

PANHANDLE GROUNDWATER
CONSERVATION DISTRICT

AUDIT REPORT

SEPTEMBER 30, 2024

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TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Panhandle Groundwater Conservation District
White Deer, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the Panhandle Groundwater Conservation District, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Panhandle Groundwater Conservation District, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Panhandle Groundwater Conservation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Panhandle Groundwater Conservation district's internal control. Accordingly, no such opinion is expressed.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Panhandle Groundwater Conservation 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 [pages i - v] and analysis and budgetary comparison information [pages 16 - 19] 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.

Supplementary Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



A. Ortega CPA, PLLC.
January 21, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL STATEMENTS AND FOOTNOTES

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 STATEMENT OF NET POSITION
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 667,462
Certificates of deposit	3,130,091
Receivables	1,015,871
Due from other governments	685
Prepays	16,432
Capital assets	
Depreciable, net	<u>336,461</u>
TOTAL ASSETS	<u>5,167,002</u>
<u>LIABILITIES</u>	
Accounts payable	32,504
Accrued leave	77,737
Accrued interest	1,558
Due to other governments	
Log deposits	14,200
Non-current liabilities	
Due within one year	
Long-term debt	441,000
Due in more than one year	
Long-term debt	<u>510,000</u>
TOTAL LIABILITIES	<u>1,076,999</u>
<u>NET POSITION</u>	
Net investment in capital assets	336,461
Restricted for debt service	441,000
Unrestricted	<u>3,142,033</u>
TOTAL NET POSITION	<u>\$ 3,919,494</u>

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

FUNCTION / PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES			PRIMARY GOVERNMENT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
Governmental Activities					
Service	\$ 1,587,202	\$ 155,770	\$	\$	\$ (1,431,432)
Weather modification	205,183				(205,183)
Interest on long-term debt	2,798				(2,798)
Total governmental activities	<u>1,795,183</u>	<u>155,770</u>			<u>(1,639,413)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,795,183</u>	<u>\$ 155,770</u>	<u>\$</u>	<u>\$</u>	<u>\$ (1,639,413)</u>
GENERAL REVENUES					
Property tax					\$ 1,414,800
Investment earnings					165,203
Other sources					32,628
Total general revenues					<u>1,612,631</u>
CHANGE IN NET POSITION					<u>(26,782)</u>
NET POSITION - OCTOBER 1					<u>3,946,276</u>
NET POSITION - SEPTEMBER 30					<u>\$ 3,919,494</u>

See Notes to Financial Statements and Independent Auditor's Report

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	<u>GENERAL FUND</u>	<u>AG LOAN FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Current cash and cash equivalents	\$ 217,819	\$ 429,704	\$ 647,523
Certificates of deposit	2,652,486	509,787	3,162,273
Receivables			
Tax	54,005		54,005
Other	8,391		8,391
Due from other governments	685		685
Prepays	16,432		16,432
TOTAL ASSETS	<u>\$ 2,949,818</u>	<u>\$ 939,491</u>	<u>\$ 3,889,309</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</u>			
Liabilities			
Accounts payable	\$ 32,504	\$	\$ 32,504
Accrued leave	77,737		77,737
Due to other governments			
Log deposits	14,200		14,200
TOTAL LIABILITIES	<u>124,441</u>		<u>124,441</u>
Deferred inflows of resources			
Deferred property tax revenue	51,546		51,546
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>51,546</u>		<u>51,546</u>
Fund Balances			
Unassigned	2,773,831	939,491	3,713,322
TOTAL FUND BALANCES	<u>2,773,831</u>	<u>939,491</u>	<u>3,713,322</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 2,949,818</u>	<u>\$ 939,491</u>	<u>\$ 3,889,309</u>

See Notes to Financial Statements and Independent Auditor's Report

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 RECONCILIATION OF THE TOTAL FUND BALANCES OF GOVERNMENT FUNDS
 TO GOVERNMENT-WIDE NET POSITION
AS OF SEPTEMBER 30, 2024

