

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

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Independent Auditor's Report

Board of Directors
High Plains Underground Water Conservation District No. 1
Lubbock, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and governmental fund of the High Plains Underground Water Conservation District No. 1, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the High Plains 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 and governmental fund of the High Plains Underground Water Conservation District No. 1, as of September 30, 2023, and the respective changes in financial position 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 High Plains Underground Water Conservation District No. 1 (the District), and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension asset and related ratios, schedule of employer contributions and budgetary comparison information, as listed in the table of contents, 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.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

December 14, 2023

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

This section of High Plains Underground Water Conservation District No. 1's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2023. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

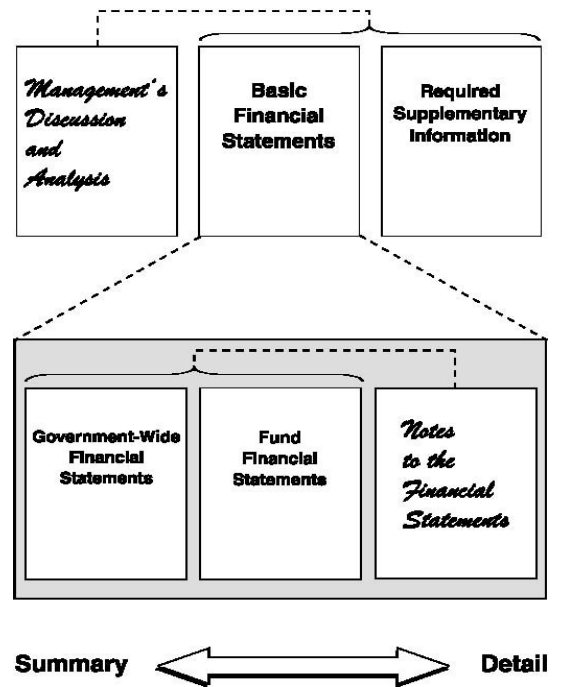
- The District's net position was \$11,437,192 at September 30, 2023. Of this amount, \$10,162,510 (unrestricted net position) may be used to meet the District's ongoing obligations.
- During the year, the District's revenues were \$554,370 more than the \$2,690,351 expenses in general administration and depreciation.
- The General Fund reported a fund balance this year of \$10,172,368. Of this amount, \$9,984,674 is available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Figure A-1. Required Components of the County's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

**FIGURE A-2
MAJOR FEATURES OF THE DISTRICT'S GOVERNMENT-WIDE AND FUND STATEMENTS**

<i>Type of Statement</i>	Government-Wide	Governmental Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary
Required financial statements	Statement of net position	Balance Sheet (assets + deferred outflows - liabilities - deferred inflows)
	Statement of activities	Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of flow/outflow	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (see table of contents) presents information on all of the District's assets, liabilities, deferred inflows and outflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (see table of contents) presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

The District has one fund:

The District's only governmental fund is the General Fund which is used to account for all financial resources of the District.

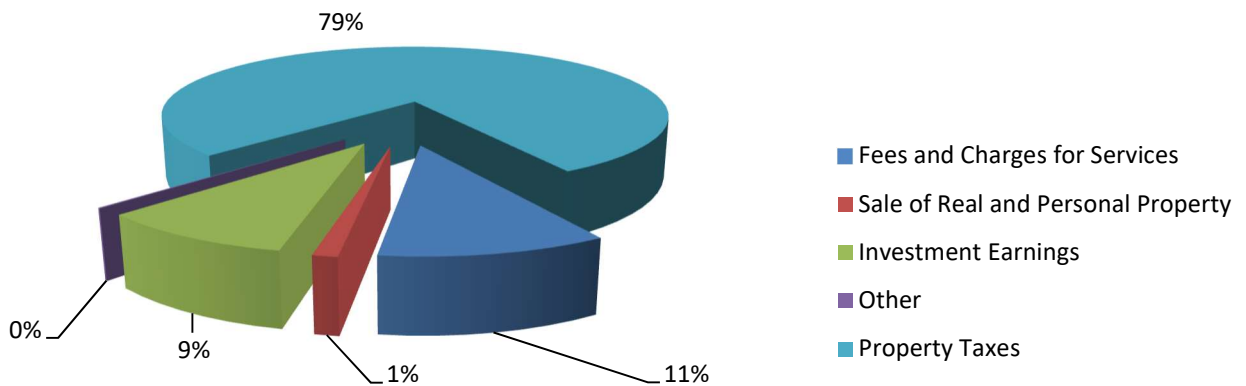
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position was \$11,437,192 at September 30, 2023. The District's net position reflects its investment in capital assets (e.g. land, buildings and improvements, machinery and equipment, and furniture and fixtures) of \$976,208, less accumulated depreciation and any related outstanding debt. The \$298,474 of restricted net position reflects net pension assets held in trust and the remaining balance of unrestricted net position, \$10,162,510, may be used to meet the District's ongoing obligations to the citizens and creditors.

