

Headwaters Groundwater Conservation District
Annual Financial Report
For the Year Ended September 30, 2023

	<u>Page</u>
Table of Contents	
Annual Filing Affidavit	1
Independent Auditor's Report	2
Management's Discussion and Analysis	4-9
Statement of Net Position and Governmental Funds Balance Sheet	11
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	12
Notes to the Financial Statements	13-20
Required Supplementary Information	
Budgetary Comparison Statement - General Fund	22
Other Schedules	
Analysis of Taxes Receivable	24

EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede, CPA
Donna Ede Jones, CPA
Kevin Ede, CPA

133 N. Camp St.
Uvalde, Texas 78801
Telephone (830) 278-2513
Fax (830) 278-6288
Email ede@edecpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Headwaters Groundwater Conservation District
125 Lehmann Dr.
Suite 201
Kerrville, Texas 78028

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Headwaters 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, each major fund, and the aggregate remaining fund information of the Headwater Groundwater District, 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 Headwater 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 the Headwaters 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 the Headwaters 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 the Headwaters 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 and budgetary comparison information 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Delinquent Taxes 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.



Ede & Company, LLC
Certified Public Accountants
Uvalde, Texas

January 7, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of the Headwaters Groundwater Conservation District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2023. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Total Governmental Funds" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$1,412.3 thousand at September 30, 2023.
- During the year, the District's expenses were \$52.8 thousand more than the \$564 thousand generated in taxes, service fees and other revenues for governmental activities.
- The total cost of the District's programs were higher than last year, due to capital purchases
- The general fund reported a fund balance this year of \$506.9 thousand.
- The District's governmental fund balance decreased \$21.1 thousand which represents a 4 percent decrease from 2022.

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 *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled "Total Governmental Funds") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health. The *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances* includes a column (titled "Total Governmental Funds") that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$1,412.3 thousand at September 30, 2023. (See Table A-1).

Table A-1
Headwaters Groundwater Conservation District
(in thousands dollars)

	Governmental Activities		Total Percentage Change
	2023	2022	2023 - 2022
Current assets:			
Cash and cash equivalents	\$ 510.6	\$ 528.1	-3.3%
Property taxes receivable	24.3	23.3	4.3%
Due from other governments	1.2	2.0	-40.0%
Total current assets	<u>536.1</u>	<u>553.4</u>	<u>-3.1%</u>
Noncurrent assets:			
Capital Assets	1,585.5	1,533.1	3.4%
Less accumulated depreciation	(682.8)	(579.9)	17.7%
Total noncurrent assets	<u>902.7</u>	<u>953.2</u>	<u>-5.3%</u>
Total Assets	<u>1,438.8</u>	<u>1,489.3</u>	<u>-3.4%</u>
Current liabilities:			
Accounts payable	1.8	18.1	-90.1%
Payroll taxes & retirement	2.9	3.0	-3.3%
Current portion - Lease payable	18.8	-	100.0%
Total current liabilities	<u>23.5</u>	<u>21.1</u>	<u>11.4%</u>
Noncurrent liabilities:			
Leases payable - Long -term	2.9	21.7	100.0%
Total Liabilities	<u>26.4</u>	<u>45.2</u>	<u>-41.6%</u>
Net Position:			
Invested in capital assets	880.9	913.3	-3.5%
Unrestricted	<u>531.3</u>	<u>551.3</u>	<u>-3.6%</u>
Total Net Position	<u>\$ 1,412.2</u>	<u>\$ 1,464.6</u>	<u>-3.6%</u>

The District's unrestricted net position, which can be used to finance day to day operations, totaled \$531.3 thousand. The overall financial condition of the District decreases from 2022 to 2023.

