

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Audited Financial Statements

For the Year Ended September 30, 2023

and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Clearwater Underground Water Conservation District
Belton, TX

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Clearwater Underground Water Conservation District, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Clearwater Underground Water Conservation District, as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Clearwater Underground Water 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 Clearwater Underground Water 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 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 Clearwater Underground Water 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 Clearwater Underground Water 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 on pages 3–7 and 19 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 Texas supplementary information section 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2024, on our consideration of Clearwater Underground Water Conservation 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 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 Clearwater Underground Water Conservation 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 Clearwater Underground Water Conservation District's internal control over financial reporting and compliance.

Ludwin, Montoya, & Stapp, PC

Temple, Texas
February 12, 2024

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Management's Discussion and Analysis

For the Year Ended September 30, 2023

In this section of the annual financial report, we, the managers of Clearwater Underground Water Conservation District (the District), discuss and analyze the District's financial performance. Please read it in conjunction with the independent auditors' report on page 1 and the District's basic financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The District's net position decreased by \$3,031 as a result of this year's operations.
- The ending net position was \$1,468,743.
- During the year, the District had expenses that were \$3,031 more than the \$861,427 generated in revenues.
- Total costs of all the District's programs were \$864,458.
- The resources available for appropriation were \$26,783 more than budgeted due to an over budgeting of administrative, compensation and benefits, Clearwater studies, legal and professional and other operating expenses offset by an over budgeting of revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: (1) Management's Discussion and Analysis (this section), (2) government-wide and fund financial statements, and (3) notes to the financial statements. The government-wide and fund financial statements include the statement of net position and governmental fund balance sheet and the statement of activities and governmental fund revenues, expenditures, and changes in fund balance (on pages 8 and 9). The government-wide and fund financial statements are presented together because the District has only one fund. These provide information about the activities of the District as a whole. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The notes to the financial statements, starting on page 10, provide narrative explanations or additional data needed for full disclosure in the government-wide statements and fund financial statements. This report also contains the budgetary comparison schedule as required supplementary information in addition to the government-wide and fund financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements use the economic resources measurement and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flow.

The statement of net position presents information on all of the District's position and liabilities, with the difference between the two reported as net position. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well. The analysis of the District's overall financial condition and operations begins on page 8.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Management's Discussion and Analysis

For the Year Ended September 30, 2023

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The statement of activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

These two statements report the District's net position and changes in them.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one fund, namely the general fund.

The general fund is a governmental fund used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

The District maintains one general fund in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance.

Because the focus of the general fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the general fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the general fund balance sheets and the general fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the general fund and governmental activities. The general fund financial statements are shown in conjunction with the government-wide financial statements on pages 8 and 9.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 through 18 of this report.

REQUIRED SUPPLEMENTARY INFORMATION

The budgetary comparison schedule is presented for purposes of additional analysis as required by accounting principles generally accepted in the United States of America. The schedule can be found on page 19 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District implemented GASB 34 during the fiscal year ended September 30, 2004. The following analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental fund activities.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Management's Discussion and Analysis

For the Year Ended September 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net position of the District's governmental activities decreased from \$1,471,774 to \$1,468,743. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$1,027,867 at September 30, 2023.

The District's total revenues increased by \$60,630. The cost of all governmental activities this year was \$864,458 compared to \$749,620. Therefore, revenues and expenses both had increases.

Table I
Clearwater Underground Water Conservation District

Net Position		
	Governmental Activities 2023	Governmental Activities 2022
Assets:		
Cash	\$ 1,023,049	\$ 1,003,949
Taxes receivable	22,628	17,804
Accounts receivable	1,528	-
Capital assets - net of depreciation	440,876	469,152
Total Assets	1,488,081	1,490,905
 Liabilities:		
Current	19,338	19,131
Total Liabilities	19,338	19,131
 Net Position		
Unrestricted	1,027,867	1,002,622
Net investment in capital assets	440,876	469,152
Total Net Position	\$ 1,468,743	\$ 1,471,774

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
 Management's Discussion and Analysis
 For the Year Ended September 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Table II
Clearwater Underground Water Conservation District
Changes in Net Position

	Governmental Activities 2023	Governmental Activities 2022
Revenues		
Property taxes	\$ 791,897	\$ 760,441
Permits and other fees	8,924	12,736
Interest income	60,606	8,542
Gain on sale of assets	-	19,078
Total Revenues	861,427	800,797
Expenses		
Operating expenses	864,458	749,620
Total Expenses	864,458	749,620
Increase (decrease) in net position	(3,031)	51,177
Net position - beginning of the year	1,471,774	1,420,597
Net position - end of the year	\$ 1,468,743	\$ 1,471,774

FUND FINANCIAL ANALYSIS

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the year.

