

PANHANDLE GROUND WATER
CONSERVATION DISTRICT

AUDIT REPORT

SEPTEMBER 30, 2023

-TABLE OF CONTENTS-

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis (required supplemental information)	i - v
BASIC FINANCIAL STATEMENTS	
Government-wide Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Governmental Funds	
Balance Sheet	5
Reconciliation of Total Fund Balances of the Governmental Funds to Government-wide Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Net Change in Total Fund Balances of Governmental Funds to The Change in Government-wide Net Position	8
Notes to Financial Statements	9 - 14
REQUIRED SUPPLEMENTAL INFORMATION	
General Fund	
Schedule of Actual Revenues Compared to Budget and to Prior Year Actual Revenues	15
Schedule of Actual Expenditures Compared to Budget and to Prior Year Actual Expenditures	16
Ag Fund	
Schedule of Actual Revenues Compared to Budget and to Prior Year Actual Revenues	17
Schedule of Actual Expenditures Compared to Budget and to Prior Year Actual Expenditures	18
OTHER SUPPLEMENTAL INFORMATION	
Schedule of Temporary Investments	19

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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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Panhandle Groundwater Conservation District, as of September 30, 2023, 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.



Allen & Ortega CPAs
January 11, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL STATEMENTS AND FOOTNOTES

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 STATEMENT OF NET POSITION
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	<i>PRIMARY GOVERNMENT</i>
	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 629,669
Certificates of deposit	3,056,275
Receivables	1,438,938
Due from other governments	250
Prepays	14,962
Capital assets	
Depreciable, net	241,919
TOTAL ASSETS	<u>5,382,013</u>
<u>LIABILITIES</u>	
Accounts payable	28,706
Accrued leave	63,290
Accrued interest	3,030
Due to other governments	831
Log deposits	23,900
Non-current liabilities	
Due within one year	
Long-term debt	440,000
Due in more than one year	
Long-term debt	900,000
TOTAL LIABILITIES	<u>1,459,757</u>
<u>NET POSITION</u>	
Net investment in capital assets	241,919
Restricted for debt service	440,000
Unrestricted	3,240,337
TOTAL NET POSITION	<u>\$ 3,922,256</u>

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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	\$ 1,276,937	\$ 139,078	\$ 1,314	\$	\$ (1,136,545)
Weather modification	177,601				(177,601)
Interest on long-term debt	6,273				(6,273)
Total governmental activities	<u>1,460,811</u>	<u>139,078</u>			<u>(1,320,419)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,460,811</u>	<u>\$ 139,078</u>	<u>\$</u>	<u>\$</u>	<u>\$ (1,320,419)</u>
GENERAL REVENUES					
Property tax					\$ 1,383,967
Investment earnings					88,569
Other sources					32,544
Total general revenues					<u>1,505,080</u>
CHANGE IN NET POSITION					184,661
NET POSITION - OCTOBER 1					<u>3,737,595</u>
NET POSITION - SEPTEMBER 30					<u>\$ 3,922,256</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, 2023

	<u>GENERAL FUND</u>	<u>AG LOAN FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Current cash and cash equivalents	\$ 203,253	\$ 426,416	\$ 629,669
Certificates of deposit	2,641,196	502,571	3,143,767
Receivables			
Tax	60,759		60,759
Other	15,291		15,291
Due from other governments	250		250
Prepays	14,962		14,962
TOTAL ASSETS	<u>\$ 2,935,711</u>	<u>\$ 928,987</u>	<u>\$ 3,864,698</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</u>			
Liabilities			
Accounts payable	\$ 28,706	\$	\$ 28,706
Accrued leave	63,290		63,290
Due to other governments	831		831
Log deposits	23,900		23,900
TOTAL LIABILITIES	<u>116,727</u>		<u>116,727</u>
Deferred inflows of resources			
Deferred property tax revenue	57,273		57,273
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>57,273</u>		<u>57,273</u>
Fund Balances			
Unassigned	2,761,711	928,987	3,690,698
TOTAL FUND BALANCES	<u>2,761,711</u>	<u>928,987</u>	<u>3,690,698</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 2,935,711</u>	<u>\$ 928,987</u>	<u>\$ 3,864,698</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, 2023

FUND BALANCES - GOVERNMENTAL FUNDS	\$	3,690,698
<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	\$	1,335,069
Less accumulated depreciation		<u>(1,093,150)</u>
		241,919
<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		57,273
<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>		
		1,362,888
<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>		
		(1,343,030)
<p>Accumulated other comprehensive income are not a financial resource or expense and therefore are not reported in the governmental funds.</p>		
		<u>(87,492)</u>
GOVERNMENT-WIDE NET POSITION	\$	<u><u>3,922,256</u></u>

