

HUDSPETH COUNTY UNDERGROUND WATER
CONSERVATION DISTRICT NO. 1

FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION

FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

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HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Hudspeth County Underground Water Conservation District No. 1 (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2023 and 2022. Please read it in conjunction with the District's financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

- The District's net position was \$974,302, \$953,892 and \$931,224 at December 31, 2023, 2022, and 2021. Net position increased because of the years' operations.
- During the year 2023, the District had expenses that were \$20,410 less than the \$257,366 generated in tax and other revenues for governmental operations. This compares to 2022 when revenues exceeded expenses by \$22,668 and 2021 where revenues exceeded expenses by \$4,995.
- Overall revenues increased by \$47,082 for 2023, increased by \$9,494 for 2022, decreased by \$11,424 for 2021. Individually, property taxes increased by \$30,651 during 2023, increased by \$14,646 during 2022, decreased by \$27,737 during 2021.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 4 to 6) provide information about the activities of the District and present a longer-term view of the District's finances. The governmental fund financial statements (on pages 7 and 8) tell how the governmental activities were financed in the short term as well as what remains for future spending.

Reporting the District as a Whole

Our analysis of the District begins on page i. One of the most important questions asked about the District's finances is, "Is the District, as a whole, better off, or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is like the accounting used by most private-sector companies. All the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position as the difference between assets and liabilities as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base, to assess the overall health of the District.

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

In the Statement of Net Position and the Statement of Activities, we report the District as one kind of activity:

- **Governmental activities** - All the District's basic services are reported here, primarily general administration. Property taxes finance most of these activities.

Reporting the District's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. The District's board establishes funds by resolution to help it control and manage money for a purpose, or to demonstrate that it is meeting legal responsibility ties for using certain money.

The following is a description of the accounting approach used in governmental funds:

Governmental Funds-All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent soon to finance the District's programs.

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**MANAGEMENT'S DISCUSSION AND ANALYSIS****THE DISTRICT AS A WHOLE**

The District's net position was \$974,302, \$953,892 and \$931,224 at December 31, 2023, 2022, and 2021. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

Table 1**Governmental Activities**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 793,960	\$ 769,893	\$ 738,507
Certificate of deposit	55,778	55,778	55,778
Capital assets	<u>131,695</u>	<u>138,152</u>	<u>145,979</u>
Total assets	<u>\$ 981,433</u>	<u>\$ 963,823</u>	<u>\$ 940,264</u>
Total Liability	\$ 7,131	\$ 9,931	\$ 9,040
Net Position			
Invested in Capital Assets	131,695	138,152	145,979
Unrestricted	<u>842,607</u>	<u>815,740</u>	<u>785,245</u>
Total net position	<u>\$ 974,302</u>	<u>\$ 953,892</u>	<u>\$ 931,224</u>

Net position of the District's governmental activities increased by 2.1 percent (\$974,302 compared to \$953,892) for 2023 and increased by 2.4 percent (\$953,892 compared to \$931,224) for 2022. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation or the other legal requirements, was \$842,607, \$815,740, and \$785,245 on December 31, 2023, 2022, and 2021.

This increase in unrestricted governmental net position arose primarily because of an increase in total assets during the year of \$17,610 and an increase \$23,559 for 2022 and an increase of \$15,266 for 2021, and a decrease in total liabilities during the year of \$2,800, an increase of \$891 for 2022 and decrease of \$20,261 for 2021, as shown in Table 1 above.

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**MANAGEMENT'S DISCUSSION AND ANALYSIS****Table 2**

	Governmental Activities		
	2023	2022	2021
Revenues			
General Revenues			
Property taxes	\$ 228,287	\$ 197,636	\$ 182,990
Other general revenues	<u>29,079</u>	<u>12,648</u>	<u>17,800</u>
Total revenues	<u>257,366</u>	<u>210,284</u>	<u>200,790</u>
Program Expenses			
Service operations			
Bad debts	-	-	-
Engineering consultant	37,200	15,440	39,760
Professional fees	-	-	-
Attorney fees	36,195	23,067	22,260
Appraisal district fees	11,841	10,526	11,356
Salaries	110,998	95,965	88,332
Payroll taxes	-	-	-
Travel and mileage	8,571	10,993	10,053
Utilities	5,056	4,641	4,218
Other general government expenses	<u>27,095</u>	<u>26,984</u>	<u>19,816</u>
Total expenses	<u>236,956</u>	<u>187,616</u>	<u>195,795</u>
Increase (decrease) in net position	<u>\$ 20,410</u>	<u>\$ 22,668</u>	<u>\$ 4,995</u>

As shown in Table 2 above, total revenues increased by \$47,082 from 2022 to 2023 and decreased by \$9,494 from 2021 to 2022.