As the District completed the current year, its governmental fund, which consists of one general fund, as presented in the governmental fund balance sheet on page 8 reported an ending fund balance of \$1,024,577, which is \$26,783 higher than last year's total of \$997,794. The District's major source of revenue is property taxes. The fund balance represents funds available for operations.

The District's general fund balance of \$1,024,577 reported on page 19 differs from the General Fund's budgetary fund balance of \$997,794 reported on the same schedule. This is principally due to expenses being under budget offset by revenues being over budgeted.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Management's Discussion and Analysis

For the Year Ended September 30, 2023

CAPITAL ASSETS

At the end of fiscal year 2023, the District had \$440,876 invested in building, land and equipment, net of accumulated depreciation. During the year ended September 30, 2023, there were no additions or disposals.

DEBT

The District had no debt during the year or at year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's board considered many factors when setting the 2024 budget. One of the factors was the appraisal value of property. Additionally, the economy and population growth were considered.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances and to show the District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the District's business office, Clearwater Underground Water Conservation District, 700 Kennedy Ct., P.O. Box 1989, Belton, TX 76513.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Statement of Net Position and Governmental Fund Balance Sheet

September 30, 2023

	General Fund	Adjustments (Note 11)	Statement of Net Position
Assets			
Current Assets:			
Cash and cash equivalents	\$ 20,578	\$ -	\$ 20,578
Temporary investments	1,002,471	-	1,002,471
Taxes receivable, net of allowance of \$-0-	22,628	-	22,628
Accounts receivable, net of allowance of \$-0-	1,528	-	1,528
Total Current Assets	1,047,205	-	1,047,205
Noncurrent Assets:			
Capital assets not being depreciated			
Land	-	29,059	29,059
Capital assets being depreciated			
Building and equipment, net of accumulated depreciation	-	411,817	411,817
Total Capital Assets, net	-	440,876	440,876
Total Noncurrent Assets	-	440,876	440,876
Total Assets	<u>\$ 1,047,205</u>	<u>440,876</u>	<u>1,488,081</u>
Liabilities			
Compensated absences	-	19,338	19,338
Total Liabilities	-	19,338	19,338
Deferred Inflows of Resources			
Unavailable revenue - property taxes	22,628	(22,628)	-
Total Deferred Inflows of Resources	22,628	(22,628)	-
Fund Balance			
Unassigned	1,024,577	(1,024,577)	-
Total Fund Balance	1,024,577	(1,024,577)	-
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 1,047,205</u>		
Net Position			
Unrestricted		1,027,867	1,027,867
Net investment in capital assets		440,876	440,876
Total Net Position		<u>\$ 1,468,743</u>	<u>\$ 1,468,743</u>

The accompanying notes are an integral part of these financial statements.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended September 30, 2023

	General Fund	Adjustments (Note 11)	Statement of Activities
Revenues			
Property taxes	\$ 793,226	\$ (1,329)	\$ 791,897
Permits and other fees	8,924	-	8,924
Interest and other income	60,606	-	60,606
	<u>862,756</u>	<u>(1,329)</u>	<u>861,427</u>
Expenditures			
Administrative	39,731	-	39,731
Clearwater studies	219,122	-	219,122
Compensation and benefits	303,500	209	303,709
Depreciation	-	28,276	28,276
Directors fees	7,050	-	7,050
Educational outreach	19,620	-	19,620
Facility costs	21,877	-	21,877
Legal and professional	87,332	-	87,332
Other operating expenses	91,667	-	91,667
Payroll taxes	20,953	-	20,953
Spring flow gauge system	16,300	-	16,300
Utilities	8,821	-	8,821
	<u>835,973</u>	<u>28,485</u>	<u>864,458</u>
Excess of revenues over expenditures	26,783	(26,783)	-
Change in net position	-	(3,031)	(3,031)
Fund balance/net position:			
Beginning of year	997,794	473,980	1,471,774
End of year	<u>\$ 1,024,577</u>	<u>\$ 444,166</u>	<u>\$ 1,468,743</u>