PANHANDLE GROUNDWATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	GENERAL FUND	AG LOAN FUND	TOTAL
<u>REVENUES</u>			
Charges for services	\$ 139,078	\$	\$ 139,078
Grants and contributions			
Property taxes	1,377,603		1,377,603
Investment earnings	62,768	28,297	91,065
Ag loan principle income		470,940	470,940
Loan proceeds			
Other	32,053	1,805	33,858
TOTAL REVENUES	1,611,502	501,042	2,112,544
<u>EXPENDITURES</u>			
Current Operating			
Service	1,230,340		1,230,340
Weather modification	177,601		177,601
Debt service		446,273	446,273
Capital improvements			
TOTAL EXPENDITURES	1,407,941	446,273	1,854,214
EXCESS OF REVENUES OVER EXPENDITURES	203,561	54,769	258,330
<u>OTHER FINANCING USES</u>			
Transfers (to) from other funds	9,000	(9,000)	
TOTAL OTHER FINANCING USES	9,000	(9,000)	
NET CHANGES IN FUND BALANCES	212,561	45,769	258,330
FUND BALANCES - OCTOBER 1	2,549,150	883,218	3,432,368
FUND BALANCES - SEPTEMBER 30	\$ 2,761,711	\$ 928,987	\$ 3,690,698

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, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 258,330
<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	(46,123)
Capital asset additions	183,156
Capital asset dispositions	(97,407)
<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	6,364
<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	440,000
Loan proceeds	
<p>Accrued interest in not a current financial resource or expense and therefore is not recorded on the governmental funds</p>	
	2,495
<p>Changes in accumulated other comprehensive income are not a financial resource or expense and therefore are not reported in the governmental funds.</p>	
	(91,600)
<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	(470,554)
Ag loan principle expense	-
NET CHANGE IN GOVERNMENT-WIDE NET POSITION	\$ 184,661

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 an excess in governmental activities of \$184,661.

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 2023.

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 \$63,290 as of September 30, 2023.

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 11, 2024, 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. 96, Subscription-Based Information Technology Arrangements, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District is not affected by this Statement at this time.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 provides an increase in consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. The Statement is effective for reporting periods beginning after June 15, 2021. The District is not affected by this Statement at this time.

GASB Statement No. 98, The Annual Comprehensive Financial Report establishes the term annual comprehensive financial report and its acronym ACFR. The Statement is effective for fiscal years ending after December 15, 2021.

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.

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 2023 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, 2023, 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 2022 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, 2023, 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	\$ 313,067
Less FDIC coverage	<u>500,000</u>
Over insured or collateralized	<u><u>\$ 186,933</u></u>
Certificates of Deposit - Various Institutions	
Carrying amounts in time accounts	\$ 3,350,622
Less FDIC coverage	<u>6,250,000</u>
Over insured or collateralized	<u><u>\$ 2,899,378</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, 2023 was \$0.009361 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, 2023, the total notes receivable for this program is \$1,347,882. This total represents 22 individual notes ranging in principle balance from \$6,587 to \$256,356 and interest rates of 1.08% to 3.03% depending upon the year the note was originated. The District recorded \$15,007 in accrued interest for the year ending September 30, 2023.

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 10/01/2022	ADDITIONS	DELETIONS AND DISPOSALS	ENDING BALANCE 09/30/2023
PRIMARY GOVERNMENT				
<i>Governmental Activities</i>				
Depreciable Assets				
Buildings and Improvements	\$ 400,176	\$ 98,000	\$	\$ 498,176
Equipment	590,582	5,927		596,509
Vehicles	252,561	79,229	91,407	240,383
Total Depreciable Assets	1,225,964	183,156	91,407	1,335,068
Accumulated Depreciation				
Buildings and Improvements	350,960	8,512		359,472
Equipment	529,750	9,775		539,525
Vehicles	240,346	27,836	74,029	194,153
Total Accumulated Depreciation	1,121,056	46,123	74,029	1,093,150
Net Depreciable Assets	122,263	137,033	17,378	241,918
<i>Net Governmental Activities Capital Assets</i>				
	\$ 122,263	137,033	17,378	\$ 241,918
NET PRIMARY GOVERNMENT CAPITAL ASSETS	\$ 122,263	137,033	17,378	\$ 241,918

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	2024		2023	
					CURRENT	LONG-TERM	CURRENT	LONG-TERM
L1000083	2,000,000.00	11/6/2012	1/15/2024	0.16%	183,000	-	183,000	183,000
L1000548	1,000,000.00	2/23/2017	1/15/2025	0.86%	128,000	129,000	127,000	257,000
L1000899	1,000,000.00	6/25/2019	1/15/2027	2.03%		-	30,000.00	-
L1001418	1,000,000.00	9/29/2021	1/15/2032	0.080%	100,000	800,000.00	100,000.00	900,000.00

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

YEAR ENDING SEPTEMBER 30	PRINCIPLE	INTEREST	TOTAL
2024	\$ 411,000	\$ 3,120	\$ 414,120
2025	229,000	2,016	231,016
2026	100,000	1,352	101,352
2027	100,000	1,109	101,109
THEREAFTER	500,000	1,001	501,001
	<u>\$ 1,340,000</u>	<u>\$ 8,598</u>	<u>\$ 1,348,598</u>

RELATED PARTY TRANSACTIONS

The District has Ag notes receivable with two 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, 2023, is \$237,673.