As shown in Table 2 above, total expenses increased by \$49,340 from 2022 to 2023. Engineering consultant fees increased by \$21,760, professional fees did not change, attorney fees increased by \$13,128, appraisal district fees increased by \$1,315, salaries increased by \$15,033, travel and mileage decreased by \$2,422, utilities increased by \$415, and other general government expenses increased by \$111. Total expenses decreased by \$8,1792 from 2021 to 2022. Engineering consultant fees decreased by \$24,320, professional fees did not change, attorney fees increased by \$807, appraisal district fees decreased by \$830, salaries increased by \$7,716, travel and mileage increased by \$940, utilities increased by \$423, and other general government expenses increased by \$7,168.

Net position increased by \$20,410, \$22,668, and \$4,995 in 2023, 2022, and 2021. The net effect is that revenues increased by \$47,082 from 2022 to 2023, and expenses increased by \$49,340 from 2022 to 2023. Revenues increased by \$9,494 from 2021 to 2022, and expenses decreased by \$8,179 from 2021 to 2022. The net position was an overall increase when comparing 2023, 2022 and 2021.

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE DISTRICT'S FUNDS

The District's governmental funds reported a fund balance of \$630,198, \$583,699, and \$524,513 at December 2023, 2022, and 2021.

General Fund Budgetary Highlights

Some of the highlights of the budgeting process comparing actual revenues and expenditures to budgeted revenues and expenditures are as follows:

- Actual revenues were greater than budgeted revenues by \$82,532 for 2023. Actual revenues were greater than budgeted revenues by \$44,480 for 2022.
- Actual expenditures were less than budgeted expenditures by \$41,438 for 2023 and by \$80,841 for 2022 and \$81,752 for 2021.
- Actual revenues over expenditures were more than budgeted revenues over expenditures by \$123,972 for 2023 and \$125,241 for 2022 and \$91,046 for 2021.
- Since actual revenues were greater than budgeted revenues by \$24,128 for 2023, \$11,005 for 2022 and \$815 for 2021 and actual expenditures were less than budgeted expenditures by \$41,438 for 2023, \$80,841 for 2022 and \$81,752 for 2021, the budget variance shows a positive amount of \$123,972 for 2023, \$125,241 for 2022 and \$91,046 for 2021.

CAPITAL ASSETS

At the end of 2023, 2022 and 2021, the District had \$131,695, \$138,152 and \$145,949 invested in capital assets. This represented a net decrease of \$6,457, \$7,827 and \$7,903 for 2023, 2022 and 2021. Table 3 below shows the net capital assets for 2023, 2022, and 2021.

Table 3

Governmental Activities

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land and landscaping	\$ 15,860	\$ 15,860	\$ 15,860
Buildings and improvements	<u>115,835</u>	<u>122,292</u>	<u>130,119</u>
Totals	<u>\$ 131,695</u>	<u>\$ 138,152</u>	<u>\$ 145,979</u>

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Randy Barker, District Manager

Rene D. Peña, CPA
Melisa Cota Guevara, CPA
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hudspeth County Underground Water
Conservation District No. 1
Dell City, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Hudspeth County Underground Water Conservation District No. 1 as of and for the years ended December 31, 2023 and 2022, 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 the governmental activities and each major fund of Hudspeth County Underground Water Conservation District No. 1 as of December 31, 2023 and 2022, and the respective changes in financial position thereof for the years then ended in conformity 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 and *Government 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 and *Government 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 and budgetary comparison information on pages i-vi and 22-23 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, likely reading "PricewaterhouseCoopers", written in black ink.

