accrues at two (2) days per month to a maximum of thirty (30) days. Upon termination, an employee may be reimbursed for annual leave not taken up to the maximum allowable.

As of September 30, 2023, the liability for accrued leave is \$23,918. This amount has been recorded as a noncurrent liability.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Government-wide Net Position

Government-wide net position is divided into three components:

- a. Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- b. Restricted - consists of net assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- c. Unrestricted - all other net assets are reported in this category.

Governmental Fund Balances

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- a. Nonspendable - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- b. Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- c. Committed - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the highest level action to remove or change the constraint.
- d. Assigned - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- e. Unassigned - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the District strives to maintain an unassigned fund balance to be used for operations.

Designations of Fund Balance

Fund balances are designated for the following uses in the governmental funds:

| | |
|----------------------|--------------|
| Committed for: | |
| Litigation | \$ 1,952,500 |
| Research | 1,162,500 |
| Building Renovations | 10,000 |
| Vehicle Replacement | 34,841 |
| Special Purposes | 100 |
| | \$ 3,159,941 |

Budgetary Information

The budget requirements for all funds are as follows:

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 - COMPLIANCE, AND ACCOUNTABILITY, continued

Annual budgets are adopted for all District funds. Under state law, the General Manager submits an annual budget to the Board of Directors for consideration and approval. Such budget is based on expected expenditures by program within the fund and estimates resources by source for the General Fund.

The General Manager submits budget amendment ordinances to the Board of Directors. These ordinances are updated for any estimate revisions as well as year-end encumbrances and may include additional information requested by the Board. The Board may subsequently amend such ordinances. The Board of Directors did not amend the budget for the fiscal year ending September 30, 2023.

For day-to-day management control, expenditures may not exceed the budget at the expenditure-type (i.e., personal services, other operations and maintenance, etc.) level of each cost center (activity within a program within the General Fund.) The Board may transfer unencumbered appropriations within the fund.

Appropriation control (Board of Directors appropriated budget) is within the General Fund. The Board may, by order, transfer amounts among expenditures. Budgetary comparison schedules are presented in the Basic Financial Statements. The annual budget is prepared in accordance with the basis of accounting utilized by the General Fund (cash basis).

The annual budget is prepared in accordance with the basis of accounting utilized by that fund (cash basis of accounting). Adjustments have been made to make the budgetary comparative statements conform to generally accepted accounting principles (GAAP).

Expenditures Exceeding Budget

The District had no expenditures in excess of budgeted amounts for the fiscal year ending September 30, 2023.

HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The Board of Directors has the authority to choose the types of deposits and investments made by the District. District cash, deposited at several different banks, is protected by a combination of federal deposit insurance coverage and securities pledged by the depository banks. The District does not enter into reverse repurchase agreements.

Deposits

At year-end, the carrying amount of the District's deposits was \$3,394,631 and the bank balance totaled \$3,401,490. Of the bank balances, \$750,100 was insured by the federal deposit insurance corporation and \$3,199,107 was covered by pledged securities held by Commercial Bank of Mason, Commercial National Bank of Brady, and Brady National Bank. Deposits with Commercial Bank of Mason were not fully insured as of the balance sheet date. Commercial Bank of Mason deposits were \$1,346,728. FDIC coverage plus securities pledged totaled \$1,008,801, leaving a shortage of \$337,927. This issue has since been corrected.

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real and tangible personal property, which are used in businesses located in the District. Real property taxes are levied before the first day of October on the assessed value listed as of the prior January 1st. Taxes are due and payable upon receipt of the tax bill and are considered delinquent if not paid by February 1st. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Assessed values are established by various county appraisal districts that support the District.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

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

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION, continued

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---------------------------------|----------------------|-------------|-----------|-------------------|
| Governmental activities: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 5,000 | \$ - | \$ - | \$ 5,000 |
| Subtotal | 5,000 | - | - | 5,000 |
| Other capital assets: | | | | |
| Building | 73,482 | - | - | 73,482 |
| Hydro Geo | 48,807 | - | - | 48,807 |
| Office Equipment | 28,129 | - | - | 28,129 |
| Vehicles | 35,512 | - | - | 35,512 |
| Subtotal | 185,930 | - | - | 185,930 |
| Accumulated depreciation: | | | | |
| Building | (34,652) | (2,890) | - | (37,542) |
| Hydro Geo | (32,022) | (3,018) | - | (35,040) |
| Office Equipment | (9,124) | (3,136) | - | (12,260) |
| Vehicles | (28,411) | (7,102) | - | (35,513) |
| Subtotal | (104,209) | (16,146) | - | (120,355) |
| Net other capital assets | 81,721 | (16,146) | - | 65,575 |
| Net capital assets | \$ 86,721 | \$ (16,146) | \$ - | \$ 70,575 |

Depreciation was charged as follows:

Governmental activities:

General Government \$ 16,146

**Total governmental activities
depreciation expense** \$ 16,146

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 6 - EMPLOYEE PENSIONS

The Hickory Underground Water Conservation District No. 1 contributes to an IRA-SEP Plan for all full-time District employees. The contributions are based on the employees' salary times a contribution rate of 7.5%. Edward Jones maintains a money market and securities balance for the individuals involved. The District is not responsible for any maintenance of the account as it is held in the individual's name. The total District contributions to the plan for the fiscal year totaled \$18,581.

NOTE 7 - RISK MANAGEMENT

Liability Insurance

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; employees health and life and natural disasters. The District manages these losses by purchasing insurance to preclude any significant losses.

Management believes the insurance coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years nor has there been a reduction in insurance coverage from prior years.

NOTE 8 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2023 included the following:

| Governmental Activities: | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---|-------------------|-----------------|-------------|------------------|-----------------------------|
| Compensated Absences | \$ 22,397 | \$ 1,521 | \$ - | \$ 23,918 | \$ - |
| Governmental activities long-term liabilities | <u>\$ 22,397</u> | <u>\$ 1,521</u> | <u>\$ -</u> | <u>\$ 23,918</u> | <u>\$ -</u> |

**HICKORY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 9 - OPERATING LEASE COMMITMENTS

The District signed an operating lease agreement with CTWP Leasing for the lease of a Kyocera copier. The agreement is effective February 19, 2020 and shall remain in force for 60 months. Minimum future lease payments are listed as follows:

| | |
|--------------------|-----------------|
| September 30, 2024 | \$ 3,483 |
| September 30, 2025 | <u>1,741</u> |
| | <u>\$ 5,224</u> |