The accompanying notes are an integral part of these financial statements.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

1. Nature of Activities

The Clearwater Underground Water Conservation District (the "District") was created in 1989 by the Texas State Legislature and resolution of the Commissioners Court of Bell County, Texas, in order to carry out groundwater management in Bell County. The purpose of the District is to develop and implement an efficient, economical and environmentally sound groundwater management program to protect and enhance the water resources of the District. The District is governed by a five member Board of Directors ("the Board") elected by the qualified voters within the boundaries of the District.

2. Summary of Significant Accounting Policies

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements of Clearwater Underground Water Conservation District.

The District is a governmental entity with its principal office in Belton, Texas from which it oversees groundwater management in Bell County. Principal revenues are property taxes and permit fees. The board of directors constitutes an on-going entity and is the level of government which has governance responsibilities over all activities.

Reporting Entity

The District has developed criteria to determine if the activities of any outside agencies or organizations should be included within its financial statements. The criteria includes the amount of oversight responsibility exercised by the District over the activities of an agency or organization, the scope of public service of an agency or organization, and the nature of any special financing relationships which may exist between the District and an agency or organization. Oversight responsibility includes financial interdependency, selection of the governing authority, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The District's financial statements include all funds over which the District exercises oversight responsibility. The District does not exercise oversight responsibility over any other reporting entity. Also, the District is not included as a part of any other reporting entity.

Government-wide and Fund Financial Statements

The statement of net position and the statement of activities are government-wide financial statements. They report information on all of Clearwater Underground Water Conservation District. The fund financial statements provide reports on the financial condition and results of operations for one fund category - governmental.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

2. Summary of Significant Accounting Policies (Continued)

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

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Clearwater Underground Water Conservation District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of permit and other fees and property taxes. These revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Cash and Cash Equivalents

Cash and cash equivalents includes all short-term liquid investments convertible into cash and includes cash and money market accounts with an original maturity of less than three months.

Taxes Receivable

Taxes receivable are the amount of ad-valorem taxes which have been collected for the District by the various county tax assessor-collectors which were remitted to the District during the ensuing sixty day period. The assessment and collection of these taxes has been handled solely by the counties involved.

Capital Assets

Capital assets, which include office equipment and furniture, are reported in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Equipment	5-15 years
Building and Improvements	10 – 40 years

2. Summary of Significant Accounting Policies (Continued)

Budget

The Board of Directors prepared and formally adopted an annual budget prior to the disbursement of funds.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fund Accounting

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund. It accounts for all financial resources of the District.

Clearwater Underground Water Conservation District does not have any long-term debt for the year ended September 30, 2022.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement, known as the "Reporting Model" statement, affects the way the District prepares and presents financial information in addition to requiring the presentation of the Clearwater Underground Water Conservation District's Management's Discussion and Analysis (MD&A). MD&A is considered to be required supplementary data and precedes the financial statements.

GASB 34 provides that special-purpose governments engaged in a single governmental program may combine the fund financial statements and the government-wide financial statements. The District has elected to present its financial statements under this combined approach.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

To conform to the requirements of GASB 34, the following changes have been made to the Clearwater Underground Water Conservation District's financial statements:

- Fund balance has been reclassified into the following category of net position: Unrestricted and Net Investment in Capital Assets.
- The balance sheet has been modified to report a statement of net position.
- The balance sheet was adjusted for net capital assets of \$440,876 and compensated absences of \$19,338 on the statement of net position.
- The statement of revenues, expenditures, and changes in fund balance has been modified to report a statement of activities with operating and non-operating revenues and expenses.
- The statement of revenues, expenditures, and changes in fund balance was adjusted by \$28,276 for depreciation, \$209 for increases in compensated absences and \$1,329 for decreases in property taxes.

Deferred Outflows/Inflows

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time. A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

3. Deposits and Investments

The District is required by Government Code Chapter 2256, *The Public Funds Investment Act*, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("the Act") requires an annual audit of investment policies. Audit procedures in this area conducted as a part of the audit of the financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

3. Deposits and Investments (Continued)

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

Additional Contractual Provisions governing deposits and investments are as follows:

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

At September 30, 2023, the bank balance of the District was \$84,814 with \$-0- of deposits in excess of FDIC coverage.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

- a. **Credit Risk** - Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are related as to credit quality.