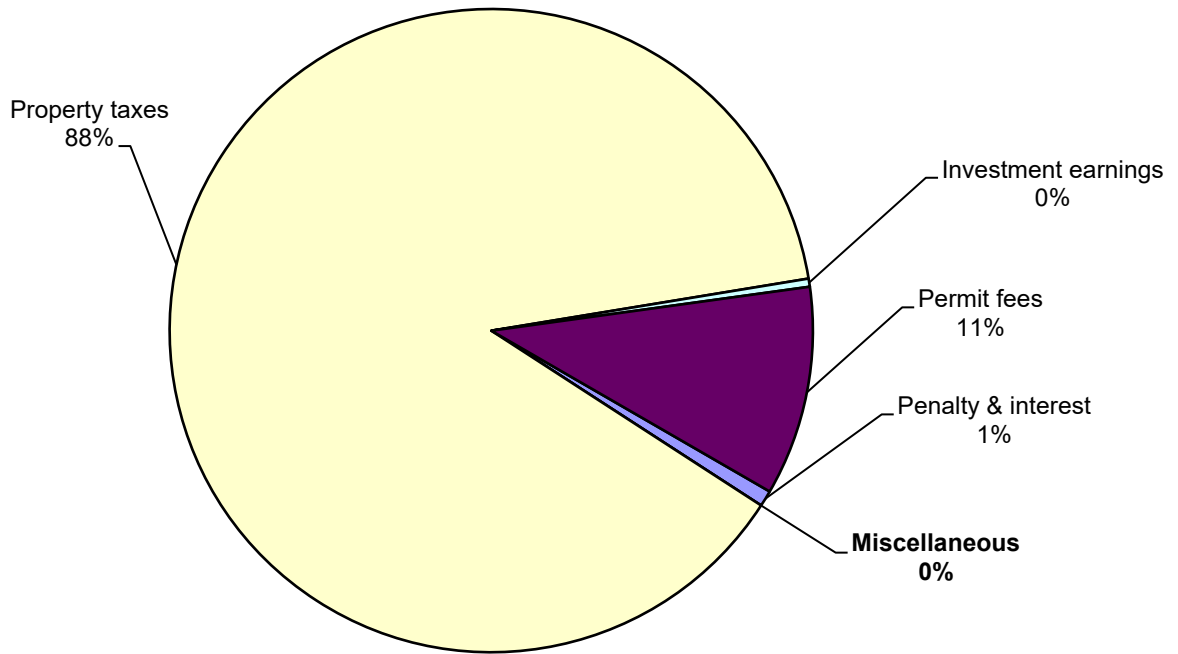
Changes in net position. The District's total revenues were \$564.8 thousand. A significant portion, 88 percent, of the District's revenue comes from property taxes. (See Figure A-3.) 1 percent comes from penalty & interest on property taxes, and 11 percent relates permits & fees.

The total cost of all programs and services was \$617.6 thousand; 100 percent of these costs are for General Government.

Table A-2
Changes in Headwaters Groundwater Conservation District's Net Position
(In thousands dollars)

	Governmental Activities		Total Percentage Change
	2023	2022	2023-2022
General Revenue			
Property Taxes	\$ 498.5	\$ 452.9	10.1%
Permits & fees	59.4	47.1	26.1%
Other	6.9	6.7	3.0%
Total Revenue	<u>564.8</u>	<u>506.7</u>	<u>11.5%</u>
Program Expenses			
General Government	617.6	507.6	21.7%
Total Expense	<u>617.6</u>	<u>507.6</u>	<u>21.7%</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (52.8)</u>	<u>\$ (0.9)</u>	<u>5766.7%</u>