FUND BALANCES - GOVERNMENTAL FUNDS	\$	3,713,322
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$	1,488,062
Less accumulated depreciation		<u>(1,151,601)</u>
		336,461
<p>Deferred inflows and outflows of resources are not financial resources or expenses and therefore are not reported in the governmental funds.</p>		
Deferred property tax revenue		51,546
<p>Long-term assets, including loans receivable, are not due and payable in the current period and therefore are not reported in the governmental funds</p>		
		953,475
<p>Long-term liabilities, including loans payable and accrued interest, are not due and payable in the current period and therefore are not reported in the governmental funds</p>		
		(1,103,128)
<p>Accumulated other comprehensive income are not a financial resource or expense and therefore are not reported in the governmental funds.</p>		
		<u>(32,182)</u>
GOVERNMENT-WIDE NET POSITION	\$	<u><u>3,919,494</u></u>

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	GENERAL FUND	AG LOAN FUND	TOTAL
<u>REVENUES</u>			
Charges for services	\$ 155,770	\$	\$ 155,770
Grants and contributions			
Property taxes	1,409,073		1,409,073
Investment earnings	122,898	49,519	172,417
Ag loan principle income		404,808	404,808
Loan proceeds			
Other	32,603		32,603
TOTAL REVENUES	1,720,344	454,327	2,174,671
<u>EXPENDITURES</u>			
Current Operating			
Service	1,350,048		1,350,048
Weather modification	205,183		205,183
Debt service		443,798	443,798
Miscellaneous		25	25
Capital improvements	152,993		152,993
TOTAL EXPENDITURES	1,708,224	443,823	2,152,047
EXCESS OF REVENUES OVER EXPENDITURES	12,120	10,504	22,624
<u>OTHER FINANCING USES</u>			
Transfers (to) from other funds			
TOTAL OTHER FINANCING USES			
NET CHANGES IN FUND BALANCES	12,120	10,504	22,624
FUND BALANCES - OCTOBER 1	2,761,711	928,987	3,690,698
FUND BALANCES - SEPTEMBER 30	\$ 2,773,831	\$ 939,491	\$ 3,713,322

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 RECONCILIATION OF THE NET CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE CHANGE IN GOVERNMENT-WIDE NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 22,624
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their useful lives.</p>	
Current year depreciation	(58,451)
Capital asset additions	152,993
Capital asset dispositions	-
<p>Governmental funds report property tax revenues less a deferred portion period. However, in the statement of activities, the change in deferred property tax is reported in addition to the actual collections period.</p>	
Change in deferred property tax	5,727
<p>The proceeds of debt issuances provide current financial resources to governmental funds, but increases long-term liabilities in the statement of net position. Repayment of debt principle is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position.</p>	
Principle payments on long-term debt	(441,000)
Loan proceeds	
<p>Accrued interest in not a current financial resource or expense and therefore is not recorded on the governmental funds</p>	
	7,214
<p>Changes in accumulated other comprehensive income are not a financial resource or expense and therefore are not reported in the governmental funds.</p>	
	(55,310)
<p>Other GASB related changes requiring some expenses and revenues on the statement of activities to be adjusted</p>	
	(94,821)
<p>The proceeds of notes receivable provide current financial resources to governmental funds, but reduces receivables in the statement of net position. Issuance of notes receivable is an expenditure in the governmental funds, but increases receivables in the statement of net position.</p>	
Ag loan principle income	434,242
Ag loan principle expense	-
NET CHANGE IN GOVERNMENT-WIDE NET POSITION	<u>\$ (26,782)</u>

See Notes to Financial Statements and Independent Auditor's Report

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. The Reporting Entity

The reporting entity is composed of the primary government, component units and other organizations that are included to insure that the financial statements of the Panhandle Groundwater Conservation District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization, if the District appoints a voting majority of the organizations governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

There are no component units of the Panhandle Groundwater Conservation District.