Table A-1
High Plains Underground Water Conservation District No. 1's Net Position
(in thousands)

	Governmental Activities	
	2023	2022
Current and Other Assets	\$ 10,257	\$ 9,847
Capital and Non-Current Assets	1,275	1,648
Total Assets	\$ 11,532	\$ 11,495
Deferred Outflows of Resources	\$ 202	\$ 141
Current Liabilities	\$ 50	\$ 70
Noncurrent Liabilities	228	225
Total Liabilities	\$ 278	\$ 295
Deferred Inflows of Resources	\$ 19	\$ 458
Net Position		
Net Investment in Capital Assets	\$ 976	\$ 885
Restricted	298	763
Unrestricted	10,163	9,235
Total Net Position	\$ 11,437	\$ 10,883

Changes in Net Position—The District's net position increased by \$554,370 during the current fiscal year. The District has been increasing net position year over year for some time. The increase in net position from the prior year is due to the District's investments earning substantially increased rates of return in 2023 when compared 2022.



Governmental Activities—Total revenues for the fiscal year ending September 30, 2023 were \$3,244,721. Approximately 79% of the District’s revenue comes from property taxes, while 11% comes from fees and charges for services. Investment and other earnings accounted for another 10%.

Expenditures increased by approximately \$225,792 from the prior year with the largest increases related to public relations and elections.

Table A-2
High Plains Underground Water Conservation District No. 1 Changes in Net Position
(in thousands)

	Governmental Activities	
	2023	2022
Revenues:		
Program Revenues		
Charge for Services	\$ 338	\$ 336
General Revenues		
Property Taxes	2,563	2,484
Investment Earnings	302	38
Other Income	4	420
Sale of Real and Personal Property	37	20
Total Revenues	\$ 3,244	\$ 3,298
Expenses:		
General Administration and Depreciation	\$ 2,690	\$ 2,465
Total Expenses	\$ 2,690	\$ 2,465
Increase in Net Position	\$ 554	\$ 833
Beginning Net Position	10,883	10,050
Ending Net Position	\$ 11,437	\$ 10,883

FINANCIAL ANALYSIS OF THE DISTRICT’S FUND

The General Fund is the only operating fund of the District. At the end of the fiscal year, \$9,984,674 of fund balance is unassigned. As a measure of the fund’s liquidity, it may be useful to compare unassigned fund balances to total fund expenditures. Unassigned fund balances represent 349% of total General Fund expenditures.

General Fund Budgetary Highlights — At the end of the year, actual expenditures were \$529,884 under final budgeted amounts. Revenues exceeded the budget by \$481,664.

CAPITAL ASSETS

Capital Assets — As of September 30, 2023, the District has invested in a broad range of capital assets, including land, buildings and improvements, machinery and equipment, and furniture and fixtures.

Major events affecting capital assets during the year were:

- Purchase of three vehicles with trade-ins
- Software Assets

More detailed information about the District's capital assets can be found in the notes to the financial statements.

Table A-3
High Plains Underground Water Conservation District No. 1's Capital Assets
(in thousands)

	Governmental Activities	
	2023	2022
Land	\$ 180	\$ 180
Intangibles	127	89
Buildings and Improvements	701	682
Machinery and Equipment	990	882
Furniture and Fixtures	58	58
Total	\$ 2,056	\$ 1,891
Less: Total Accumulated Depreciation	(1,080)	(1,006)
Net Capital Assets	\$ 976	\$ 885

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District approved using a rate lower than the no-new-revenue tax rate of \$0.004268 for budget year 2024.
- The tax rate established for budget year 2024 is \$0.0042, which is \$0.000486 cents per \$100 lower than the rate used in budget year 2023.
- The District has budgeted for a fund balance reduction in 2023-2024 based on the estimated tax levy.

These factors and others were taken into consideration when preparing the General Fund budget for the 2024 fiscal year.

Budgeted expenditures are expected to surpass budgeted revenues by \$430,100, as part of the fund balance management program.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the High Plains Underground Water Conservation District office at 2930 Avenue Q, Lubbock, Texas 79411.