2023 Revenue Sources



2023 Expenses

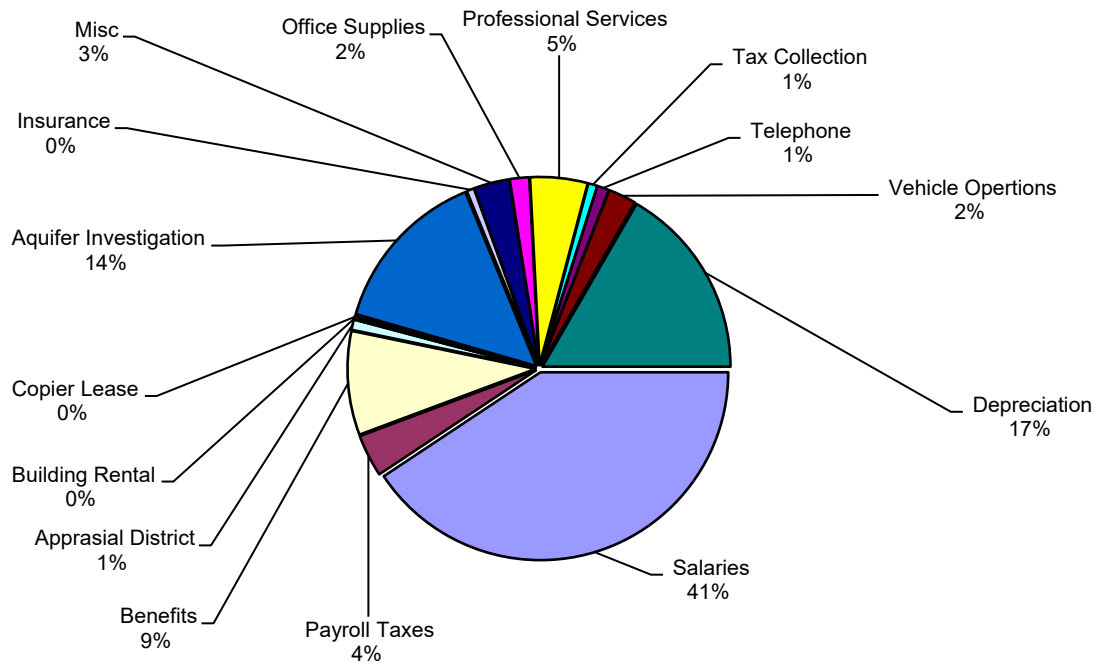


Table A-3 presents the cost of each of the District's largest functions as well as the major administrative categories.

- The cost of all *governmental* activities this year was \$617.6 thousand.
- The cost of all *governmental* activities in the previous year was \$507.6 thousand.

Table A-3
 Net Cost of Selected District Functions & Major Administrative Categories
(in thousands of dollars)

	Total Costs of Services		
	2023	2022	Percent Change
Salaries	251.1	226.8	10.7%
Payroll Taxes	22.5	21	7.1%
Benefits	55.2	49.5	11.5%
Appraisal District	5.5	5.3	3.8%
Building Rental	0.5	0.9	-44.4%
Copier Lease	1.5	1.3	15.4%
Aquifer Investigation	88.8	43.2	105.6%
Insurance	3.9	3.4	14.7%
Office Supplies	10.3	9.4	9.6%
Professional Services	30.5	23.8	28.2%
Tax Collections	4.9	4.5	8.9%
Telephone	6.3	4.8	31.3%
Vehicle Operations	8.2	8.5	-3.5%
Vehicle Replacement	6.6	0	100.0%
Depreciation	102.9	95.5	7.7%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund Budgetary Highlights

The District did amend its original budget, Actual expenditures were \$195.2 thousand below final budget amounts. Resources available were \$20.3 more than the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District had invested \$1,533.2 thousand in a broad range of capital assets, including wells, equipment, and vehicles. (See Table A-4.)

Table A-4
 District's Capital Assets
(in thousands of dollars)

	Governmental Activities		Percentage Change
	2023	2022	2023-2022
Wells, Vehicles and Equipment	\$ 1,585.5	\$ 1,533.2	3.4%
Totals at historical cost	1,585.5	1,533.2	3.4%
Total Accumulated Depreciation	(682.8)	(579.9)	17.7%
Net Capital Assets	\$ 902.7	\$ 953.3	-5.3%

Long-Term Debt

The District had two Right to Use Leases Payable at the end of 2023.

Copier Lease Payable	\$ 7,143
Building Lease Payable	\$ 14,545.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2024 budget will increase slightly. Tax rates will decrease slightly in 2024 to .6757%/\$100.
- Tax revenue will increase slightly in 2024.