El Paso, Texas
August 13, 2024

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 476,946	\$ 432,726
Prepaid expenses	2,937	2,937
Property taxes receivable, net	<u>314,077</u>	<u>334,230</u>
Total current assets	<u>793,960</u>	<u>769,893</u>
Noncurrent assets:		
Investment - Certificate of deposit	55,778	55,778
Land and landscaping	15,860	15,860
Capital assets, net of accumulated depreciation	<u>115,835</u>	<u>122,292</u>
Total noncurrent assets	<u>187,473</u>	<u>193,930</u>
Total assets	<u>\$ 981,433</u>	<u>\$ 963,823</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 5	\$ 2,414
Other accrued expenses	<u>7,126</u>	<u>7,517</u>
Total current liabilities	<u>7,131</u>	<u>9,931</u>
Total liabilities	<u>7,131</u>	<u>9,931</u>
NET POSITION		
Invested in capital assets, net of related debt	131,695	138,152
Unrestricted	<u>842,607</u>	<u>815,740</u>
Total net position	<u>974,302</u>	<u>953,892</u>
Total liability and net position	<u>\$ 981,433</u>	<u>\$ 963,823</u>

See independent auditor's report and notes to the financial statements.

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

	2023			Net (Expense) Revenue and Changes in Net Position
	Expenses	Program Charges for Services	Revenues Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT				
Governmental activities				
Service Operations				
Advertising	\$ 1,731	\$ -	\$ -	\$ (1,731)
Dues and subscriptions	2,697	-	-	(2,697)
Insurance	4,715	-	-	(4,715)
Engineering consultant	37,200	-	-	(37,200)
Attorney fees	36,195	-	-	(36,195)
Building maintenance, parts	3,428	-	-	(3,428)
Appraisal district fees	11,841	-	-	(11,841)
Election fees	150	-	-	(150)
Postage	158	-	-	(158)
Office supplies	3,561	-	-	(3,561)
Salaries and taxes	110,998	-	-	(110,998)
Pest control	540	-	-	(540)
Telephone	2,273	-	-	(2,273)
Travel and mileage	8,571	-	-	(8,571)
Utilities	5,056	-	-	(5,056)
Facilities and equipment, other	1,385	-	-	(1,385)
Depreciation	6,457	-	-	(6,457)
Total governmental activities	<u>236,956</u>	<u>-</u>	<u>-</u>	<u>(236,956)</u>
General revenues				
Property taxes				228,287
District fees				27,769
Other revenue				82
Interest income				<u>1,228</u>
Total general revenues, special items and transfers				<u>257,366</u>
Change in net position				20,410
Net position- beginning				<u>953,892</u>
Net position- ending				<u>\$ 974,302</u>

See independent auditor's report and notes to the financial statements.

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	2022			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Program Revenues Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT				
Governmental activities				
Service Operations				
Advertising	\$ 1,874	\$ -	\$ -	\$ (1,874)
Dues and subscriptions	1,657	-	-	(1,657)
Insurance	3,651	-	-	(3,651)
Engineering consultant	15,440	-	-	(15,440)
Attorney fees	23,067	-	-	(23,067)
Building maintenance, parts	3,149	-	-	(3,149)
Appraisal district fees	10,526	-	-	(10,526)
Election fees	275	-	-	(275)
Postage	72	-	-	(72)
Office supplies	4,145	-	-	(4,145)
Salaries and taxes	87,474	-	-	(87,474)
Pest control	540	-	-	(540)
Telephone	2,010	-	-	(2,010)
Temporary help	1,013	-	-	(1,013)
Travel and mileage	10,993	-	-	(10,993)
Utilities	4,641	-	-	(4,641)
Facilities and equipment, other	771	-	-	(771)
Depreciation	7,827	-	-	(7,827)
Total governmental activities	<u>187,616</u>	<u>-</u>	<u>-</u>	<u>(187,616)</u>
General revenues				
Property taxes				197,636
District fees				4,500
Other revenue				7,191
Interest income				957
Total general revenues, special items and transfers				<u>210,284</u>
Change in net position				22,668
Net position- beginning				931,224
Net position- ending				<u>\$ 953,892</u>

See independent auditor's report and notes to the financial statements.