B. Government-wide Financial Statements

The District presents two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. These government-wide financial statements report information on all non-fiduciary activities of the primary government. The financial information for the primary government is distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The district had a deficiency in governmental activities of \$33,997.00

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the District's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

C. Fund Accounting

The accounts of the District are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statement in this report, into two generic fund types and two broad fund categories as follows:

Governmental Fund

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is the District's governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUATION

C. Fund Accounting - Continuation

Ag Loan Fund - The Ag Loan Fund is used to account for the District's long-term debt with Texas Water Development Board and to various local farmers.

Proprietary Fund

The Proprietary Fund is used to account for the District's ongoing activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income.

The District does not use a proprietary fund.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Revenues which are susceptible to accrual under the modified accrual basis of accounting are ad valorem taxes and interest on investments. Revenues such as certain license fees, fees of officials, and fines are not susceptible to accrual because they are neither measurable nor available until they are actually received, and therefore are not recorded until such time.

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. Budgetary Data

The budgetary data in the financial statements reflects the budget passed and approved by the Board of Directors. The Board of Directors approves total budget appropriations only for each fund. Any revisions that alter the total appropriations of any fund must be approved by the Board of Directors. Therefore, the level of budgetary responsibility is by total appropriations. The budget is prepared principally on the modified accrual basis of accounting for governmental funds on the accrual basis for the proprietary fund. Annual budgets are employed as a management control device during the year. All annual appropriations lapse at fiscal year end. The budget was not amended during the year.

F. Use of Estimates

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

G. Property Tax Receivable

The delinquent taxes due the District represent all delinquent taxes on real property and the prior year on personal property. No provision for uncollectible taxes has been recorded. In accordance with generally accepted accounting principles applicable to government entities, the portion of taxes receivable that is deemed collectible, but not expected to be available within 60 days after the end of the year has been recorded as deferred revenues.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUATION

H. Ag Notes Receivable

Within the Ag Loan Fund, the District provides low interest loans to farmers to replace high water use irrigation systems with low water use irrigation systems in an attempt to improve water conservation. All of these notes are collateralized by the irrigation equipment purchased and that equipment is properly insured. Historically there have been no repossessions or defaults and therefore the District has determined no provision for bad debt is necessary.

I. Capital Assets

The District's property, plant, and equipment which meet the established value criteria and having useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated fixed assets, if any, are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets used by the government is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and building improvements.	10 - 30 years
Equipment.	5 - 7 years
Vehicles.	7 years

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include -- evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner or duration of use of capital assets; or construction stoppages due to lack of funding. Based on these criteria, there were no impairment charges during fiscal year 2024.

J. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for the amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Vacation and Sick Leave

Regular full-time employees are entitled to vacations of up to 30 days per year based on years of service. Vacation time earned, but not taken, is paid at termination, but cannot be accumulated beyond two calendar years. Sick leave is accrued at the rate of 8 hours each month and can accrue to a maximum of 60 days. Sick leave earned, but not taken, is paid at one-half rate upon termination. The District's accrued leave liability is \$77,737 as of September 30, 2024.

L. Risk Management

The District is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District purchases insurance coverage to mitigate the effects of any losses. There were no significant reductions in insurance coverage from coverage in the prior year. Any settlement amounts have not exceeded coverage for the current year or the past three fiscal years.

M. Subsequent Events

Management has evaluated subsequent events and transactions which occurred after the balance sheet date through the date of the accompanying independent auditor's report, January 23, 2025, which is the date the financial statements were available to be issued. The accompanying financial statements include all Type 1 events and transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management and those charged with governance have also determined that there are no non-recognized Type 2 subsequent events which require additional disclosure.

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUATION

N. New Accounting Pronouncements

GASB Statement No. 99, Omnibus 2022 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature. The Statement is effective for reporting periods beginning after June 15, 2022. The District is not affected by this Statement at this time.