These indicators were taken into account when adopting the general fund budget for 2024. The adopted general fund budget will decrease slightly in 2024 to \$590,838

If these estimates are realized, the District's budgetary general fund balance is expected to decrease by approximately \$223,691 by the close of 2024.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Headwaters Groundwater Conservation District
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2023

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash and investments	\$ 510,549.20	\$ -	\$ 510,549.20
Taxes receivable	24,342.35	-	24,342.35
Due from other governments	1,167.41	-	1,167.41
Accrued Interest	-	-	-
Capital assets (net of accumulated depreciation)			
Wells, vehicles & equipment	-	902,662.80	902,662.80
Total assets	\$ 536,058.96	\$ 902,662.80	\$ 1,438,721.76
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,786.28	\$ -	\$ 1,786.28
Payroll taxes payable	-	-	-
Simple IRA Payable	2,987.48	-	2,987.48
Current Portion - Leases Payable	-	18,794.68	18,794.68
Total Current Liabilities	4,773.76	18,794.68	23,568.44
Lease Payable - Long-Term	-	2,892.92	2,892.92
Total liabilities	4,773.76	21,687.60	26,461.36
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue- Property taxes	24,342.35	(24,342.35)	-
Total deferred inflows of resources	24,342.35	(24,342.35)	-
FUND BALANCES/NET POSITION			
Fund balances:			
Unassigned	506,942.85	(506,942.85)	-
Total fund balances	506,942.85	(506,942.85)	-
Total liabilities deferred infows and fund balances	\$ 536,058.96		
Net Position:			
Invested in capital assets, net of related debt		880,975.20	880,975.20
Unrestricted		531,285.20	531,285.20
Total net position		\$ 1,412,260.40	\$ 1,412,260.40

The accompanying notes are an integral part of this statement.

Headwaters Groundwater Conservation District
Statement of Activities and Governmental Funds
Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2023

	General Fund	Adjustments	Statement of Activities
Revenues:			
Property taxes	\$ 497,852.76	\$ 638.63	\$ 498,491.39
Property taxes penalty & interest	4,608.28	-	4,608.28
Permit fees	59,400.00	-	59,400.00
Miscellaneous income	-	-	-
Investment earnings	2,287.89	-	2,287.89
Total revenues	564,148.93	638.63	564,787.56
Expenditures/expenses:			
Service operations:			
Salaries	251,140.20	-	251,140.20
Payroll taxes	22,518.91	-	22,518.91
Benefits	55,169.23	-	55,169.23
Advertising	-	-	-
Appraisal district	5,480.00	-	5,480.00
Building maintenance	896.20	-	896.20
Building rental	14,742.48	(14,186.00)	556.48
Copier lease	5,638.78	(4,145.00)	1,493.78
Office Equipment	5,145.45	-	5,145.45
Dues & subscriptions	1,980.00	-	1,980.00
Election	8,237.32	-	8,237.32
Aquifer investigation	88,751.16	-	88,751.16
Insurance	3,870.06	-	3,870.06
Office supplies	10,293.32	-	10,293.32
Postage	1,028.69	-	1,028.69
Professional services	30,500.35	-	30,500.35
Surety bond	753.00	-	753.00
Tax collection	4,876.10	-	4,876.10
Telephone	6,317.29	-	6,317.29
Travel & conference	798.44	-	798.44
Ground Water Mgt Area	31.95	-	31.95
Vehicle operations	8,275.79	-	8,275.79
Vehicle Replacement	58,848.68	(52,241.39)	6,607.29
Depreciation	-	102,872.76	102,872.76
Total expenditures/expenses	585,293.40	32,300.37	617,593.77
Excess (deficiency) of revenues over expenditures	(21,144.47)	(31,661.74)	(52,806.21)
Fund balance/net position:			
Beginning of the year	528,087.32	936,979.29	1,465,066.61
End of the year	\$ 506,942.85	\$ 905,317.55	\$ 1,412,260.40

The accompanying notes are an integral part of this statement.