BASIC FINANCIAL STATEMENTS

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-1

STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 14,738
Investments (at Cost)	10,113,695
Property Taxes Receivable (Net)	34,347
Due from Appraisal Districts	4,219
Accrued Interest Receivable	35,503
Prepaid Expenses	54,646
Net Pension Asset	298,474
NonDepreciable Capital Assets	307,119
Depreciable Capital Assets, Net	669,089
Total Assets	<u>\$ 11,531,830</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Plan	<u>\$ 202,397</u>
LIABILITIES:	
Accounts Payable	\$ 32,360
Other Current Liabilities	18,173
Non-Current Liabilities:	
Accrued Compensated Absences	227,568
Total Liabilities	<u>\$ 278,101</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension Plan	<u>\$ 18,934</u>
NET POSITION:	
Net Investment in Capital Assets	\$ 976,208
Restricted for Net Pension Asset	298,474
Unrestricted	10,162,510
Total Net Position	<u><u>\$ 11,437,192</u></u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-2

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

<u>Departments/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Fees &</u> <u>Charges for</u> <u>Services</u>	<u>Net (Expense)</u> <u>and</u> <u>Changes in</u> <u>Net Position</u> <u>Primary Gov.</u> <u>Governmental</u> <u>Activities</u>
PRIMARY GOVERNMENT:			
Governmental Activities			
General Administration	\$ 2,534,715	\$ 338,480	\$ (2,196,235)
Depreciation	155,636		(155,636)
Total Governmental Activities	<u>\$ 2,690,351</u>	<u>\$ 338,480</u>	<u>\$ (2,351,871)</u>
General Revenues:			
Property Taxes			\$ 2,562,803
Gain on the Sale of Capital Assets			37,541
Investment Earnings			301,586
Miscellaneous Revenue			4,311
Total General Revenues			<u>\$ 2,906,241</u>
Change in Net Position			\$ 554,370
Net Position - Beginning			<u>10,882,822</u>
Net Position - Ending			<u>\$ 11,437,192</u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-3

BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2023

	<u>General Fund</u>
ASSETS:	
Cash and Cash Equivalents	\$ 14,738
Investments	10,113,695
Property Taxes Receivable (Net)	34,347
Due from Appraisal Districts	4,219
Accrued Interest Receivable	35,503
Prepaid Expenses	54,646
Total Assets	<u>\$ 10,257,148</u>
LIABILITIES:	
Accounts Payable	\$ 32,360
Other Current Liabilities	18,173
Total Liabilities	<u>\$ 50,533</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable Revenue - Property Taxes	\$ 34,247
Total Deferred Inflows of Resources	<u>\$ 34,247</u>
FUND BALANCES:	
Nonspendable:	
Prepaid Items	\$ 54,646
Committed for:	
Technical Development	133,048
Unassigned	9,984,674
Total Fund Balances	<u>\$ 10,172,368</u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-4

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

Total Fund Balances - Governmental Fund Balance Sheet	\$ 10,172,368
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:	
Capital assets used in governmental activities are not reported in the fund.	976,208
Net pension asset required by GASB 68 is not reported in the fund.	298,474
Deferred outflows and inflows of resources for pensions are not reported in the fund.	183,463
Property taxes receivable unavailable to pay current expenditures are deferred in the fund.	34,247
Payables for compensated absences which are not due in the current period are not reported in the fund.	<u>(227,568)</u>
Net Position of Governmental Activities - Statement of Net Position	<u>\$ 11,437,192</u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-5

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

	<u>Major Funds</u> <u>General</u> <u>Fund</u>
Revenues:	
Taxes:	
Property Taxes	\$ 2,557,337
Permits	323,750
Depletion Requests	14,730
Investment Earnings	301,586
Miscellaneous Revenue	4,311
Total Revenues	<u>\$ 3,201,714</u>
Expenditures:	
Current:	
General Administration	\$ 2,567,997
Capital Outlay	292,169
Total Expenditures	<u>\$ 2,860,166</u>
Excess of Revenues Over Expenditures	<u>\$ 341,548</u>
Other Financing Sources:	
Proceeds from Sale of Capital Assets	\$ 83,000
Total Other Financing Sources	<u>\$ 83,000</u>
Net Change in Fund Balances	\$ 424,548
Fund Balances - Beginning	<u>9,747,820</u>
Fund Balances - Ending	<u><u>\$ 10,172,368</u></u>

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit A-6

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

Net Change in Fund Balances - Total Governmental Funds	\$ 424,548
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital assets are not reported as expenses in the SOA.	292,169
The depreciation of capital assets used in governmental activities is not reported in the funds.	(155,636)
The loss from the disposition of a capital asset is not recorded in the fund.	(45,459)
Unavailable revenue that does not meet the availability criteria in the funds is reported as income in the SOA.	5,466
Pension asset and related deferred inflows and outflows changes are reported as a component of pension expense in the SOA.	36,275
Changes in compensated absences balances are not reported in the fund; this is the change in those amounts.	<u>(2,993)</u>
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$ 554,370</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The High Plains Underground Water Conservation District No. 1 (the District) was formed for the purpose of conserving, preserving, protecting, and recharging the underground water of subdivision No. 1 of the underground water reservoir located under the high plains of Texas. The District was authorized by Article 7880-3c Revised Civil Statutes of the State of Texas (Acts of the 51st Legislature, 1949). The District's programs include providing water depletion information to landowners, regulating the spacing of irrigation wells and educating the public concerning water conservation issues. The District's operations are financed primarily from ad valorem taxes. The District operates under a board-manager form of government. There are five elected board member positions. The members of the Board of Directors (the Board) are elected by the public, have authority to make decisions, appoint administrators and managers, significantly influence operations and have the primary accountability for fiscal matters. The District is not included in any other governmental reporting entity and has no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are Government-Wide Financial Statements. They report information on all of the District's non-fiduciary activities. Governmental activities include programs supported primarily by taxes, fees, grants, and other income.