GASB Statement No. 100, Accounting Changes and Error Corrections is an amendment of GASB Statement No. 62. The Statement is effective for fiscal years beginning after June 15, 2023. The District is not affected by this Statement at this time.

GASB Statement No. 101, Compensated Absences requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid. This Statement is effective for fiscal years beginning after December 15, 2023. The District is not affected by this Statement at this time.

GASB Statement No. 102, Certain Risk Disclosures will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

GASB Statement No. 104, Disclosure of Certain Capital Assets states governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

The District is not affected at this time by the new accounting pronouncements and therefore have not determined what effects any future implementation will have on the District's financial statements.

BUDGETARY CONTROL AND PROCEDURES

The District Board appropriates a total expenditures budget based on projected revenues on an annual basis. The budget allocations among the various departments are included in the Required Supplemental Information section following the Notes to Financial Statements. The District's annual operating budgets include estimated revenues and expenditures for all funds. In accordance with the provisions of the general Texas municipality statutes, budget compliance and monitoring is on a department / fund level.

CASH AND INVESTMENTS

The District's investment policies are governed by State statutes and District ordinances. The Public Funds Investment Act ("PFIA", Chapter 2256) requires the District to adopt, implement and publicize an investment policy which covers specific provisions in the Act regarding investment practices, management reporting and policy establishment. The investment policy in effect is available for public inspection at the District Office. The PFIA establishes authorized investment vehicles for the District. The District is in substantial compliance with the PFIA at the end of the 2024 fiscal year.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District minimizes interest rate risk by limiting investments to having a maturity date of one year or less.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District manages its custodial credit risk by depositing its funds with institutions participating in the FDIC insurance programs and is able to collateralize the deposits in accordance to state statutes.

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS

CASH AND INVESTMENTS - CONTINUED

In accordance with FDIC, public deposits are funds owned by the District. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. As of September 30, 2024, the District's funds on deposit were adequately covered by either FDIC insurance or collateralized securities held by the financial institutions pledged to cover the District's deposits. The District had no time or demand deposits subject to custodial credit risk during the 2024 fiscal year.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least the amount on deposit with the institution. The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of Texas.

At September 30, 2024, the District had insured bank balances as follows:

Happy State Bank	
Carrying amounts in demand accounts	\$ 387,571
Less FDIC coverage	<u>250,000</u>
Over (under) insured or collateralized	<u><u>\$ (137,571)</u></u>
LPL Financial	
Carrying amounts in demand accounts	\$ 331,908
Less FDIC coverage	<u>500,000</u>
Over insured or collateralized	<u><u>\$ 168,092</u></u>
Certificates of Deposit - Various Institutions	
Carrying amounts in time accounts	\$ 3,130,091
Less FDIC coverage	<u>6,250,000</u>
Over insured or collateralized	<u><u>\$ 3,119,909</u></u>

[A detailed listing is available in the Schedule of Temporary Investments]

PROPERTY TAX

Real and personal property values are assessed for the period January 1st, to December 31st, as of January 1st. Taxes are levied prior to October 1st of the current year. The tax statements are mailed on October 1st. Taxes are collected from October 1st to June 30th of the following year. Penalty and interest are added on collections after January 31st. Taxes become delinquent on July 1st. Property tax is assessed and remitted to the District by Armstrong, Carson, Donley, Gray, Potter, Roberts, and Wheeler Counties.

The tax rate assessed for the year ended September 30, 2024 was \$0.008643 per \$100 valuation.

NOTES RECEIVABLE

Within the Ag Loan Fund, the District provides low interest loans to farmers to replace high water use irrigation systems with low water use irrigation systems in an attempt to improve water conservation. The funding for this program is provided through Texas Water Development Board. As of September 30, 2024, the total notes receivable for this program is \$943,074. This total represents 20 individual notes ranging in principle balance from \$3,384 to \$114,983 and interest rates of 1.08% to 3.03% depending upon the year the note was originated. The District recorded \$10,401 in accrued interest for the year ending September 30, 2024.