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2023 AND 2022**

	General Fund	
	2023	2022
<u>ASSETS</u>		
Cash and cash equivalents	\$ 476,946	\$ 432,726
Investment - Certificate of deposit	55,778	55,778
Property taxes receivable, net	<u>139,438</u>	<u>137,872</u>
TOTAL ASSETS	<u>\$ 672,162</u>	<u>\$ 626,376</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 5	\$ 2,414
Other accrued expenses	<u>7,126</u>	<u>7,517</u>
Total liabilities	<u>7,131</u>	<u>9,931</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred property taxes	<u>34,442</u>	<u>32,746</u>
Total deferred inflows of resources	<u>34,442</u>	<u>32,746</u>
FUND EQUITY		
Unassigned	627,652	580,762
Nonspendable	<u>2,937</u>	<u>2,937</u>
Total fund equity	<u>630,589</u>	<u>583,699</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	<u>\$ 672,162</u>	<u>\$ 626,376</u>

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	General Fund	
	2023	2022
Revenues		
General revenues		
Property taxes	\$ 245,373	\$ 223,390
Interest income	1,228	957
District fees	27,769	4,500
Other revenue	82	7,191
Total Revenues	<u>274,452</u>	<u>236,038</u>
Expenditures		
Service operations		
Advertising	1,731	1,874
Dues and subscriptions	2,697	1,657
Insurance	4,715	3,651
Engineering consultant	37,200	15,440
Legal and professional fees	36,195	23,067
Building maintenance, parts	3,428	3,149
Appraisal district fees	8,904	7,589
Election fees	150	275
Postage	158	72
Office supplies	3,561	4,145
Salaries and taxes	110,998	95,965
Pest control	540	540
Telephone	2,273	2,010
Temporary help	-	1,013
Travel and milage	8,571	10,993
Utilities	5,056	4,641
Facilities and equipment, other	1,385	771
Total expenditures/expenses	<u>227,562</u>	<u>176,852</u>
Excess (deficiency) of revenues over expenditures	46,890	59,186
 Fund balance - Beginning	 583,699	 524,513
Fund balance - Ending	<u>\$ 630,589</u>	<u>\$ 583,699</u>

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFERENT BECAUSE:		
Total Funds balances of governmental funds in the balance sheet	\$ 630,589	\$ 583,699
Certain assets are not due and receivable in the current period and, therefore, are not reported in the governmental funds:		
Property taxes receivable, net	209,081	229,104
Prepaid expenses	2,937	2,937
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	237,488	237,488
Less accumulated depreciation	(105,793)	(99,336)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Accrued expenses	<u>-</u>	<u>-</u>
NET POSITION, GOVERNMENTAL ACTIVITIES	<u>\$ 974,302</u>	<u>\$ 953,892</u>

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO.1

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:		
Net changes in fund balance- governmental funds	\$ 46,890	\$ 59,186
Property taxes are reported as income in the governmental funds on the modified accrual basis, but are reported as income in the statement of net position on the full accrual basis.	(17,086)	(25,754)
Certain expenses are reported as an expense in the governmental funds on the modified accrual basis, but are reported as an expense in the statement of activities on the full accrual basis:		
Appraisal district fees	(2,937)	(2,937)
Depreciation expense on capital assets is not reported in the governmental funds, but is reported as an expense in the statement of activities.	(6,457)	(7,827)
Capital assets purchases are reported in the governmental funds as capital outlay expenditures, but are not reported as an expense in the statement of activities.	<u>-</u>	<u>-</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 20,410</u>	<u>\$ 22,668</u>

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

1. THE FINANCIAL REPORTING ENTITY

Hudspeth County Underground Water Conservation District No. 1 (the District) was created under section 59, Article XV I, Texas Constitution, that has the authority to regulate the spacing of water wells, the production from water wells, or both. The District was created to protect and manage groundwater. The basic operations of the District are financed by taxes levied on property owners and by the issuance of well permits. The District operates under a board of directors. The members of this board are elected for four-year terms.

2. SUMMARY OF ACCOUNTING POLICIES AND BASIS OF ACCOUNTING

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The Reporting Entity

The District, for financial purposes, records all its transactions in the general operating fund relevant to the operations of the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all activities of the District. There are no fiduciary or business-type activities conducted by the District. All activities of the District are governmental in nature and are supported by taxes and other non-exchange transactions.

Measurement Focus, Basis of Accounting, and Financial 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

2. SUMMARY OF ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Continued)

Measurement Focus, Basis of Accounting, and Financial Presentation (Continued)

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Grants and entitlement and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized, if applicable, as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

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 governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. For the District, the General Fund is used to account for all financial resources of the District, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Texas and the by-laws of the District.