The Statement of Activities presents a comparison between expenses and program revenues for the function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include a) fees charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements provide reports on the financial condition and results of operations. The District considers the General Fund major and reports its financial condition and results of operations in a single column.

C. BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with accounting principles generally accepted in the United States of America.

Property tax revenues are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as deferred revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as deferred revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

Grant revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the District, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as grant receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as grant receivables and revenues when the related expenditures are incurred. There were no grant programs during the year ended September 30, 2023.

D. FUND ACCOUNTING

The District applies GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which the amounts in the funds may be spent. Application of the Statement requires the District to classify and report amounts in the appropriate fund balance classifications.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

The District's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. From interpretation of the adopted policy, the District will spend its fund in the following order: Committed, Assigned, and Unassigned if more than one classification of fund balance is available.

The District reports the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restrictions are placed on fund balances when legally enforceable legislation establishes the District's right to assess, levy, or charge fees to be used for a specific purpose – such as the District's grant revenue if received in advance of use, which must be used on that grant program. Legal enforceability means that the District can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Board. Committed amounts cannot be used for any other purposes unless the Board removes those constraints by taking the same type of actions (legislation, resolution, or ordinance). Committed fund balances include non-liquidated encumbrances at year end that are carried forward to the next fiscal year. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Board. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the General Manager or (b) an appointed body or official to which the Board has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment with the General Fund conveys that the intended use of those amounts is for specific purposes that are narrower than the general purposes of the District itself.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The accounts of the District are organized in one fund. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, deferred inflows and outflows, liabilities, fund balance, 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 District maintains the following fund:

Major Governmental Fund:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources and related expenditures of the District. The main sources of revenue are property taxes, fees, depletion studies, and investment earnings.

E. OTHER ACCOUNTING POLICIES

1. The District considers all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents.
2. Capital assets include land, buildings and improvements, machinery and equipment, and furniture and fixtures and are reported in the applicable governmental activities columns in the Government-Wide Financial Statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, machinery and equipment, and furniture and fixtures of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	15-65
Vehicles and Equipment	5-15
Furniture and Fixtures	7-20

3. The District provides statutory workers' compensation insurance for its employees.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

II. PROPERTY TAX

Property taxes are levied by October 1st in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District's taxes on real property are a lien against such property until paid. The District may foreclose real property upon which it has a lien for unpaid taxes. Although the District makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

At September 30, 2023, the carrying amount of the District's cash and cash equivalents was \$14,738 and the bank balance was \$24,642.

The Public Funds Investment Act (Government Code Chapter 2256) (the Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

The carrying value of investments (certificates of deposit, money market accounts, and held to maturity investments at September 30, 2023 was \$10,113,695. The District's investments are considered level one investments and fair value approximates costs. There were no material valuation issues with these types of investments. All investments are held at cost, as cost approximates fair value with no material differences as of September 30, 2023.

Policies Governing Deposits and Investments:

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Disclosures related to certain types of risk the District may have been exposed to at year end:

Custodial Credit Risk – Deposits: This is the risk that in the event of failure, the District's deposits may not be returned to it. The District was exposed to custodial credit risk related to Treasury Notes purchased during the year, in the amount of \$2,678,275, however all other investments at year-end and during the year ended September 30, 2023 were covered by depository insurance or by pledged collateral held by the Districts agent bank.

The District's investments in certificates of deposits are covered by pledged securities.

B. FAIR VALUE MEASUREMENT AND APPLICATION

The District categorizes fair value measurements of investment assets and liabilities within the fair value hierarchy established by generally accepted accounting principles as mandated by GASB Statement No. 72. These investments are valued through industry standard practices for the respective type of security at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The hierarchy classifications are based on the transparency of inputs to the valuation techniques used and should not be perceived as the particular investment's risk. These classifications are summarized into three broad levels, arranged from highest to lowest:

Level 1 - Unadjusted inputs using quoted prices in active markets or exchanges for identical investments.

Level 2 - Other significant observable inputs including quoted prices of securities that are comparable in coupon, rating, maturity and industry. Inputs other than quoted prices that are observable take into account operational, market, financial and non-financial factors (interest rates, yield curves, credit risk, and default rates) or other market corroborated inputs that are observable at commonly quoted intervals for the full term of the investment.

Level 3 - Significant inputs that are not observable and cannot be corroborated by observable market data (assumptions, cash flows or earnings multiples). In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The assessment of the significance of particular inputs to their fair value measurements requires judgment and considers factors specific to each asset.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

The District's investments are reported at cost and are considered a Level 1 investments.

