

**HEMPHILL COUNTY
UNDERGROUND WATER
CONSERVATION DISTRICT**

ANNUAL FINANCIAL STATEMENTS

For Year Ended September 30, 2024

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**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
ANNUAL FINANCIAL STATEMENTS
For Year Ended September 30, 2024**

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To the Board of Directors
Hemphill County Underground
Water Conservation District
Canadian, Texas

INDEPENDENT AUDITORS' REPORT

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Hemphill County Underground Water Conservation District, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Hemphill County Underground Water Conservation 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 the major fund of the Hemphill County Underground Water Conservation District, as of September 30, 2024, 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hemphill County 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 the Hemphill County 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.

Auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood

that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hemphill County 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 the Hemphill County 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 budgetary comparison information, the schedule of changes in net pension asset and related ratios, and the schedule of employer contributions on pages 25 – 28 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.

The Hemphill County Underground Water Conservation District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The MD&A, 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. The independent auditors' opinion is not affected by the omission of the MD&A.

DOSHIER, PICKENS & FRANCIS, L.L.C.

Doshier, Pickens & Francis, LLC
Amarillo, Texas
December 4, 2024

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BASIC FINANCIAL STATEMENTS

HEMPHILL COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 962,594
Delinquent taxes receivable, net	6,528
Due from other governmental entities	458
Net pension asset	23,946
Capital assets, net of accumulated depreciation	<u>281,330</u>
Total assets	<u>1,274,856</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	2,602
Pension deficient earnings	1,547
Pension assumption changes	<u>4,868</u>
Total deferred outflows of resources	<u>9,017</u>
LIABILITIES	
Accounts payable	13,011
Deferred revenue	435
Accrued compensated absences	<u>8,513</u>
Total liabilities	<u>21,959</u>
DEFERRED INFLOWS OF RESOURCES	
Pension economic/demographic gains	3,196
Pension assumption changes	<u>59</u>
Total deferred inflows of resources	<u>3,255</u>
NET POSITION	
Net investment in capital assets	281,330
Unrestricted	<u>977,329</u>
Total net position	<u><u>\$ 1,258,659</u></u>

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

HEMPHILL COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Administrative	\$ 262,794	\$ 515	\$ -	\$ -	\$ (262,279)
Total	\$ 262,794	\$ 515	\$ -	\$ -	(262,279)
General revenues:					
Property taxes					361,465
Investment earnings					54,268
Miscellaneous					2,299
Total general revenues					418,032
Change in net position					155,753
Net position - beginning					1,102,906
Net position - ending					\$ 1,258,659

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

**HEMPHILL COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2024**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 962,594
Delinquent taxes receivable, net	6,528
Due from other governmental entities	458
Total assets	\$ 969,580
LIABILITIES	
Accounts payable	\$ 13,011
Deferred revenue	435
Total liabilities	13,446
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	6,528
Total deferred inflows of resources	6,528
FUND BALANCE	
Committed:	
Litigation settlement	42,691
Unassigned	906,915
Total fund balance	949,606
Total liabilities, deferred inflows of resources, and fund balance	\$ 969,580

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

**HEMPHILL COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024**

Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Total fund balance - governmental fund	\$	949,606
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		281,330
Long-term assets are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenue in the fund financial statements.		6,528
The net pension asset is not a current financial resource and therefore, is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position.		23,946
Pension losses, deficient earnings, and changes in assumptions are shown as deferred outflows of resources in the government-wide financial statements.		
Pension deficient earnings		1,547
Pension assumption changes		4,868
Pension contributions paid after the measurement date, December 31, 2023, and before September 30, 2024 are expensed in the governmental funds and shown as deferred outflows of resources in the Statement of Net Position.		2,602
Pension gains and excess earnings are shown as deferred inflows of resources in the Statement of Net Position.		
Pension economic/demographic gains		(3,196)
Pension assumption changes		(59)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:		
Accrued compensated absences		(8,513)
Net position - governmental activities	<u>\$</u>	<u>1,258,659</u>