Reservations of Fund Balance

Beginning with fiscal year 2013, the District implemented GASB statement No. #4, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

2. SUMMARY OF ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Continued)

Reservations of Fund Balance – (Continued)

The following classifications describe the relative strength of the spending constraints:

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

Assigned fund balance - amounts that can only be spent for specific purposes determined by a formal action of the Board of Directors, as well as funds that have been assigned to fund encumbered expenses. If assigned and unassigned assets are available for the same purpose, the assigned assets will be used before unassigned assets. At December 31, 2023 and 2022, no amounts were assigned by the District.

Committed fund balance - amounts that can be spent only for specific purposes determined by documentation prepared in accordance with the actions by the Board of Directors, the District's highest level of decision-making authority. At December 31, 2023 and 2022, no amounts were committed by the District.

Restricted fund balance - amounts can be spent only for specific purposes because of constraints imposed by external providers (such as grantors). At December 31, 2023 and 2022, no amounts are restricted by external providers.

Nonspendable fund balance - amounts cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained. At December 31, 2023 and 2022 the District had fund balances in non-spendable form (prepaid amounts) of \$2,937.

Net Position - Equity is classified as net position and displayed in three components

- 1) *Net investment in capital assets, net of related debt* - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- 2) *Restricted net position* - consists of net position with constraints placed on their use either by a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or b) law through constitutional provisions or enabling legislation.
- 3) *Unrestricted net position* - all other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

2. SUMMARY OF ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Continued)

Revenues - Exchange and Non - Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end. Under the modified accrual basis, interest and charges for services are both measurable and available at fiscal year-end.

Non-exchange transactions in which the District receives value without directly giving value in return, includes grants and donations, if any. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Cash and Cash Equivalents and Investments

For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the District are cash equivalents. Investments with an original maturity of more than three months are reported as investments. Investments are recorded at fair value, which is based on quoted market prices.

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

2. SUMMARY OF ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Continued)

Property Taxes

The tax roll from the Hudspeth Appraisal District reflected an assessed value of \$69,755,363 and \$68,147,269 for the years ended December 31, 2023 and 2022, respectively. Taxes are due upon receipt of the tax bill and are delinquent if not paid by January 31 of the year following in which levied. On January 1 of each year a tax line attaches to Property to secure the payment of tax revenues, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable in the current period. The District's tax rate was \$.2788 per \$100 of assessed valuation for 2023 and 2022. The District incurred expenditures of \$11,841 and \$10,526 for the services provided by the Hudspeth Appraisal District for the years ended December 31, 2023 and 2022, respectively.

Use of 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.

Capital Assets

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are recorded at cost (or estimated historical cost) if purchased or constructed and updated for additions and retirements during the year. Donated capital assets are recorded at estimated fair market value at the date of the donation. The District does not maintain a capitalization threshold. Infrastructure and 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 capitalized.

Depreciation is determined using the straight-line method over the following estimated useful lives of the capital assets:

	Estimated Life
Building and improvements	40 Years
Machinery and equipment	3-10 Years
Furniture and Fixtures	7-10 Years

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

2. SUMMARY OF ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Continued)

Allowance for doubtful accounts

Property taxes receivable are stated net of an allowance for doubtful accounts. Management periodically evaluates the collectability of its property taxes receivable. The allowance for doubtful accounts amounts to \$20,000 at December 31, 2023 and 2022, respectively, although delinquent taxes attach to the property as an enforceable lien for a limited period of time.

New Pronouncements

Effective for fiscal year 2023, the District implemented the following pronouncements:

GASB Statement No. 99

GASB Statement No. 99, *Omnibus 2022*, the requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022 and requirements related to financial guarantees and the classifications and reporting of derivatives instruments within the scope of Statement 53, effective for fiscal year beginning after June 15, 2023. The District had no leases, PPPs, SBITAs, or derivatives as of December 31, 2023.

GASB Statement No. 96

GASB Statement No. 96, *Subscription-Based Information Technology Agreements*, effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District had no Subscription-Based Information Technology Agreements as of December 31, 2023.

GASB Statement No. 94

GASB Statement No. 94, *Public-Private and public-public partnerships and availability of payment*, effective for fiscal years beginning after June 15, 2022. The District had no S Public-Private and public-public partnerships and availability of payment as of December 31, 2023.