C. ALLOWANCES FOR DOUBTFUL ACCOUNTS

In the Government-Wide Statement of Net Position, the District reported the following receivables net of allowances for uncollectible accounts:

	<u>Balance</u>	<u>Allowance</u>	<u>Net</u>
Taxes Receivable	\$ 120,834	\$ 86,487	\$ 34,347
	<u>\$ 120,834</u>	<u>\$ 86,487</u>	<u>\$ 34,347</u>

D. CAPITAL ASSET ACTIVITY

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

	<u>Balance October 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2023</u>
Governmental Activities				
Non-Depreciable Assets				
Land	\$ 180,119	\$	\$	\$ 180,119
Intangibles	88,900	38,100		127,000
Total Non-Depreciable Assets	<u>\$ 269,019</u>	<u>\$ 38,100</u>	<u>\$ 0</u>	<u>\$ 307,119</u>
Depreciable Assets				
Buildings and Improvements	\$ 682,033	\$ 19,438	\$	\$ 701,471
Machinery and Equipment	881,897	234,631	126,818	989,710
Furniture and Fixtures	58,311			58,311
Total Depreciable Assets	<u>\$ 1,622,241</u>	<u>\$ 254,069</u>	<u>\$ 126,818</u>	<u>\$ 1,749,492</u>
Totals at Historic Cost	<u>\$ 1,891,260</u>	<u>\$ 292,169</u>	<u>\$ 126,818</u>	<u>\$ 2,056,611</u>
Less Accumulated Depreciation				
Buildings and Improvement	\$ 371,081	\$ 30,697	\$	\$ 401,778
Machinery and Equipment	590,164	2,238	81,359	511,043
Furniture and Fixtures	44,881	122,701		167,582
Total Accumulated Depreciation	<u>\$ 1,006,126</u>	<u>\$ 155,636</u>	<u>\$ 81,359</u>	<u>\$ 1,080,403</u>
Governmental Activities Capital Assets, Net	<u>\$ 885,134</u>	<u>\$ 136,533</u>	<u>\$ 45,459</u>	<u>\$ 976,208</u>

Current year depreciation expense was not allocated in the statement of activities.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

E. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. This separate financial statement element represents a current consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (expense/expenditure) until then.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The Governmental Fund reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. ACCRUED COMPENSATED ABSENCES

The District allows employees to accumulate unused sick leave to a maximum 60 days. Sick leave is accrued at the rate of 8 hours per month. Unused sick leave accumulated in excess of 60 days is paid to employees annually in December. Upon termination up to 60 days of sick leave will be paid to the employee.

Vacation time is accrued at the following rates for employees:

1. Less than 10 years of service receive 8 hours a month with a maximum carry over of 192 hours.
2. More than 10 years of service receive 10 hours a month with a maximum carry over of 240 hours.

Vacation unused at the time of termination is paid out the employee at an amount not to exceed the max carryover for that employee.

Unused accrued compensated absences as of September 30, 2023 totaled \$227,568.

G. RISK MANAGEMENT

Health Care

During the year ended September 30, 2023, employees of the District were covered through an external health insurance policy. The District pays the premium only for full-time, regular employees. The employee has the option of adding dependents to the plan at a 25% cost to the employee.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

H. RETIREMENT PENSION PLAN

Plan Description:

The District provides retirement, disability, and death benefits for all of its full time employees through a non-traditional defined benefit pension plan in TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 830 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an Annual Comprehensive Financial Report (ACFR) on a calendar basis. The ACFR is available upon written request from the Board of Trustees at Barton Oaks Plaza IV, Suite 500, 901 Mopac S., Austin, Texas 78746.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS. Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service.

Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the Texas state statutes governing TCDRS so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the Texas state statutes governing TCDRS.

Pension Plan Fiduciary Net Position:

Detailed information about the TCDRS fiduciary net position is available in a separately-issued ACFR that includes financial statements and required supplementary information mentioned in the above section.

The information provided by TCDRS shows the following information regarding the Pension Plan fiduciary net position for the District as of December 31, 2022.

<u>Net Pension Asset</u>	<u>Total</u>
Total Pension Liability	\$ 3,254,380
Less: Plan Fiduciary Net Position	<u>(3,552,854)</u>
Net Pension Liability (Asset)	<u>\$ (298,474)</u>
 Net Position as Percentage of Total Pension Liability	 109.17%

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Benefits Provided:

TCDRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries). The normal service retirement is at age 60 with eight years of credited service, when the sum of the member's age and years of credited service equals 75 or more years, or after 30 years of service regardless of age. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the plan description above.