Headwaters Groundwater Conservation District

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Headwaters Groundwater Conservation District was created by Acts of House Bill No. 1463 of the State of Texas on July 16, 1991, under the provisions of Article 16, Section 59 of the constitution of the State of Texas. The District was established to provide for the conservation, preservation, protection, recharging, and prevention of waste of underground water reservoirs or their subdivisions. The boundaries of the District are coterminous with the boundaries of Kerr County. The District is governed by a board of directors who serve for terms of four years. One director is elected for each of the counties four precincts, and one director is elected at large.

The District's Board of Directors has governance responsibilities over all activities related to the District's operations within the jurisdiction of Headwaters Groundwater Conservation District. Because members of the Board of Directors are elected by the public, they have the primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial reporting Standards. In addition, there are no component units included in the District's reporting entity

B. Government-wide and Fund Financial Statements

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Total Governmental Funds" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net position and the statement of activities.

The government-wide financial statements report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates what the District did with the revenue it raised. The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The general fund column of the government-wide financial statements is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

Headwaters Groundwater Conservation District

Notes to the Financial Statements

For the Year Ended September 30, 2023

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources.

Expendable assets are assigned to the various governmental funds according to the purpose for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the District except those required to the accounted for in another fund.

D. Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. The budget is proposed by the District Manager for the fiscal year commencing the following October 1, and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

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

Investments -The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies.

Capital Assets - General capital assets generally result from expenditures in the governmental funds. These assets are reported in the statement of net position column of the government-wide statement of net position but are not reported in the general fund column.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000 for equipment, and all additions to infrastructure are capitalized. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Wells, furniture and equipment of the District are depreciated using the straight-line method over the estimated useful lives. Wells 20 years and Equipment 5 years.

Ad Valorem Property Taxes -. The District does not maintain an allowances for uncollectible property taxes. Based upon historical experience in collecting property taxes the district feels these amounts are immaterial.

Headwaters Groundwater Conservation District

Notes to the Financial Statements

For the Year Ended September 30, 2023

Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature

Compensated Absences - Accrued paid time off and sick leave laps at the end of the year.

Fund Balance -The District complies with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable- Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned -The Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose.

Unassigned -Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated authority to the General Manager to assign fund balance for a specific purpose. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

G. Property Taxes

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Kerr County Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred inflows of resources. Taxes receivables are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

Headwaters Groundwater Conservation District
Notes to the Financial Statements
For the Year Ended September 30, 2023

H. Reconciliation of Government-wide and General Fund Financial Statements

**Reconciliation of General Fund Balance to
Net Position of Governmental Activities**

Total Fund Balance - Government	\$	506,942.85
Amounts reported in governmental activities in the statement of net assets are different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the governmental funds. At the beginning of the year, the cost of these assets was \$1,533,220.19 and accumulated depreciation was \$579,926.02. In addition, long-term liabilities including right to use - lease liabilities are not due and payable in the current period , and therefore are not reported as liability in the governmental fund. The long-term debt at the beginning of the year was \$40,018.		
		913,275.57
Current year capital outlays and long-term debt principal payments are expended in the fund financial statements, but the should be shown as increases in capital assets and reduction in long-term debt in the government-wide financial statements. The net effect of including the capital outlays, and debt principal payments was to increase net position.		
		70,572.39
Accumulated depreciation has not been included in the general fund financial statements.		
		(102,872.76)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting		
		<u>24,342.35</u>
Net Position of Governmental Activities	\$	<u><u>1,412,260.40</u></u>

Headwaters Groundwater Conservation District
Notes to the Financial Statements
For the Year Ended September 30, 2023

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities**

Net Change in Governmental Fund Balances	\$	(21,144.47)
 Amounts reported for the governmental activities in the statement of activities are different because:		
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis		
		638.63
 Current year capital outlay and long-term debt payments are expended in the fund financial statements, but should be shown as increase in capital assets and reductions in long- term debt in the government wide financial statements. The net effects of removing the 2023 capital outlays and debt principal payments is to increase net position		
		70,572.39
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net position.		
		<u>(102,872.76)</u>
 Change in Net Position of Governmental Activities	 \$	 <u><u>(52,806.21)</u></u>

Headwaters Groundwater Conservation District

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 2 – DEPOSITS, SECURITIES AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. As of September 30, 2020, the District's cash balance deposited in banks totaled \$198,930 and were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not participating in foreign currency transactions.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of 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, (10) and common trust funds. The Act also requires the entity 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.