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

3. DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

Statutes require the classification of funds held by the District into three categories:

Category 1 consists of "active funds" - those funds required to be kept in "cash" or "near cash" status for immediate use by the District. Such funds must be maintained as cash, withdrawal on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two-year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 1) Commercial paper;
- 2) Bankers' acceptances;
- 3) Repurchase agreements;
- 4) Certificates of deposit; and
- 5) Obligation of, or guaranteed by governmental agencies, such as letters of credit or direct obligations.

Investments

The investments are categorized to give an indication of the level of risk assumed by the District as of fiscal year-end. The categories are described as follows:

Category 1 - Insured or registered, with securities held by the District or its agent in the District's name.

Category 2 - Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name.

Category 3 - Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the District's name.

Cash is classified as Investment Category 1 with a carrying amount of \$476,946 and \$432,726 for 2023 and 2022, respectively. The District's only investments are in certificates of deposit with maturity dates of one year in the amount of \$ 55,778 for 2023 and 2022.

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk- The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

Credit Risk- State law limits investments to the type described above. However, the District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk- The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk Deposits- Custodial Credit Risk is the risk that in the event of bank failure, the District deposits may not be returned to it. At December 31, 2023 and 2022, the carrying amount of the District's cash deposits was \$477,715 and \$432,726, respectively. The Federal Depository Insurance Corporation (FDIC) insures balances up to \$250,000 per banking institution. The District's cash deposits at December 31, 2023 and 2022 and during the years then ended were entirely covered by FDIC Insurance or by pledged collateral held by the District's agent bank in the District's name. The pledged collateral market value was \$900,000 at December 31, 2023 and \$875,000 at December 31, 2022.

4. PROPERTY TAX RECIVABLE, NET

Property taxes receivable, net, is summarized at December 31, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Property taxes receivable, current	\$ 139,438	\$ 137,872
Property taxes receivable, delinquent	<u>194,639</u>	<u>216,358</u>
	334,077	354,230
Less allowance for doubtful accounts	<u>(20,000)</u>	<u>(20,000)</u>
Property taxes receivable, net	<u>\$ 314,077</u>	<u>\$ 334,230</u>

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

5. CAPITAL ASSETS

Capital assets include land, buildings, building improvements, machinery and equipment, and furniture and fixtures that are used in operations and that have internal useful lives extending beyond a single reporting period.

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance December 31, 2022	Additions	Disposals	Balance December 31, 2023
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Landscaping	<u>10,860</u>	<u>-</u>	<u>-</u>	<u>10,860</u>
Total capital assets not being depreciated	<u>15,860</u>	<u>-</u>	<u>-</u>	<u>15,860</u>
Capital assets being depreciated				
Building and improvements	155,361	-	-	155,361
Machinery and improvements	41,928	-	-	41,928
Furniture and fixtures	<u>24,339</u>	<u>-</u>	<u>-</u>	<u>24,339</u>
Total capital assets being depreciated	<u>221,628</u>	<u>-</u>	<u>-</u>	<u>221,628</u>
Less: accumulated depreciation for				
Buildings and improvements	40,171	3,878	-	44,049
Machinery and improvements	41,608	318	-	41,926
Furniture and fixtures	<u>17,557</u>	<u>2,261</u>	<u>-</u>	<u>19,818</u>
Total accumulated depreciation	<u>99,336</u>	<u>6,457</u>	<u>-</u>	<u>105,793</u>
Capital assets being depreciated, net	<u>122,292</u>	<u>(6,457)</u>	<u>-</u>	<u>115,835</u>
Governmental activities capital assets, net	<u>\$ 138,152</u>	<u>\$ (6,457)</u>	<u>\$ -</u>	<u>\$ 131,695</u>