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, 2023

	ORIGINAL & FINAL BUDGET 2023	ACTUAL 2023	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2022
<u>REVENUES FROM CHARGES FOR SERVICES</u>				
Export fees	\$ 105,000	\$ 111,705	\$ 6,705	\$ 106,557
Meters		25,973	25,973	31,227
Out of district service				275
Symposium fees				20,094
Well camera	400	500	100	400
Weather modification	900	900		900
TOTAL REVENUES FROM CHARGES FOR SERVICES	106,300	139,078	32,778	159,453
<u>REVENUES FROM PROPERTY TAXES</u>				
Current and delinquent	1,369,217	1,377,603	8,386	1,351,610
<u>REVENUES FROM INCOME ON INVESTMENTS</u>				
Interest on investments	25,000	62,768	37,768	15,271
<u>REVENUES FROM OTHER SOURCES</u>				
Sale of assets	10,000	28,281	18,281	
Fines	4,000	2,000	(2,000)	
Grant income	75,000	1,314	(73,686)	
Other	1,700	458	(1,242)	4,500
TOTAL REVENUES FROM OTHER SOURCES	90,700	32,053	(58,647)	4,500
TOTAL REVENUES	\$ 1,591,217	\$ 1,611,502	\$ 20,285	\$ 1,530,834

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, 2023

	ORIGINAL & FINAL BUDGET 2023	ACTUAL 2023	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2022
<u>OPERATING EXPENDITURES</u>				
Salaries & benefits	\$ 590,867	\$ 561,643	\$ 29,224	\$ 508,125
Tax assessing fee	39,000	34,823	4,177	34,564
Board expenditures	20,000	22,074	(2,074)	14,557
Vehicle expenditures	39,700	29,773	9,927	32,759
Dues	9,000	11,525	(2,525)	9,213
Election	20,000	4,312	15,688	
Field supplies	7,500	7,698	(198)	6,863
Grant expense	75,000	1,314	73,686	
Insurance and bonds	143,500	140,155	3,345	121,945
Contract services		5,200	(5,200)	5,200
Meter expenditures		63,687	(63,687)	13,039
Monitor well program	30,000		30,000	
Office supplies	24,500	32,909	(8,409)	32,797
Office equipment		9,972	(9,972)	12,190
Professional fees	136,500	75,152	61,348	71,687
Public relations and education	55,000	44,474	10,526	46,093
Regional planning		12,666	(12,666)	12,937
Repairs	10,500	11,914	(1,414)	15,419
Scholarship	9,000	10,625	(1,625)	6,750
Tax increment payment	15,000	15,058	(58)	13,457
Special studies	75,000	45,933	29,067	93,417
Travel and training	37,500	31,576	5,924	30,614
Utilities and telephone	25,500	22,937	2,563	18,477
Water quality	15,000	12,881	2,119	13,851
Weather modification	204,950	177,602	27,348	178,916
Symposium expenditures				17,079
Rainwater rebate	100,000	7,500	92,500	72,390
Miscellaneous	4,200	14,539	(10,339)	6,366
TOTAL OPERATING EXPENDITURES	<u>1,687,217</u>	<u>1,407,942</u>	<u>279,275</u>	<u>1,388,705</u>
<u>CAPITAL OUTLAY EXPENDITURES</u>				
General	60,000		60,000	17,355
TOTAL EXPENDITURES	<u>\$ 1,747,217</u>	<u>\$ 1,407,942</u>	<u>\$ 339,275</u>	<u>\$ 1,406,060</u>

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, 2023

	ORIGINAL & FINAL BUDGET 2023	ACTUAL 2023	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2022
<u>REVENUES FROM INCOME ON INVESTMENTS</u>				
Interest on investments [not budgeted]	\$	28,297	\$ 28,297	\$ 43,562
Ag loan principle income [not budgeted]		470,940	470,940	485,135
TOTAL REVENUES FROM INCOME ON INVESTMENTS		499,237	499,237	528,697
<u>REVENUES FROM DEBT SERVICE</u>				
Loan proceeds				
<u>REVENUES FROM OTHER SOURCES</u>				
Other [not budgeted]		1,227	1,227	2,335
TOTAL REVENUES	\$	500,464	\$ 500,464	\$ 531,032

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, 2023

	ORIGINAL & FINAL BUDGET 2023	ACTUAL 2023	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2022
<u>OPERATING EXPENDITURES</u>				
Professional fees [not budgeted]	\$	\$	\$	\$
Filing fees [not budgeted]				105
Miscellaneous [not budgeted]		1,507	(1,507)	444
Ag loan principle expense [not budgeted]				1,030,000
TOTAL OPERATING EXPENDITURES		1,507	(1,507)	1,030,549
<u>DEBT SERVICE EXPENDITURES</u>				
Principle [not budgeted]		440,000	(440,000)	673,000
Interest [not budgeted]		6,273	(6,273)	7,517
TOTAL DEBT SERVICE EXPENDITURES		446,273	(446,273)	680,517
TOTAL EXPENDITURES	\$	\$ 447,780	\$ (447,780)	\$ 1,711,066

See Notes to Financial Statements and Independent Auditor's Report

OTHER SUPPLEMENTAL INFORMATION