Contributions:

The plan is funded by monthly contributions from employee deposits and from employer contributions based on the covered payroll of employee members. Under the variable rate plan provisions, the contribution rate of the employer is actuarially determined annually. The required contribution was determined as part of the December 31, 2022 actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions at December 31, 2022 included (a) a 7.50% investment rate of return (net of administrative expenses), and (b) a projected salary increase of 4.70%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The employer contribution rate was 4.67% for the calendar year 2022. The deposit rate payable by employee members is the rate of 7.00% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the Texas state statutes governing TCDRS.

	Contribution Rates	
	September 30,	
	2023	2022
Member	7.00%	7.00%
Employer	3.81%	4.67%
2023 Employer Contributions	\$	45,715
2023 Member Contributions		78,460

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

Actuarial Assumptions:

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight Line over remaining expected working life
Asset Valuation Method	
Smoothing Period	Five Years
Recognition Method	Non-asymptotic
Corridor	None
Remaining Amortization Period	0 years
Discount Rate	7.60%
Long-Term Expected Investment	
Rate of Return*	7.60%
Salary Increases*	4.70%
Payroll Growth Rate	0.00%
<i>*Includes Inflation of 2.50%</i>	

The actuarial methods and assumptions are primarily based on a study of the District's workforce and estimate of benefits it will pay its employees. The economic and demographic assumptions have been established based on the 2022 experience study for TCDRS, details of which can be found in the 2022 Investigation and Experience Report on the TCDRS website.

Discount Rate:

The discount rate used to measure the total pension liability was 7.60%, which is the same as the prior year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entities are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.60%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2022 are summarized below:

Asset Class	Target Allocation **	Long-Term Expected Portfolio Real Rate of Return*
US Equities	11.50%	4.95%
Global Equities	2.50%	4.95%
International Equities - Developed	5.00%	4.95%
International Equities - Emerging	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.95%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%
Total	100.00%	

* - Geometric real rates of return in addition to assumed inflation of 2.30%,
per Cliffwater's 2023 capital market assumptions

** - Target asset allocation adopted at the March 2023 TCDRS board meeting.

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the Net Pension Liability / (Asset) if the discount rate used was one percent less than and one percent greater than the discount rate that was used (7.60%) in measuring the December 31, 2022 Net Pension Asset.

	1% Decrease in Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total Pension Liability	\$ 3,656,220	\$ 3,254,380	\$ 2,909,359
Fiduciary Net Position	(3,552,854)	(3,552,854)	(3,552,854)
Net Pension Liability (Asset)	\$ 103,366	\$ (298,474)	\$ (643,495)

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At December 31, 2022, the District reported an asset of \$298,474 for its proportionate share of the TCDRS net pension amount.

The net pension asset was measured as of December 31, 2022 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The employer's proportion of the net pension asset was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period January 1, 2022 through December 31, 2022.

For the plan year ended December 31, 2022 there were no new changes in plan provisions.

During the year the plan adopted new mortality tables and salary increase rates that affected the current year measurement, those amounts are amortized from deferred amounts over the average remaining service life of employees.

At December 31, 2022, the District reported its proportionate share of the TCDRS deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows/(Inflows) of Resources
Differences Between Expected and Actual Economic Experience	\$ 34,377
Changes of Assumptions	61,499
Differences Between Expected and Actual Economic Experience	(14,414)
Changes of Assumptions	(4,520)
Net Difference Between Projected and Actual Earnings	77,154
Contributions Paid to TCDRS Subsequent to the Measurement Date	29,367
Total	<u>\$ 183,463</u>

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

The net amounts of the employer's balances of deferred outflows and inflows related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
2023	\$ 15,865
2024	41,772
2025	24,391
2026	101,435
2027	0
Thereafter	0

At December 31, 2022, the District reported deferred resource outflows for the TCDRS pension plan as follows:

	Deferred Outflows (Inflows) of Resources
Total Net Amounts as of December 31, 2021 Measurement Date	\$ (317,527)
Contributions Made Subsequent to the Measurement Date	29,367
Contributions Made Prior to the Measurement Date	(40,549)
Net Deferred Outflows/(Inflows) Related to the Year Ending December 31, 2022	550,551
Amortization of Deferred Outflows/(Inflows)	(38,379)
Total Net Amounts as of December 31, 2022	\$ <u>183,463</u>

Pension Expense:

Pension expense for the plan for the year ended December 31, 2022 was \$9,439 and was calculated as follows:

	Pension Expense
Service Cost	\$ 116,863
Interest on Total Pension Liability	230,678
Administrative Expenses	2,082
Member Contributions	(85,286)
Expected Investment Return Net of Investment Expenses	(285,322)
Amortization of Deferred Inflows and Outflows of Resources	38,379
Other	(7,955)
Total Pension Expense as of December 31, 2022	\$ <u>9,439</u>

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

Employees Covered by Benefit Terms:

At the December 31, 2022 valuation and measurement date, the plan reported the following regarding employees covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	11
Inactive Employees Entitled to but not Yet Receiving Benefits	11
Active Employees	<u>16</u>
Total Plan Employees	<u><u>38</u></u>