Additional polices and contractual provisions governing deposits and investments are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to depository bank certificates of deposits and state sponsored investment pools.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District investments in both depository bank certificates of deposits and state sponsored investment pools.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currencies.

Headwaters Groundwater Conservation District

Notes to the Financial Statements

For the Year Ended September 30, 2023

NOTE 3 – DUE FROM OTHER GOVERNMENTS

This balance represents taxes and penalty and interest that were collected by the Tax Assessor-Collector, before September 30, 2023, but not remitted to the District.

NOTE 4 – CAPITAL ASSET ACTIVITY

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets being depreciated:</i>				
Wells, Vehicles & Equipment	1,533,220	52,241		1,585,462
Total capital assets being depreciated	1,533,220	52,241	-	1,585,462
<i>Less accumulated depreciation for:</i>				
Wells, Vehicles & Equipment	579,926	102,873		682,799
Total accumulated depreciation	579,926	102,873	-	682,799
Total capital assets being depreciated, net	953,294	(50,631)	-	902,663

NOTE 5 – RIGHT TO USE LEASE LIABILITY

The District leases a photocopy machine with 63-month terms. Payments of \$665 are made monthly which consist of principal and imputed annual interest of 2.50%.

The District leases a building with 60-month terms. Payments of \$1,229 are made monthly which consist of principal and imputed annual interest of 2.50%.

No assets were pledged as collateral for these leases.

A summary of Right-to-Use Lease arrangements for the year ended September 30, 2023, is as follows

Description	Date of Origination	Discount Rate	Current Year Interest	Principal Balance at 10/1/2022	New Lease Agreements	Principal Paid This Year	Principal Balance at 9/30/2023	Due Within One Year
Copy Machines	10/1/2019	2.5	305	11,288	-	4,145	7,143	4,250
Building	2/14/2020	2.5	906	28,731	-	14,186	14,545	14,545
			<u>\$ 1,211</u>	<u>\$ 40,019</u>	<u>\$ -</u>	<u>\$ 18,331</u>	<u>\$ 21,687</u>	<u>\$ 18,795</u>

Future principal and interest payments due to maturity as of the end of the fiscal year are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2024	18,795	328	19,122
2025	2,893	27	2,920
Totals	<u>\$ 21,687</u>	<u>\$ 355</u>	<u>\$ 22,042</u>

Headwaters Groundwater Conservation District
Notes to the Financial Statements
For the Year Ended September 30, 2023

NOTE 6 – PENSION PLAN OBLIGATIONS

The District sponsors a Simple IRA retirement plan covering qualified employees. The District matches the employee's contribution up to a maximum of three percent of the eligible employee's compensation. The Employees contributed approximately \$28,571.17 and the district matched \$2,987.48 in Simple IRA contributions for the years ended September 30, 2023.

NOTE 7 – RISK MANAGEMENT

The District's risk management program includes coverage through third party insurance providers for commercial general liability, property, boiler and machinery, inland marine, pollution, automobile, public officials' liability, public officials' bond, and workers' compensation. During the year ended September 30, 2023, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

Required Supplementary Information

Headwaters Groundwater Conservation District
Budgetary Comparison Statement - General Fund
For the Year Ended September 30, 2023