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

**HEMPHILL COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	General Fund
REVENUES:	
Taxes	\$ 359,972
Licenses and fees	300
Settlement proceeds	215
Investment earnings	54,268
Miscellaneous	2,299
Total revenues	417,054
EXPENDITURES:	
Current:	
Administrative	262,090
Total expenditures	262,090
NET CHANGE IN FUND BALANCE	154,964
FUND BALANCE - BEGINNING	794,642
FUND BALANCE - ENDING	\$ 949,606

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

**HEMPHILL COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Net change in fund balances - total governmental fund	\$	154,964
<p>The Governmental fund reports outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> <p>This is the amount by which capital outlay, \$ - , was exceeded by depreciation, \$473, in the current period.</p>		
		(473)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue.</p>		
		1,493
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>		
Compensated absences, net change		(4,109)
Pension deferred outflows of resources, net change		(4,684)
Pension deferred inflows of resources, net change		2,005
Net pension asset, net change		6,557
		6,557
Change in net position of governmental activities	\$	155,753

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

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hemphill County Underground Water Conservation District's (the District) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The most significant accounting and reporting policies of the District are described in the following notes to the financial statements.

A. Financial Reporting Entity

The District was created May 19, 1995 under the authority of Chapter 36 of the Texas Water Code. The District operates under the provisions of the Texas Water Code, Chapter 36 – Underground Water Conservation Districts and is governed by a locally elected five member board of directors. The District provides the following services as authorized by the Texas Water Code: the conservation, preservation, protection, recharging, and prevention of waste of the underground water reservoirs or their subdivisions, and to control subsidence caused by withdrawal of water from these underground water reservoirs or their subdivisions. The District encompasses all of Hemphill County, Texas.

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

Government-Wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of the District's programs are offset by those programs' revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Taxes and other items not included among program revenue are reported instead as *general revenue*. In miscellaneous general revenues are non-program specific contributions including capital assets contributions.

Continued

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

Fund-Level Statements

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Grant and entitlement revenues are also susceptible to accrual. These funds are accounted for on a spending “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Any proprietary funds, including internal service, and fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using an economic resources measurement focus.

The accounts of the District are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The District reports the following major governmental fund:

The **General Fund** is the general operating fund of the District. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, and investment of idle funds. Primary expenditures are for administrative and capital acquisition.

C. Use of Restricted Assets

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Continued

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity

1. Deposits and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposits with original maturities of 90 days or less. Statutes authorize the District to keep funds in demand deposits, time deposits, or securities of the United States. The District’s custodial banks are required to pledge for the purpose of securing District funds, securities of the following kind, in an amount equal to the amount of such District funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes. TexPool is duly chartered and administered by the Texas Treasury Safekeeping Trust Company and the portfolio normally consists of U.S. T-Bills or T-Notes, collateralized certificates of deposit, and repurchase agreements. The carrying value (cost) and market value are equal for these deposits.

The District is required by Government Code Chapter 2256, the Public Funds Investment Act (“Act”), to adopt, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity’s funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment policies. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that in areas of investment practices, management has reported and established appropriate policies. The District adheres to the requirements of the Act. Additionally, investment practices of the District are in accordance with local policies.

2. Accounts Payable

Payables consist of vendor obligations for goods and services as well as funds payable to others when the criteria for their release have been met.

3. Property Tax Calendar and Revenues

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statements based on the full accrual method of accounting. Property tax receivables for prior years’ levies are shown net of an allowance for uncollectible accounts of \$10,210.

4. Capital Assets

Capital assets, which include vehicles and furniture and equipment, are reported in the government-wide financial statements. The District has no infrastructure assets. According to the District’s capitalization policy, capital assets, such as buildings and equipment are defined as individual assets (or systems of assets) having a cost of \$5,000 or more and having an estimated useful life in excess of five years. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Continued

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

4. Capital Assets – Continuation

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight line method of the following estimated useful lives:

Buildings	50 years
Furniture and equipment	5 - 10 years
Vehicles	5 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has multiple items that qualify for reporting in this category. They are the contributions and other items related to the District’s pension plan reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has multiple items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet which arises from property taxes. The other items are related to the District’s pension plan reported in the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

A liability for unused vacation, sick and comp time for all full-time employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- Leave or compensation is attributable to services already rendered
- Leave or compensation is not contingent on a specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

Continued

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

6. Compensated Absences – Continuation

Regular full-time employees are entitled to vacation and sick time of up to 12 days each per year as earned. Vacation and sick time earned, but not taken, is paid upon termination, but cannot be accumulated beyond two calendar years (24 day maximum accumulation each). At the end of the year any amount earned over the maximum accumulation is automatically paid to the employee leaving only the maximum accumulation to carry forward. Accrued vacation leave, comp time, and other leave benefits are accrued in the government-wide financial statements.

7. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's Texas County and District Retirement System Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

8. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Non-spendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Directors. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

Assigned Fund Balance – includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Board of Directors or (b) a body (a budget, finance committee, or General Manager) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted, or committed.

Continued

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

8. Fund Balances – Continuation

Unassigned Fund Balance – this classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

9. Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three categories.

Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted Net Position – This amount is all net position amounts that do not meet the definition of “net investment in capital assets” or “restricted net position.”

10. Fund Balance Policies

When the District incurs an expenditure for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first, then unrestricted funds. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Committed fund balance amounts may be used for other purposes with appropriate action by the Board to either modify or rescind a fund balance commitment. Commitments are typically done through adoption and amendment of the budget.

The District’s highest level of decision-making authority is the Board. The Board has not yet delegated the authority to assign fund balance amounts to a specific individual nor does it have a policy to authorize the assignment of fund balances outside the Board.

11. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to August 1, the proposed budget is submitted to the Board of Directors of the District.
2. Prior to October 1, the budget is legally adopted by the Board of Directors for the General Fund.
3. The budget is prepared by fund with the legal level of control being at the fund level. Emergency expenditures to meet unusual or unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of the fund have been increased must be authorized by the Board as emergency amendments to the original budget. Management may not amend the budget at any level without approval from the Board of Directors. Amounts shown in the financial statements represent the original budget amounts and all supplemental appropriations. Supplemental appropriations to the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for the General Fund.
4. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) on the modified accrual basis of accounting on an annual basis.
5. Formal budgetary integration on an annual basis is employed at as a management control device during the year for the General Fund.
6. All appropriations, except those in grant funds, lapse at the end of the District’s fiscal year and may be re-budgeted the next year.

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the District’s cash and deposit balances as of September 30, 2024:

Cash and deposit balances consist of:

Bank deposits	\$ 962,127
TexPool deposits	467
	962,594
Total	\$ 962,594

Cash and deposit balances are reported in the basic financial statements as follows:

Government-Wide Statement of Net Position:

Unrestricted	\$ 962,594
	962,594
Total	\$ 962,594

Continued

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

Custodial credit risk – As of September 30, 2024, the carrying amount of the District’s deposits with financial institutions was \$962,127 and the bank’s balance was \$969,401. Of the bank balance, \$250,000 was insured through the Federal Depository Insurance Corporation (FDIC) and the remaining \$719,401 was collateralized with securities held by the pledging institution’s agent in the District’s name.

As of September 30, 2024, the District had \$467 invested with the Texas Treasury Safekeeping Trust Company (TexPool). The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds. The State Comptroller of Public Accounts exercises oversight responsibility over both funds. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally the State Comptroller has established an advisory board composed of both participants of the pools and other persons who do not have a business relationship with the pool. The advisory board members review the investment policy and management fee structure.

TexPool uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool does not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. TexPool has a credit rating of AAA from Standard & Poor’s Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high quality portfolio of debt securities investments that are legally permissible for local governments in the state.

Interest rate risk – Is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The District manages its exposure to interest rate risk by maintaining cash in interest-bearing demand accounts and the readily available TexPool shares.

Credit risk – Is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and District policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2024, the District’s investment in TexPool was rated AAA by Standard and Poor’s.

Concentration of credit risk – Is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. As of September 30, 2024, 0.05% of the District’s carrying value of cash was invested in TexPool. All other cash was deposited with the District’s depository and was adequately collateralized as described above.