The Clearwater Underground Water Conservation District does not invest in debt securities.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. TexPool is rated AAA by Standard and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

- b. **Custodial Credit Risk** - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

3. Deposits and Investments (Continued)

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agency but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

- c. Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District had no positions of 5% or more in the securities of a single issuer.

The District's undesignated temporary investments at September 30, 2023, are shown below:

	<u>Carrying Amount</u>	<u>Fair Value</u>
TexPool	\$ 1,002,471	\$ 1,002,471
	<u>\$ 1,002,471</u>	<u>\$ 1,002,471</u>

- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an instrument. At year end, the District was not exposed to foreign currency risk.

4. Capital Assets

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

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Balance - October 1, 2021	\$ 738,540	\$ (269,388)	\$ 469,152
Additions	-	(28,276)	(28,276)
Disposals	-	-	-
	<u>\$ 738,540</u>	<u>\$ (297,664)</u>	<u>\$ 440,876</u>

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

5. Long-Term Debt

The District has no long-term debt.

6. Risk Management

The District is exposed to various risks of loss related to torts, thefts, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year and there were no settlements exceeding insurance coverage.

7. Property Taxes

Clearwater Underground Water Conservation District has contracted with the Tax Appraisal District of Bell County for the assessment and collection of taxes. By September 1 of each year, the rate of taxation is set by the board of directors based upon the valuation of property within the District as of January 1. Taxes are due October 1, and become delinquent after January 31 of the following year.

8. Employee Benefits

a. Annual Leave

Annual leave (vacation) is a benefit provided to eligible, full-time, employees of the District. A full-time employee is one who is regularly scheduled to work thirty to forty hours per week. Annual leave is accrued at eight hours per pay period immediately upon employment but cannot be taken until the employee has reached the one hundred eighty (180) day probationary period. The accrual maximum is twelve days for an employee with up to five years of continuous service. After five years, an employee is entitled to accrue an additional three days for a total of fifteen days per year. An employee may carry-over leave up to a maximum of twenty-four days per fiscal year. Remaining accrued leave is payable up separation. Accrued compensated absences for September 30, 2023 was \$19,338.

b. Sick Leave

A full-time employee, as previously defined, is entitled to six days per year. Accrual of sick leave is at four hours prepay period and a full-time employee can accumulate up to twelve days with carry-over. Upon termination of employment, no accumulated sick leave will be paid and therefore, no accrual is recorded.

c. Retirement Plan

The District has established a Governmental 457 Deferred Compensation Plan as their retirement plan for full-time eligible employees. UMB Bank, N.A. is designated as trustee and Security Financial Resources, Inc. is the plan service provider. The District agrees to match employee contributions at 100% of the first 3% and 50% of the next 3% for a maximum match of up to 4.5% depending on the contribution of the employee. As of September 30, 2023, the employer match was \$10,678.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Notes to the Financial Statements

For the Year Ended September 30, 2023

9. Litigation

At September 30, 2023, the District was not involved in any litigation.

10. Management Review of Subsequent Events

Management has evaluated subsequent events through February 12, 2024, the date on which the financial statements were available to be issued.

11. Reconciliation to Government-Wide Statements

Total fund balance - total governmental funds	\$ 1,024,577
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in government activities are not financial resources; therefore, they are not reported in the funds.	440,876
Compensated absences are not a current requirement of resources and therefore are not accrued in the general fund.	(19,338)
Deferred inflows of resources are potential revenue that do not meet the "measurable" and "available" criteria; therefore, it is reported in the funds.	<u>22,628</u>
Total net position	<u>\$ 1,468,743</u>

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
 Notes to the Financial Statements
 For the Year Ended September 30, 2023

11. Reconciliation to Government-Wide Statements (Continued)

Net change in fund balance - total governmental funds	\$ 26,783
Amounts reported for governmental activities in the statement are different because:	
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.	(1,329)
Adjustment made to compensated absences	(209)
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$28,276 was more than capital outlays of \$-0-.	<u>(28,276)</u>
Change in net position	<u>\$ (3,031)</u>