	Actual	Original Budget	Final Amended Budget	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 497,852.76	\$ 500,079.00	\$ 500,079.00	\$ (2,226.24)
Property taxes penalty & interest	4,608.28	-	-	4,608.28
Permit fees	59,400.00	43,500.00	43,500.00	15,900.00
Miscellaneous income	-	-	-	-
Investment earnings	2,287.89	300.00	300.00	1,987.89
Total revenues	<u>564,148.93</u>	<u>543,879.00</u>	<u>543,879.00</u>	<u>20,269.93</u>
Expenditures:				
Service operations:				
Salaries	251,140.20	273,968.00	273,968.00	22,827.80
Payroll taxes	22,518.91	-	-	(22,518.91)
Benefits	55,169.23	54,532.00	54,532.00	(637.23)
Advertising	-	-	-	-
Appraisal district	5,480.00	5,600.00	5,600.00	120.00
Building maintenance	896.20	1,000.00	1,000.00	103.80
Building rental	14,742.48	15,000.00	15,000.00	257.52
Copier lease	5,638.78	5,900.00	5,900.00	261.22
Office Equipment	5,145.45	8,000.00	8,000.00	2,854.55
Dues & subscriptions	1,980.00	2,500.00	2,500.00	520.00
Education	-	250.00	250.00	250.00
Election	8,237.32	10,000.00	10,000.00	1,762.68
Enviornmental-Well Plunging	-	1,000.00	1,000.00	1,000.00
Aquifer investigation	88,751.16	162,000.00	242,000.00	153,248.84
Insurance	3,870.06	3,814.00	3,814.00	(56.06)
Office supplies	10,293.32	8,000.00	8,000.00	(2,293.32)
Postage	1,028.69	1,000.00	1,000.00	(28.69)
Professional services	30,500.35	43,475.00	43,475.00	12,974.65
Surety bond	753.00	1,000.00	1,000.00	247.00
Tax collection	4,876.10	5,001.00	5,001.00	124.90
Telephone	6,317.29	6,800.00	6,800.00	482.71
Travel & conference	798.44	4,145.00	4,145.00	3,346.56
Ground Water Mgt Area	31.95	7,500.00	15,000.00	14,968.05
Vehicle operations	8,275.79	84,500.00	72,500.00	64,224.21
Vehicle Replacement	58,848.68	-	-	(58,848.68)
Total expenditures	<u>585,293.40</u>	<u>704,985.00</u>	<u>780,485.00</u>	<u>195,191.60</u>
Excess (deficiency) of revenues over expenditures	(21,144.47)	(161,106.00)	(236,606.00)	215,461.53
Other financing sources/uses:				
Sale of assets	-	-	-	-
Change in fund balance	(21,144.47)	(161,106.00)	(236,606.00)	215,461.53
Fund balance:				
Beginning of the year	528,087.32	528,087.32	528,087.32	-
End of the year	<u>\$ 506,942.85</u>	<u>\$ 366,981.32</u>	<u>\$ 291,481.32</u>	<u>\$ 215,461.53</u>

Other Schedules

**HEADWATERS GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED SEPTEMBER 30, 2023**

LAST TEN YEARS ENDED SEPTEMBER 30,	TAX RATE	ASSESSED VALUE FOR TAX PURPOSES (in thousands)	BEGINNING BALANCE 10/1/22	CURRENT YEAR TOTAL LEVY	ENTIRE YEAR'S ADJUSTMENTS	TOTAL COLLECTIONS	BALANCE 9/30/23
Prior years			\$ 2,945.98	\$	\$ 0.00	\$ 192.29	\$ 2,753.69
2014	.007400	4,129,978	725.50		0.00	53.45	672.05
2015	.007400	4,242,846	774.65		0.00	61.57	713.08
2016	.007400	4,508,221	917.10		0.02	66.27	850.81
2017	.007400	4,769,399	1,177.34		0.00	112.71	1,064.63
2018	.007400	4,883,801	1,348.98		9.22	121.41	1,218.35
2019	.007400	4,887,997	1,747.68		13.89	309.66	1,424.13
2020	.007400	5,250,141	2,547.37		(237.29)	848.27	1,936.39
2021	.007400	5,807,404	3,570.91		(211.38)	1,204.97	2,577.32
2022	.0072313	6,069,105	7,495.37		(27.30)	3,857.44	3,665.23
2023	.007003	7,166,466		501,866.23	3,374.84	491,024.72	7,466.67
			<u>\$ 23,250.88</u>	<u>\$ 501,866.23</u>	<u>\$ 2,922.00</u>	<u>\$ 497,852.76</u>	<u>\$ 24,342.35</u>