NOTE 4 – PROPERTY TAXES

The District has a tax rate limit for operations of \$0.035. The tax rate on the 2023 tax roll was \$0.022268 per \$100, which means that the District has a tax margin of \$0.012732 per \$100 and could raise up to \$210,856 in additional revenue from the assessed valuation of \$1,656,114,504.

Real and personal property values are assessed for the period January 1 to December 31, as of January 1 at which date property taxes attach as an enforceable lien on property. Taxes are levied by October 1 of the current year and are collected from October 1 to June 30 of the following year. Payments received after February 1 are considered late and are subject to penalty and interest. Taxes become delinquent on July 1 of the following year.

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 5 – CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classification by function. From time to time the Board may identify specific assets that even though below the District’s capitalization policy are important enough to capitalize.

A summary of changes in fixed assets follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Building	\$ 283,694	\$ -	\$ -	\$ 283,694
Vehicle	33,500	-	-	33,500
Furniture and equipment	36,527	-	-	36,527
Total capital assets, being depreciated	353,721	-	-	353,721
Less accumulated depreciation for:				
Building	(1,891)	(473)	-	(2,364)
Vehicle	(33,500)	-	-	(33,500)
Furniture and equipment	(36,527)	-	-	(36,527)
Total accumulated depreciation	(71,918)	(473)	-	(72,391)
Total capital assets, being depreciated, net	281,803	(473)	-	281,330
Governmental activities capital assets, net	\$ 281,803	\$ (473)	\$ -	\$ 281,330

Depreciation expense for the year ended September 30, 2024 was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administrative	\$ 473
Total depreciation expense	\$ 473

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 6 – RETIREMENT PLAN

Plan Description: Hemphill County Underground Water Conservation District provides retirement and death benefits for all of its employees, except temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of several nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 and is available at www.tcdrs.org.

Benefits Provided: The plan provisions are adopted by the governing body of the District (employer), within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

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

Employees Covered by Benefit Terms: At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	5

Contributions: The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually.

The District contributed using the actuarially determined rate of 3.45% with a supplemental rate of 0.55% for the months of the accounting year in 2023 and the actuarially determined rate of 3.23% with a supplemental rate of 0.77% for the months of the accounting year in 2024. The contribution rate payable by the employee members is 4.0% for fiscal year 2024 as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

Net Pension Asset: The District's net pension asset was measured as of December 31, 2023, and the total pension asset used to calculate the net pension asset or liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension asset in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Continued

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 6 – RETIREMENT PLAN – Continuation

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2023. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%

The assumed long-term investment return of 7.5% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.5% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	0.00%

The payroll growth assumption is for the aggregate covered payroll of an employer.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS’ investment consultant, Cliffwater LLC. The numbers shown are based on January 2024 information for a 10-year time horizon.

Note that the valuation assumption for the long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

Continued

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 6 – RETIREMENT PLAN – Continuation

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
International Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.75%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.65%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	7.25%
Distressed Debt	Cambridge Associates Distressed Securities Index (3)	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (5)	25.00%	7.75%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Funds of Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.60%

(1) Target asset allocation adopted at the March 2024 TCDRS Board Meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.2%, per Cliffwater's 2024 capital market assumptions.

(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Continued

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 6 – RETIREMENT PLAN – Continuation

Discount Rate: The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments.

The funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act are such that a depletion is not projected to occur.

Since the fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. For GASB 68 this long-term assumed rate of return is net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 7.60% which reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Continued

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 6 – RETIREMENT PLAN – Continuation

Changes in the Net Pension Liability / (Asset):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2022	\$ 145,793	\$ 163,182	\$ (17,389)
Changes for the year:			
Service cost	7,964	-	7,964
Interest on total pension liability (1)	11,538	-	11,538
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(114)	-	(114)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	(3,956)	(3,956)	-
Administrative expenses	-	(97)	97
Member contributions	-	3,906	(3,906)
Net investment income	-	17,972	(17,972)
Employer contributions	-	3,906	(3,906)
Other (3)	-	258	(258)
Balances as of December 31, 2023	<u>\$ 161,225</u>	<u>\$ 185,171</u>	<u>\$ (23,946)</u>

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

Sensitivity of the net pension liability / (asset) to changes in the discount rate: The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability / (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 181,410	\$ 161,225	\$ 144,088
Fiduciary net position	<u>185,171</u>	<u>185,171</u>	<u>185,171</u>
Net pension liability / (asset)	<u>\$ (3,761)</u>	<u>\$ (23,946)</u>	<u>\$ (41,083)</u>

Continued

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 6 – RETIREMENT PLAN – Continuation

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TCDRS financial report.