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS

CAPITAL ASSETS

CHANGES IN CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	BEGINNING BALANCE 10/01/2023	ADDITIONS	DELETIONS AND DISPOSALS	ENDING BALANCE 09/30/2024
PRIMARY GOVERNMENT				
<i>Governmental Activities</i>				
Depreciable Assets				
Buildings and Improvements	\$ 498,176	\$ 113,505	\$ 751	\$ 610,930
Equipment	596,509			596,509
Vehicles	240,383	40,239		280,622
Total Depreciable Assets	1,335,068	153,744	751	1,488,061
Accumulated Depreciation				
Buildings and Improvements	359,472	21,021		380,493
Equipment	539,525	6,139		545,664
Vehicles	194,153	31,291		225,444
Total Accumulated Depreciation	1,093,150	58,451		1,151,601
Net Depreciable Assets	241,918	95,293	751	336,460
<i>Net Governmental Activities Capital Assets</i>	\$ 241,918	95,293	751	\$ 336,460
NET PRIMARY GOVERNMENT CAPITAL ASSETS	\$ 241,918	95,293	751	\$ 336,460

LONG-TERM DEBT

The District has entered into five agreements with Texas Water Development Board on various dates. These funds have been used to make agricultural loans to local farmers to improve water conservation through the purchase of new irrigation systems. These agreements are payable in various installments including interest payable from repayment of the ag note receivables. The terms are as follows:

LOAN #	ORG AMT	ORG DATE	MATURITY	INT RATE	CURRENT	LONG-TERM	CURRENT	LONG-TERM
L1000083	2,000,000.00	11/6/2012	1/15/2024	0.16%	-	-	183,000	-
L1000548	1,000,000.00	2/23/2017	1/15/2025	0.86%	129,000	-	128,000	129,000
L1000899	1,000,000.00	6/25/2019	1/15/2027	2.03%	22,000	-	30,000.00	
L1001418	1,000,000.00	9/29/2021	1/15/2032	0.080%	100,000	700,000	100,000.00	800,000.00

The annual requirements to amortize the long-term debt as of September 30 are as follows:

YEAR ENDING SEPTEMBER 30	PRINCIPLE	INTEREST	TOTAL
2025	\$ 400,000	\$ 2,016	\$ 402,016
2026	251,000	1,352	252,352
2027	100,000	1,109	101,109
2028	100,000	1,001	101,001
THEREAFTER	100,000	650	100,650
	<u>\$ 951,000</u>	<u>\$ 6,128</u>	<u>\$ 957,128</u>

RELATED PARTY TRANSACTIONS

The District has Ag notes receivable with three related parties. These notes were made with interest rates, terms, and collateral requirements comparable to those required by other farmers and according to the guidelines set forth by Texas Water Development Board loan program. The aggregate balance of these notes receivable as of September 30, 2024, is \$180,866.

REQUIRED SUPPLEMENTAL INFORMATION

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF ACTUAL REVENUES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL REVENUES
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	ORIGINAL & FINAL BUDGET 2024	ACTUAL 2024	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2023
<u>REVENUES FROM CHARGES FOR SERVICES</u>				
Export fees	\$ 105,000	\$ 97,310	\$ (7,690)	\$ 111,705
Meters		36,356	36,356	25,973
Out of district service				
Symposium fees	22,000	21,904	(96)	
Well camera	400	200	(200)	500
Weather modification	900		(900)	900
TOTAL REVENUES FROM CHARGES FOR SERVICES	128,300	155,770	27,470	139,078
<u>REVENUES FROM PROPERTY TAXES</u>				
Current and delinquent	1,371,305	1,409,073	37,768	1,377,603
<u>REVENUES FROM INCOME ON INVESTMENTS</u>				
Interest on investments	25,000	122,898	97,898	62,768
<u>REVENUES FROM OTHER SOURCES</u>				
Sale of assets	15,000		(15,000)	28,281
Fines	4,000	19,866	15,866	2,000
Grant income				1,314
Other	1,100	12,737	11,637	458
TOTAL REVENUES FROM OTHER SOURCES	20,100	32,603	12,503	32,053
TOTAL REVENUES	\$ 1,544,705	\$ 1,720,344	\$ 175,639	\$ 1,611,502