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

5. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance December 31, 2021	Additions	Disposals	Balance December 31, 2022
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Landscaping	<u>10,860</u>	<u>-</u>	<u>-</u>	<u>10,860</u>
Total capital assets not being depreciated	<u>15,860</u>	<u>-</u>	<u>-</u>	<u>15,860</u>
Capital assets being depreciated				
Building and improvements	155,361	-	-	155,361
Machinery and improvements	41,928	-	-	41,928
Furniture and fixtures	<u>24,339</u>	<u>-</u>	<u>-</u>	<u>24,339</u>
Total capital assets being depreciated	<u>221,628</u>	<u>-</u>	<u>-</u>	<u>221,628</u>
Less: accumulated depreciation for				
Buildings and improvements	36,293	3,878	-	40,171
Machinery and improvements	39,920	1,688	-	41,608
Furniture and fixtures	<u>15,296</u>	<u>2,261</u>	<u>-</u>	<u>17,557</u>
Total accumulated depreciation	<u>91,509</u>	<u>7,827</u>	<u>-</u>	<u>99,336</u>
Capital assets being depreciated, net	<u>130,119</u>	<u>(7,827)</u>	<u>-</u>	<u>122,292</u>
Governmental activities capital assets, net	<u>\$ 145,979</u>	<u>\$ (7,827)</u>	<u>\$ -</u>	<u>\$ 138,152</u>

Total depreciation expense charged at December 31, 2023 and 2022 was \$6,457 and \$7,827, respectively.

6. COMMITMENTS AND CONTINGENCIES

As of December 31, 2023 and 2022, the District did not have any claims, pending litigation, or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

7. DEFERRED INFLOW OF RESOURCES

Unavailable revenues in the amount of \$34,442 and \$32,746 at December 31, 2023 and 2022, respectively, represent property tax revenue that was not received within 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unavailable revenue received 60 days after year-end is fully recognized as revenue on the government-wide statements. Unavailable revenue at the government-wide level arises only when the District receives resources before it has a legal claim to them and is reported as deferred revenue.

8. SUBSEQUENT EVENTS

Subsequent events were evaluated through August 13, 2024, which is the date the financial statements were available to be issued, and there were no reportable events noted.

9. NEW ACCOUNTING PRONOUNCEMENTS

The following are the new Governmental Accounting Standards Board (GASB) Statements that have future implementation dates. The District has not early implemented, nor has it completed the process of evaluating the impact on its financial position that will result from adopting the listed Governmental Accounting Board Statements listed below:

GASB Statement No. 103

GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 102

GASB Statement No. 102, *Certain Risk Disclosures*, effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 101

GASB Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023 and reporting periods thereafter.

GASB Statement No. 100

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, effective for fiscal years beginning after June 15, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**BUDGETARY COMPARISON SCHEDULE- GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2023**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenue				
Tax Assessments	\$ 183,881	\$ 183,881	\$ 245,373	\$ 61,492
Interest Income	897	897	1,228	331
District fees	-	-	27,769	27,769
Income from Hudspeth County General Funds	7,140	7,140	82	(7,058)
Total revenues	191,918	191,918	274,452	82,534
Expenditures/expenses				
Service operations				
Advertising and Notice Expense	2,500	2,500	1,731	769
Insurance, Postage, Shipping, Small Items, and other Miscellaneous Items	5,500	5,500	6,258	(758)
Engineering and Technical Reports and Plans	10,000	10,000	37,200	(27,200)
Legal Fees and Professional Expense	30,000	30,000	36,195	(6,195)
Flow Meter Hardware	-	-	-	-
Hudspeth County Appraisal District and Other Fees	11,000	11,000	8,904	2,096
Office Supplies and Computer Expense	2,500	2,500	3,561	(1,061)
Salaries and taxes	114,400	114,400	110,998	3,402
Building Maintenance and Repairs	5,000	5,000	3,428	1,572
Utilities and Pest Control	8,500	8,500	5,596	2,904
Temporary Help	-	-	-	-
Election expense	7,000	7,000	150	6,850
Travel and Mileage Expense	4,000	4,000	8,571	(4,571)
General Manager Mileage Expense	7,500	7,500	-	7,500
Administrative Assistant Mileage	2,000	2,000	-	2,000
Other Employee Mileage	3,000	3,000	-	3,000
Directors fees	2,000	2,000	-	2,000
Financial Audits	25,000	25,000	-	25,000
Flow meter Technical Assistance and Database Progr	2,500	2,500	-	2,500
Technical Assistance with Permit Amendments	15,000	15,000	-	15,000
Cell Phone Telemetry Systems Hardware	2,000	2,000	2,273	(273)
Water Level Sensors	4,000	4,000	-	4,000
Installation, Calibration, and Programming Support for Water Level Sensors	4,000	4,000	-	4,000
Cellular Modem Monthly Fees	600	600	-	600
Membership fees	1,000	1,000	2,697	(1,697)
Landscape-Fence-Guardrail	-	-	-	-
Capital Outlay	-	-	-	-
Total expenditures/expenses	269,000	269,000	227,562	41,438
Excess (deficiency) of revenues over expenditures	(77,082)	(77,082)	46,890	123,972
Fund balance				
Beginning of the year	583,699	583,699	583,699	-
End of the year	\$ 506,617	\$ 506,617	\$ 630,589	\$ 123,972