Pension Expense / (Income):

	January 1, 2023 to December 31, 2023
Service cost	\$ 7,964
Interest on total pension liability (1)	11,538
Effect of plan changes	-
Administrative expenses	97
Member contributions	(3,906)
Expected investment return net of investment expenses	(12,552)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(2,113)
Recognition of assumption changes or inputs	616
Recognition of investment gains or losses	(1,938)
Other (2)	(258)
Pension expense / (income)	\$ (552)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

Deferred Inflows / Outflows of Resources: As of September 30, 2024, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 3,196	\$ -
Changes of assumptions	59	4,868
Net difference between projected and actual earnings	-	1,547
Contributions made subsequent to measurement date	N/A	2,602

Continued

**HEMPHILL COUNTY UNDERGROUND
WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 6 – RETIREMENT PLAN – Continuation

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2024	\$ (767)
2025	(372)
2026	3,792
2027	(849)
2028	235
Thereafter	1,121

NOTE 7 – MAJOR TAXPAYERS

As of September 30, 2024, the following taxpayers accounted for a significant portion of the District’s total tax levy.

<u>Taxpayer</u>	<u>Industry</u>	<u>Tax Amount</u>	<u>Percent of Total Levy</u>
Taxpayer A	Oil & Gas	\$ 52,176	14.14 %
Taxpayer B	Oil & Gas	28,419	7.70
Taxpayer C	Oil & Gas	24,531	6.65

NOTE 8 – LONG-TERM LIABILITIES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 4,404	\$ 7,852	\$ (3,743)	\$ 8,513	\$ 8,513

NOTE 9 – RISK MANAGEMENT

The District’s major areas of risk management are: public official’s liability, general comprehensive liability and property damage, workers’ compensation, and automobile liability. The District has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. There have been no significant reductions in the insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current year or the previous three years.

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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**HEMPHILL COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 350,344	\$ 350,344	\$ 359,972	\$ 9,628
Licenses and permits	200	200	300	100
Settlement proceeds	-	-	215	215
Investment earnings	16,000	45,000	54,268	9,268
Miscellaneous	-	-	2,299	2,299
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	366,544	395,544	417,054	21,510
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Current:				
Administrative:				
Salaries and fringe benefits	119,950	119,950	98,172	21,778
Operating expenditures	153,850	157,950	103,426	54,524
Professional fees	88,740	43,100	56,791	(13,691)
Director fees	3,000	3,000	2,701	299
Contracted services	1,000	1,000	1,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Administrative	366,540	325,000	262,090	62,910
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	366,540	325,000	262,090	62,910
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND				
BALANCE	4	70,544	154,964	84,420
FUND BALANCE - BEGINNING				
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE - ENDING	\$ 794,646	\$ 865,186	\$ 949,606	\$ 84,420
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