See Notes to Financial Statements and Independent Auditor's Report

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	ORIGINAL & FINAL BUDGET 2024	ACTUAL 2024	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2023
<u>OPERATING EXPENDITURES</u>				
Salaries & benefits	\$ 642,688	\$ 632,994	\$ 9,694	\$ 561,643
Tax assessing fee	39,000	38,375	625	34,823
Board expenditures	20,000	13,855	6,145	22,074
Vehicle expenditures	30,650	26,519	4,131	29,773
Dues	11,000	10,016	984	11,525
Election				4,312
Field supplies	7,500	3,643	3,857	7,698
Grant expense	10,000		10,000	1,314
Insurance and bonds	184,667	172,383	12,284	140,155
Contract services	7,800	7,800		5,200
Meter expenditures [not budgeted]		70,733	(70,733)	63,687
Monitor well program	15,000	23,975	(8,975)	
Office supplies	5,000	3,944	1,056	32,909
Office equipment	22,000	22,834	(834)	9,972
Professional fees	131,000	93,827	37,173	75,152
Public relations and education	50,000	37,959	12,041	44,474
Regional planning	15,000	12,688	2,312	12,666
Repairs	15,500	14,873	627	11,914
Scholarship	18,000	11,625	6,375	10,625
Tax increment payment	16,000	16,478	(478)	15,058
Special studies	12,000	12,000		45,933
Travel and training	35,000	25,338	9,662	31,576
Utilities and telephone	26,500	21,726	4,774	22,937
Water quality	16,500	10,936	5,564	12,881
Weather modification	209,700	205,183	4,517	177,602
Symposium expenditures	30,000	27,045	2,955	
Rainwater rebate	50,000	32,950	17,050	7,500
Miscellaneous	5,200	5,532	(332)	14,539
TOTAL OPERATING EXPENDITURES	1,625,705	1,555,231	70,474	1,407,942
<u>CAPITAL OUTLAY EXPENDITURES</u>				
General	100,000	152,993	(52,993)	183,156
TOTAL EXPENDITURES	\$ 1,725,705	\$ 1,708,224	\$ 17,481	\$ 1,591,098

See Notes to Financial Statements and Independent Auditor's Report

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 SCHEDULE OF ACTUAL REVENUES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL REVENUES
 AG LOAN FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	ORIGINAL & FINAL BUDGET 2024	ACTUAL 2024	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2023
<u>REVENUES FROM INCOME ON INVESTMENTS</u>				
Interest on investments [not budgeted]	\$	\$ 49,519	\$ 49,519	\$ 28,297
Ag loan principle income [not budgeted]		404,808	404,808	470,940
TOTAL REVENUES FROM INCOME ON INVESTMENTS		454,327	454,327	499,237
<u>REVENUES FROM DEBT SERVICE</u>				
Loan proceeds				
<u>REVENUES FROM OTHER SOURCES</u>				
Other [not budgeted]				1,227
TOTAL REVENUES	\$	\$ 454,327	\$ 454,327	\$ 500,464

See Notes to Financial Statements and Independent Auditor's Report

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
 AG LOAN FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	ORIGINAL & FINAL BUDGET 2024	ACTUAL 2024	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2023
<u>OPERATING EXPENDITURES</u>				
Professional fees [not budgeted]	\$	\$	\$	\$
Filing fees [not budgeted]				
Miscellaneous [not budgeted]		25	(25)	1,507
Ag loan principle expense [not budgeted]				
TOTAL OPERATING EXPENDITURES		25	(25)	1,507
<u>DEBT SERVICE EXPENDITURES</u>				
Principle [not budgeted]		441,000	(441,000)	440,000
Interest [not budgeted]		2,798	(2,798)	6,273
TOTAL DEBT SERVICE EXPENDITURES		443,798	(443,798)	446,273
TOTAL EXPENDITURES	\$	\$ 443,823	\$ (443,823)	\$ 447,780