I. LITIGATION AND COMMITMENTS

There is no pending litigation against the District at September 30, 2023, that would have a material effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN NET PENSION
ASSET AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
TOTAL PENSION LIABILITY									
Service Cost	\$ 98,889	\$ 101,531	\$ 113,065	\$ 112,135	\$ 111,140	\$ 114,778	\$ 115,393	\$ 130,498	\$ 116,863
Interest Cost	119,457	125,191	132,673	148,530	166,897	184,601	200,715	216,910	230,678
Effect of Plan Changes		(18,577)							
Effect of Economic/Demographic Losses	(61,865)	(64,104)	(28,728)	20,606	22,248	9,218	(4,505)	(37,838)	43,380
Effect of Assumptions Changes or Inputs		14,589		16,085			153,749	(13,562)	
Benefit Payments/Refunds of Contributions	(102,355)	(66,999)	(81,027)	(74,745)	(64,265)	(107,290)	(113,372)	(94,833)	(107,847)
Net Change in Total Pension Liability	\$ 54,126	\$ 91,631	\$ 135,983	\$ 222,611	\$ 236,020	\$ 201,307	\$ 351,980	\$ 201,175	\$ 283,074
Total Pension Liability, Beginning	1,476,473	1,530,599	1,622,230	1,758,213	1,980,824	2,216,844	2,418,151	2,770,131	2,971,306
Total Pension Liability, Ending	\$ 1,530,599	\$ 1,622,230	\$ 1,758,213	\$ 1,980,824	\$ 2,216,844	\$ 2,418,151	\$ 2,770,131	\$ 2,971,306	\$ 3,254,380
FIDUCIARY NET POSITION									
Employer Contributions	\$ 68,464	\$ 68,196	\$ 67,130	\$ 70,620	\$ 72,846	\$ 23,205	\$ 29,841	\$ 29,817	\$ 56,898
Member Contributions	68,464	68,196	67,130	70,620	72,846	73,169	75,684	75,079	85,286
Investment Income, Net of Expenses	105,048	18,494	133,066	292,773	(43,001)	393,511	286,833	671,854	(221,850)
Benefit Payments/Refunds of Contributions	(102,355)	(66,999)	(81,027)	(74,745)	(64,265)	(107,290)	(113,372)	(94,833)	(107,847)
Administrative Expenses	(1,250)	(1,257)	(1,443)	(1,567)	(1,925)	(2,116)	(2,234)	(2,020)	(2,082)
Other	10,909	6,920	31,208	876	2,663	13	41	1,126	7,954
Net Change in Fiduciary Net Position	\$ 149,280	\$ 93,550	\$ 216,064	\$ 358,577	\$ 39,164	\$ 380,492	\$ 276,793	\$ 681,023	\$ (181,641)
Fiduciary Net Position, Beginning	1,539,552	1,688,832	1,782,382	1,998,446	2,357,023	2,396,187	2,776,679	3,053,472	3,734,495
Fiduciary Net Position, Ending	\$ 1,688,832	\$ 1,782,382	\$ 1,998,446	\$ 2,357,023	\$ 2,396,187	\$ 2,776,679	\$ 3,053,472	\$ 3,734,495	\$ 3,552,854
NET PENSION ASSET	\$ (158,233)	\$ (160,152)	\$ (240,233)	\$ (376,199)	\$ (179,343)	\$ (358,528)	\$ (283,341)	\$ (763,189)	\$ (298,474)
Fiduciary Net Position as a % of Total Pension Liability	110.34%	109.87%	113.66%	118.99%	108.09%	114.83%	110.23%	125.69%	109.17%
Covered Payroll	\$ 978,050	\$ 974,227	\$ 958,995	\$ 1,008,862	\$ 1,040,650	\$ 1,045,266	\$ 1,081,201	\$ 1,072,553	\$ 1,218,369
Net Pension Asset as a % of Covered Payroll	-16.18%	-16.44%	-25.05%	-37.29%	-17.23%	-34.30%	-26.21%	-71.16%	-24.50%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 68, they should not be shown here. Therefore, only years for which the new GASB statements have been implemented are shown.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit B-2

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Employee Payroll</u>
2015	\$ 59,368	\$ 68,464	\$ (9,096)	\$ 978,050	7.00%
2016	53,777	68,196	(14,419)	974,227	7.00%
2017	34,287	70,067	(35,780)	1,003,481	6.98%
2018	25,724	72,615	(46,891)	1,037,277	7.00%
2019	23,543	36,178	(12,635)	1,027,727	3.52%
2020	27,898	27,898		1,068,918	2.61%
2021	30,302	30,302		1,092,231	2.77%
2022	48,601	48,601		1,157,925	4.20%
2023	45,715	45,715		1,120,850	4.08%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 68, they should not be shown here. Therefore, only years for which the new GASB statements have been implemented are shown.