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**NOTES TO BUDGETARY COMPARISON SCHEDULE
DECEMBER 31, 2023 AND 2022**

1. BUDGET PROCESS

The budgetary process is prescribed by provisions of Title 2, Chapter 36 of the Texas Water Code and requires the annual preparation of a budget.

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the way revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statement and on the full accrual basis on the government-wide statements.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

**To the Board of Directors of
Hudspeth County Underground Water Conservation District No. 1
Dell City, Texas**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the aggregate remaining fund information of Hudspeth County Underground Water Conservation District No. 1, (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 13, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-01 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2023-01.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



August 13, 2024
El Paso, Texas

HUDSPETH COUNTY UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2023**

Section II – Summary Financial Statement Findings

2022-01 – State Compliance - Required Financial Audit

Criteria: Under the Texas Water Code, Section 49.194, subsection (a), a water district's audit report, approved by the Board of Directors, must be filed with the Texas Commission on Environmental Quality (TCEQ) within 135 days after the close of the district's fiscal year.

Condition Found: The District did not submit its fiscal year 2021-2023 audit reports to the Texas Commission on Environmental Quality (TCEQ) within 135 days after the end of its fiscal year as required by the Texas Water Code, Section 49.194 subsection (a).

Cause: The District was late in preparation of information for the completion of the annual audit.

Effect: The District is not in compliance with the Texas Water Code, Section 49.194, subsection (a).

Repeat Finding: Yes.

Recommendation: We recommend that the District ensure that future audit reports are filed within the period required by applicable statutes.

Current Status: The District is fully capable of fulfilling the compliance requirements of the Texas Water Code in future years.

View of Responsible Official: See Auditee corrective action plan.

STATUS OF PRIOR YEAR FINDINGS

2022-01 – State Compliance - Required Financial Audit
Refer to Compliance Finding 2301-01 above.

2023 CORRECTIVE ACTION PLAN

To be provided by Auditee on their letterhead and include responses for:

2022-01 - State Compliance - Required Financial Audit



Hudspeth County Underground Water Conservation

District No. 1

P. O. Box 212

105 Dodson Street

Dell City, Texas 79837

(915) 964-2932

hcuwcd1@hcuwcd1.org

<https://hcuwcd1.org>

Monday – Wednesday, 9 a.m.–3:00 p.m.

August 13, 2024

PROPOSED CORRECTIVE ACTION PLAN

The District is in agreement with the auditor's findings. The following implementation will ensure future audit reports are filed in a timely matter:

- Set up a calendar of events scheduling activities and tasks for monthly closing entries
- Create timely reports after closing of each month
- Reconcile transactions throughout the month
- Complete adjusting entries monthly
- Validate year end entries

I, Della Tavarez, as Administrative Assistant, will implement the corrective action plan hereupon effective FY2023.

Della Tavarez
Administrative Assistant

Hudspeth County Underground Water Conservation District No. 1
Five Year Financial Summary
Years Ended September 30, 2023, 2022, 2021, 2020 and 2019

	<u>2023</u>	<u>2022</u>	<u>December 31, 2021</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS	\$ 793,960	\$ 769,893	\$ 738,507	\$ 801,648	\$ 875,047
TOTAL ASSETS	981,433	963,823	940,264	955,530	1,033,265
CURRENT LIABILITIES	7,131	9,931	9,040	29,301	22,762
TOTAL LIABILITIES	7,131	9,931	9,040	29,301	22,762
NET ASSETS	974,302	953,892	931,224	926,229	1,010,503
REVENUE	257,366	210,284	200,790	Unknown	206,545
EXPENSES	236,956	187,616	195,795	Unknown	111,394
TOTAL INCREASE (DECREASE) IN NET ASSETS	20,410	22,668	4,995	(84,274)	95,151