HEMPHILL COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
Last 10 Years

	Year Ended December 31,			
	2023	2022	2021	2020
Total Pension Liability:				
Service cost	\$ 7,964	\$ 9,620	\$ 10,478	\$ 9,935
Interest on total pension liability	11,538	10,476	9,209	7,855
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	-	-	(77)	6,622
Effect of economic/demographic (gains) or losses	(114)	(1,187)	(779)	(760)
Benefit payments/refunds of contributions	(3,956)	(2,638)	-	-
Net change in total pension liability	15,432	16,271	18,831	23,652
Total pension liability, beginning	145,793	129,522	110,691	87,039
Total pension liability, ending (a)	<u>\$ 161,225</u>	<u>\$ 145,793</u>	<u>\$ 129,522</u>	<u>\$ 110,691</u>
Fiduciary Net Position:				
Employer contributions	\$ 3,906	\$ 4,218	\$ 4,839	\$ 5,074
Member contributions	3,906	4,218	4,839	5,074
Investment income net of investment expenses	17,972	(10,272)	29,168	11,008
Benefit payments/refunds of contributions	(3,956)	(2,638)	-	-
Administrative expenses	(97)	(96)	(90)	(93)
Other	258	956	309	312
Net change in fiduciary net position	21,989	(3,614)	39,065	21,375
Fiduciary net position, beginning	163,182	166,796	127,731	106,356
Fiduciary net position, ending (b)	<u>\$ 185,171</u>	<u>\$ 163,182</u>	<u>\$ 166,796</u>	<u>\$ 127,731</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (23,946)</u>	<u>\$ (17,389)</u>	<u>\$ (37,274)</u>	<u>\$ (17,040)</u>
Fiduciary net position as a % of total pension liability	114.85%	111.93%	128.78%	115.39%
Pensionable covered payroll	\$ 97,643	\$ 105,454	\$ 120,984	\$ 131,396
Net pension liability as a % of covered payroll	-24.52%	-16.49%	-30.81%	-12.97%

Year Ended December 31,

	2019	2018	2017	2016	2015	2014
\$	9,643	\$ 8,004	\$ 10,589	\$ 11,017	\$ 10,480	\$ 10,301
	6,526	5,325	5,448	4,221	3,433	2,446
	-	-	-	-	(1,594)	-
	-	-	564	-	776	-
	(55)	(146)	(10,284)	(247)	(4,026)	(250)
	-	-	(10,281)	-	-	-
	16,114	13,183	(3,964)	14,991	9,069	12,497
	70,925	57,742	61,706	46,715	37,646	25,149
\$	<u>87,039</u>	<u>\$ 70,925</u>	<u>\$ 57,742</u>	<u>\$ 61,706</u>	<u>\$ 46,715</u>	<u>\$ 37,646</u>
\$	5,256	\$ 4,132	\$ 5,224	\$ 5,637	\$ 5,637	\$ 5,480
	5,256	4,132	5,224	5,637	5,637	5,480
	13,469	(1,304)	9,532	3,714	(742)	1,807
	-	-	(10,281)	-	-	-
	(81)	(66)	(50)	(40)	(32)	(25)
	375	252	2	1,119	(4)	(2)
	24,275	7,146	9,651	16,067	10,496	12,740
	82,081	74,935	65,284	49,217	38,721	25,981
\$	<u>106,356</u>	<u>\$ 82,081</u>	<u>\$ 74,935</u>	<u>\$ 65,284</u>	<u>\$ 49,217</u>	<u>\$ 38,721</u>
\$	<u>(19,317)</u>	<u>\$ (11,156)</u>	<u>\$ (17,193)</u>	<u>\$ (3,578)</u>	<u>\$ (2,502)</u>	<u>\$ (1,075)</u>
	122.19%	115.73%	129.78%	105.80%	105.36%	102.86%
\$	131,396	\$ 103,292	\$ 130,595	\$ 140,920	\$ 140,920	\$ 136,993
	-14.70%	-10.80%	-13.17%	-2.54%	-1.78%	-0.78%

**HEMPHILL COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years**

Year Ending September 30:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 5,319	\$ 5,636	\$ (317)	\$ 140,891	4.0%
2016	5,271	5,641	(370)	141,030	4.0%
2017	4,869	5,629	(760)	140,724	4.0%
2018	3,447	4,092	(645)	102,291	4.0%
2019	3,510	5,053	(1,543)	126,324	4.0%
2020	3,446	5,267	(1,821)	131,663	4.0%
2021	3,014	4,831	(1,817)	118,124	4.1%
2022	3,615	4,408	(793)	110,203	4.0%
2023	3,639	4,188	(549)	104,690	4.0%
2024	2,725	3,325	(600)	83,130	4.0%

**HEMPHILL COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 Last 10 Fiscal Years**

Notes to Schedule:

Valuation Date Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates (Dec. 31, 2021 valuation for 2023 contributions):

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2023 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation.
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the PUB-2010 General Retirees Table for males and 120% of the PUB-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule. 2023: No changes in plan provisions were reflected in the Schedule.