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

Exhibit B-3

BUDGETARY COMPARISON - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 2,500,000	\$ 2,500,000	\$ 2,557,337	\$ 57,337
Permits	165,000	165,000	323,750	158,750
Depletion Map Sales	20,000	20,000	14,730	(5,270)
Investment Earnings	30,050	30,050	301,586	271,536
Miscellaneous Revenue	5,000	5,000	4,311	(689)
Total Revenues	<u>\$ 2,720,050</u>	<u>\$ 2,720,050</u>	<u>\$ 3,201,714</u>	<u>\$ 481,664</u>
Expenditures:				
Current:				
General Administration:				
Salaries	\$ 1,300,000	\$ 1,231,000	\$ 1,133,027	\$ 97,973
Social Security/Medicare	100,000	100,000	82,891	17,109
Retirement	55,000	55,000	45,715	9,285
Medical Insurance	300,000	300,000	255,509	44,491
Field Supplies & Repair	55,000	55,000	54,446	554
Office Supplies	63,000	75,000	71,731	3,269
Postage	5,000	5,000	1,586	3,414
Software/License	90,000	81,900	77,006	4,894
Audit	17,000	17,000	17,000	0
Appraisal/Tax Collection	56,000	56,000	43,894	12,106
Consulting	57,000	57,000	37,751	19,249
Legal	110,000	121,000	119,933	1,067
Utilities	20,000	22,000	20,236	1,764
Land Appraiser	44,000	44,000	39,269	4,731
Telephone/Internet	39,000	39,000	28,745	10,255
Maintenance/Building & Grounds	35,000	35,000	28,268	6,732
Vehicle Insurance	22,000	34,000	17,046	16,954
Other Insurance	15,000	15,000	16,599	(1,599)
Board of Directors	50,000	50,000	30,192	19,808
Building Rent	5,100	5,100	5,100	0
Dues and Subscriptions	15,000	15,000	8,272	6,728
Election	80,000	132,000	131,535	465
Public Relations and Education	200,000	76,000	26,722	49,278
Travel and Meals	55,000	55,000	27,996	27,004
Vehicle Maintenance and Fuel	75,000	80,000	77,771	2,229
Regional Water Planning	23,950	23,950	18,512	5,438
Grants	275,000	275,000	151,245	123,755
Capital Outlay:				
Equipment and Improvements	25,000	63,100	47,053	16,047
Field Equipment	25,000	25,000		25,000
Building Improvements	20,000	20,000	19,438	562
Vehicle Purchase	75,000	227,000	225,678	1,322
Total Expenditures	<u>\$ 3,307,050</u>	<u>\$ 3,390,050</u>	<u>\$ 2,860,166</u>	<u>\$ 529,884</u>
Excess of Revenues Over Expenditures	<u>\$ (587,000)</u>	<u>\$ (670,000)</u>	<u>\$ 341,548</u>	<u>\$ 1,011,548</u>
Other Financing Sources:				
Proceeds from Sale of Real and Personal Property	\$ 0	\$ 83,000	\$ 83,000	\$ 0
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 83,000</u>	<u>\$ 83,000</u>	<u>\$ 0</u>
Net Change in Fund Balances	<u>\$ (587,000)</u>	<u>\$ (587,000)</u>	<u>\$ 424,548</u>	<u>\$ 1,011,548</u>
Fund Balances - Beginning	<u>9,747,820</u>	<u>9,747,820</u>	<u>9,747,820</u>	
Fund Balances - Ending	<u>\$ 9,160,820</u>	<u>\$ 9,160,820</u>	<u>\$ 10,172,368</u>	

The accompanying notes are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

A. PENSION PLAN

CHANGES OF BENEFIT TERMS

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

CHANGES OF ASSUMPTIONS

There were changes to mortality tables and salary increase rates that affected measurement of the total pension liability during the measurement period.

B. BUDGETARY DATA

The District follows these procedures in establishing budgetary data reflected in these financial statements:

1. In the event the Board of Directors increases property taxes three percent or less, no public hearing is required. If the Board increases taxes more than three but less than eight percent, then a public hearing is required prior to final adoption. If the Board increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election. Beginning with the 1999 tax levy, any increase in property taxes will require a public hearing.
2. Public hearings are conducted at the District headquarters to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through adoption of an order by the Board of Directors.
4. Any budget amendments altering expenditures of any department must be approved by the Board of Directors. There must be an emergency condition existing in order for the Board to increase the total budget.
5. Budgets for the various funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP), with the exception of tax revenues being reported on the cash basis. Budget and actual amounts are recorded on the same basis.
6. Expenditures in excess of appropriations are required by state statutes to be reported down to the department classification.
7. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Board of Directors during the year ended September 30, 2023.

Note: Amounts over budget by line item were covered by current year revenues and other financing sources in excess of expenditures.