See Notes to Financial Statements and Independent Auditor's Report

OTHER SUPPLEMENTAL INFORMATION

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF TEMPORARY INVESTMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	FDIC INSURANCE	INTEREST RATE	MATURITY DATE	BALANCE	ACCRUED INTEREST
<u>GENERAL FUND</u>					
Certificate of Deposit					
Ally Bank Sandy, UT	\$ 250,000	4.80%	3/3/2025	\$ 125,001	\$ 477
Bank of America Charlotte, NC	250,000	5.00%	9/22/2025	125,003	171
Bank of America Charlotte, NC	250,000	5.00%	10/6/2025	125,003	3,082
Charles Schwab Bank Westlake Tx	250,000	5.05%	2/13/2025	125,002	3,839
Farmers State Bank Calhan Co	250,000	4.45%	12/26/2024	125,001	46
First Premier Bank Sioux Falls SD	250,000	4.75%	1/14/2025	125,001	1,285
Flagstar Bank Hicksville, NY	250,000	5.45%	2/14/2025	125,001	2,613
Flagstar Bank Hicksville, NY	250,000	4.85%	4/24/2025	125,002	1,146
Goldman Sachs Bank New York, NY	250,000	4.50%	7/3/2025	125,002	1,387
Goldman Sachs Bank New York, NY	250,000	4.15%	8/20/2025	125,005	597
HTLF Bank Denver, CO	250,000	5.00%	10/7/2024	125,000	3,065
Integrity Bank Monument, CO	250,000	3.90%	9/9/2026	125,005	294
JP Morgan Chase Columbus, OH	250,000	1.05%	1/31/2029	125,000	223
JP Morgan Chase Columbus, OH	250,000	1.00%	9/15/2029	125,000	55
Morgan Stanley Bank Salt Lake City UT	250,000	5.15%	11/24/2025	125,004	2,328
Morgan Stanley Bank Purchase, NY	250,000	3.95%	2/14/2025	125,005	650
South Story Bank Slater, IA	250,000	4.75%	5/28/2025	125,003	553
South Story Bank Slater, IA	250,000	4.95%	6/9/2025	125,003	1,950
Synovus Bank Columbus, GA	250,000	5.00%	2/2/2026	125,000	1,061
Wells Fargo Bank Sioux Falls, SD	250,000	5.00%	8/27/2025	125,003	68
Western Alliance Bank Phoenix, AZ	250,000	5.00%	11/5/2024	125,000	2,551
	<u>5,250,000</u>			<u>2,625,044</u>	<u>27,441</u>
Money Market					
LPL Financial	<u>250,000</u>	0.99%	ON DEMAND	<u>63,308</u>	
TOTAL GENERAL FUND INVESTMENTS	<u>5,500,000</u>			<u>2,688,352</u>	<u>27,441</u>
<u>AG LOAN FUND</u>					
Certificate of Deposit					
Preferred Bank Los Angeles, CA	250,000	4.85%	2/21/2025	125,002	3,671
Texas Exchange Bank Crowley, TX	250,000	70.00%	8/14/2026	125,000	41
Zions Bankcorp Salt Lake City UT	250,000	4.80%	11/14/2024	125,001	3,781
Zions Bankcorp Salt Lake City UT	250,000	5.35%	11/29/2024	125,001	2,290
	<u>1,000,000</u>			<u>500,004</u>	<u>9,783</u>
Money Market					
LPL Financial	<u>250,000</u>	0.99%	ON DEMAND	<u>268,600</u>	
TOTAL AG FUND INVESTMENTS	<u>1,250,000</u>			<u>768,604</u>	<u>9,783</u>
TOTAL INVESTMENTS	<u>\$ 6,750,000</u>			<u>\$ 3,456,956</u>	<u>\$ 37,224</u>