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

For the Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 826,578	\$ 826,578	\$ 793,226	\$ (33,352)
Permits and other fees	51,500	51,500	8,924	(42,576)
Interest and other income	29,344	89,421	60,606	(28,815)
Total Revenues	<u>907,422</u>	<u>967,499</u>	<u>862,756</u>	<u>(104,743)</u>
Expenditures				
Administrative	100,720	49,594	39,731	9,863
Clearwater studies	171,600	246,748	219,122	27,626
Compensation and benefits	313,819	313,920	303,500	10,420
Director's fees	12,750	12,750	7,050	5,700
Educational outreach	20,500	20,500	19,620	880
Facility costs	26,095	26,095	21,877	4,218
Legal and professional	76,000	95,515	87,332	8,183
Other operating expenses	132,825	149,365	91,667	57,698
Payroll taxes	26,636	26,535	20,953	5,582
Spring flow gauge system	16,377	16,377	16,300	77
Utilities	10,100	10,100	8,821	1,279
Total Expenditures	<u>907,422</u>	<u>967,499</u>	<u>835,973</u>	<u>131,526</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>26,783</u>	<u>26,783</u>
Net Changes in Fund Balance	<u>-</u>	<u>-</u>	<u>26,783</u>	<u>26,783</u>
Fund Balance - Beginning of the Year	<u>997,794</u>	<u>997,794</u>	<u>997,794</u>	<u>-</u>
Fund Balance - End of the Year	<u>\$ 997,794</u>	<u>\$ 997,794</u>	<u>\$ 1,024,577</u>	<u>\$ 26,783</u>

See independent auditors' report.

TEXAS SUPPLEMENTARY INFORMATION

TSI - 2

CLEARWATER CONSERVATION UNDERGROUND WATER CONSERVATION DISTRICT

TSI - 2: General Fund Expenditures

For the Year Ended September 30, 2023

Personnel expenditures (including benefits)	\$ 303,500
Professional fees:	
Auditing	8,400
Legal	78,932
Utilities	8,821
Clearwater studies	219,122
Facility costs	21,877
Administrative expenditures	39,731
Directors fees	7,050
Educational outreach	19,620
Spring flow gauge system	16,300
Other expenditures	<u>112,620</u>
Total Expenditures	<u><u>\$ 835,973</u></u>

See independent auditors' report.

TSI - 3

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

TSI - 3: Temporary Investments

For the Year Ended September 30, 2023

General Fund	<u>ID or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
Tex Pool - Investment Pool	449/793580001	5.3547%	-	\$ 497,179	\$ -
Tex Pool Prime - Investment Pool	590/793580001	5.5872%	-	<u>505,292</u>	<u>-</u>
Total - All Funds				<u>\$ 1,002,471</u>	<u>\$ -</u>

See independent auditors' report.

TSI - 4

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

TSI - 4: Taxes Levied and Receivable

For the Year Ended September 30, 2023

	<u>Maintenance Taxes</u>
Taxes receivable, beginning of year	\$ 17,804
2022 original tax levy	821,429
Less abatements	-
Total to be accounted for	<u>839,233</u>
Tax collections	
Current year	805,470
Prior years	11,135
Total collections:	<u>816,605</u>
Taxes receivable, end of year	<u>\$ 22,628</u>
Taxes receivable, by year	
2022	\$ 10,130
2021	4,099
2020	2,807
2019	1,827
2018 and prior	3,765
Taxes receivable, end of year	<u>\$ 22,628</u>

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property valuations				
Property valuations, net taxable	\$ 30,332,466,196	\$ 24,999,251,580	\$ 22,630,374,553	\$ 20,531,428,738
Tax rates per \$100 valuation	\$0.00271	\$0.00310	\$0.00327	\$0.00357
Maintenance tax rates				
Total tax rates per \$100 valuation	\$0.00271	\$0.00310	\$0.00327	\$0.00357
Original tax levy:	821,429	774,997	740,538	732,972
Percent of taxes collected to taxes levied	98.06%	99.60%	98.59%	96.60%

See independent auditors' report.

TSI - 7

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

TSI - 7: Comparative Schedule of Revenues and Expenditures

General Fund - Five Years Ended

For the Year Ended September 30, 2023

	Amounts				
	2023	2022	2021	2020	2019
General Fund					
Revenues					
Property taxes	\$ 793,226	\$ 757,692	\$ 724,896	\$ 716,887	\$ 684,759
Permits and other fees	8,924	12,736	24,736	13,866	6,689
Interest and other income	60,606	58,542	807	11,935	15,580
Total revenues	<u>862,756</u>	<u>828,970</u>	<u>750,439</u>	<u>742,688</u>	<u>707,028</u>
Expenditures					
Personnel	324,453	323,054	280,788	278,509	264,480
Professional fees	87,332	75,656	69,403	41,025	41,330
Clearwater studies	219,122	108,277	171,082	287,509	123,472
Administrative expenditures	39,731	25,200	23,918	36,110	25,528
Other expenditures	165,335	185,503	148,555	141,412	170,707
Total expenditures	<u>835,973</u>	<u>717,690</u>	<u>693,746</u>	<u>784,565</u>	<u>625,517</u>
Excess (Deficient) revenues over expenditures	<u>\$ 26,783</u>	<u>\$ 111,280</u>	<u>\$ 56,693</u>	<u>\$ (41,877)</u>	<u>\$ 81,511</u>

Percent of Total Fund Revenues

2023	2022	2021	2020	2019
91.9%	91.4%	96.6%	96.5%	96.9%
1.0%	1.5%	3.3%	1.9%	0.9%
7.0%	7.1%	0.1%	1.6%	2.2%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
37.6%	39.0%	37.4%	37.5%	37.4%
10.1%	9.1%	9.2%	5.5%	5.8%
25.4%	13.1%	22.8%	38.7%	17.5%
4.6%	3.0%	3.2%	4.9%	3.6%
19.2%	22.4%	19.8%	19.0%	24.1%
<u>96.9%</u>	<u>86.6%</u>	<u>92.4%</u>	<u>105.6%</u>	<u>88.5%</u>
<u>3.1%</u>	<u>13.4%</u>	<u>7.6%</u>	<u>-5.6%</u>	<u>11.5%</u>

See independent auditors' report.

TSI - 8

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

TSI - 8: Board Members, Key Personnel, and Consultants

For the Year Ended September 30, 2023

Complete District Mailing Address:	<u>P.O. Box 1989, Belton, TX 76513</u>
District Business Telephone Number:	<u>(254) 933-0120</u>
Submission Date of the Most Recent District Registration Form: (TWC Sections 36.054 and 49.054)	<u>June 8, 2023</u>
Limit on Fees of Office That a Director may Receive During a Fiscal Year: (TWC Section 36.060)	<u>\$9,000</u>

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid for the Year Ended 9/30/2023</u>	<u>Title at Year End</u>
Board Members			
Leland Gersbach	Elected Nov. 2020-2024	\$ -	President
Gary Young	Elected Nov. 2022-2026	\$ 2,700	Secretary
Jody Williams	Elected Nov. 2020-2024	\$ 2,400	Director
Scott Brooks	Elected Nov. 2022-2026	\$ -	Director
James Brown	Appointed Mar. 2023 - Nov. 2026	\$ 1,500	Director
Key Administrative Personnel			
Dirk Aaron	June 2011	\$ 103,500	General Manager
Shelly Chapman	October 2011	\$ 57,960	Office Manager
Consultants			
Ludwick, Montgomery, & Stapp, P.C.	July 14, 2021	\$ 8,400	Auditor
Lloyd Gosselink, Attorneys at law	2012	\$ 93,361	Attorney
Bell County Tax Appraisal District	1989	\$ 8,131	Tax appraiser/collector

See independent auditors' report.

**INDEPENDENT AUDITORS' 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
Clearwater Underground Water Conservation District

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, each major fund, and the aggregate remaining fund information of Clearwater Underground Water Conservation District, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Clearwater Underground Water Conservation District's basic financial statements, and have issued our report thereon dated February 12, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clearwater Underground Water Conservation 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 Clearwater Underground Water Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clearwater Underground Water Conservation 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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clearwater Underground Water Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "Ludwig, Montgomer, & G... PC". The signature is written in black ink and is positioned above the typed name and date.

Temple, Texas
February 12, 2024

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
Schedule of Findings, Responses, and Corrective Action Plan
For the Year Ended September 30, 2023

FINANCIAL STATEMENT FINDINGS

There were no findings in the current year.

CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT
Schedule of Prior Year Findings and Corrective Action Plan
For the Year Ended September 30, 2023

There were no prior year findings.