

SOMERVELL COUNTY WATER DISTRICT

FINANCIAL STATEMENTS
and
ANNUAL FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED SEPTEMBER 30, 2022

SOMERVELL COUNTY WATER DISTRICT

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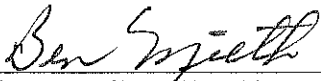
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SOMERVELL COUNTY WATER DISTRICT
Certificate of the Board of Directors
September 30, 2022


SOMERVELL COUNTY WATER DISTRICT
Name of Water District

SOMERVELL
County

We, the undersigned, do hereby certify that the audit report of the above named Water District for the fiscal year ended September 30, 2022, as received by the Board of Directors on the 13th day of February and was reviewed and approved at a meeting of the Board of Directors of the District held on the 13th day of February, 2023.



Signature of Board President



Signature of Board Secretary - ASST

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF SOMERVELL }

I, Ben Mieth of the
(Name of Duly Authorized District Representative)

Somervell County Water District
(Name of District)

Hereby, swear, or affirm, that the District named above has reviewed and approved at a meeting of the District's Board of Directors on the 13th day of February, 2023, its annual audit report for the fiscal year ended September 30, 2022, and that copies of the annual audit report have been filed in the District office, located at 2099 CR 301, Glen Rose, Texas, 76043.
(Address of District)

The filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: February 13, 2023 By: Ben Mieth
(Signature of District Representative)

Ben Mieth, President
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this 13th day of February, 2023.

Kim Daniels
(Signature of Notary)



My commission expires on: April 13, 2023
Notary Public in and for the State of Texas.

FINANCIAL SECTION

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Somervell County Water District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Somervell County Water District, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Somervell County Water District, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Somervell County Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to or 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Somervell County Water 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Somervell County Water 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 Somervell County Water 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, budgetary comparison information, and the required TMRS schedules on pages 6 through 10 and 34 through 36 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 introductory section and the Texas supplementary information 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 January 24, 2023, on our consideration of the Somervell County Water 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 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 the Somervell County Water District' internal control over financial reporting and compliance.

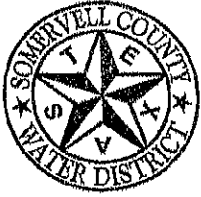
Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
January 24, 2023

INTRODUCTORY SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS



SOMERVELL COUNTY WATER DISTRICT

2099 CR 301 • P. O. Box 1386 • Glen Rose, Texas 76043

Office (254) 897-4141 • Fax (254) 897-7461

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Somervell County Water District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended September 30, 2022. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position increased \$981,085 from prior year.
- During the year, the District's expenses were \$981,085 less than the \$4,413,509 generated in taxes and other revenues for governmental programs.
- The total cost of the District's programs was \$3,432,424.
- The general fund reported fund balance of \$9,390,755.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The District also includes in this report, required supplementary information (RSI), a section that presents additional information as required by the Texas Commission of Environment Quality (TCEQ), and required compliance reporting.

Government-wide Financial Statements

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the District-wide statement of financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of District infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinguish governmental activities of the District that are principally supported by taxes and intergovernmental revenues, such as grants. Governmental activities include program activities and a section titled business-type activities, which include activities for water and sewer and park and recreation.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The District has only governmental funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The budgetary comparison schedule for the general fund can be found in required supplementary information. This statement demonstrates compliance with the District's adopted and final revised budget.

Financial Analysis of the District as a Whole

Net position. As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

Table 1
Condensed Statements of Net Position

| | 2022 | 2021 | Dollar Change | Percent Change |
|---|----------------------|----------------------|--------------------|-------------------|
| Current assets | \$ 6,222,767 | \$ 5,717,963 | \$ 504,804 | 9% |
| Noncurrent assets | 63,214,254 | 63,597,160 | (382,906) | -1% |
| Total Assets | <u>69,437,021</u> | <u>69,315,123</u> | <u>121,898</u> | 0% |
| Deferred outflows of resources | 185,193 | 175,517 | 9,676 | 6% |
| Total Deferred Outflows of Resources | <u>185,193</u> | <u>175,517</u> | <u>9,676</u> | |
| Current liabilities | 105,777 | 78,919 | 26,858 | 34% |
| Long-term liabilities | 8,757,000 | 9,813,079 | (1,056,079) | -11% |
| Total Liabilities | <u>8,862,777</u> | <u>9,891,998</u> | <u>(1,029,221)</u> | -10% |
| Deferred inflows of resources | 266,478 | 86,768 | 179,710 | 207% |
| Total Deferred Inflows of Resources | <u>266,478</u> | <u>86,768</u> | <u>179,710</u> | |
| Net investment in capital assets | 50,627,973 | 50,203,072 | 424,901 | 1% |
| Restricted | 341,162 | 252,005 | 89,157 | 35% |
| Unrestricted | 9,523,824 | 9,056,797 | 467,027 | 5% |
| Total Net Position | <u>\$ 60,492,959</u> | <u>\$ 59,511,874</u> | <u>\$ 981,085</u> | 2% |

As the above table indicates, total current assets increased by \$504,804 during the fiscal year ended September 30, 2022. This increase is due primarily to an increase in cash. Noncurrent assets decreased \$382,906 due to depreciation expense, partially offset by increases to fixed assets. Current liabilities increased slightly due to timing of payments on operating payables. The District has noncurrent liabilities due to bonds payable. The District's net position at fiscal year-end is \$60,492,959. This is a \$981,085 increase over last year's net position of \$59,511,874.

Changes in net position. The District's total revenues were \$4,413,509. Three-fourths (72%) of the District's revenue comes from taxes, and 24 cents of every dollar raised comes from charges for services.

Table 2
Condensed Statements of Activities

| | 2022 | 2021 | Dollar Change | Percent Change |
|--------------------------|--------------------|--------------------|------------------|-------------------|
| Program revenues | \$ 1,053,806 | \$ 763,421 | \$ 290,385 | 38% |
| Total operating revenues | <u>1,053,806</u> | <u>763,421</u> | <u>290,385</u> | 38% |
| Program activities | 659,425 | 674,596 | (15,171) | -2% |
| Business-type activities | 2,772,999 | 2,622,983 | 150,016 | 6% |
| Total operating expenses | <u>3,432,424</u> | <u>3,297,579</u> | <u>134,845</u> | 4% |
| Increase from operations | <u>(2,378,618)</u> | <u>(2,534,158)</u> | <u>155,540</u> | -6% |

| | | | | |
|------------------------|----------------------|----------------------|-------------------|-------|
| General revenues | | | | |
| Ad valorem taxes | 3,167,633 | 3,210,109 | (42,476) | -1% |
| Investment earnings | 78,277 | 109,551 | (31,274) | -29% |
| Other | 113,793 | 30,000 | 83,793 | -279% |
| Total general revenues | <u>3,359,703</u> | <u>3,349,660</u> | <u>10,043</u> | 0% |
| Change in net position | 981,085 | 815,502 | 165,583 | 20% |
| Beginning Net Position | <u>59,511,874</u> | <u>58,696,372</u> | <u>815,502</u> | 1% |
| Ending Net Position | <u>\$ 60,492,959</u> | <u>\$ 59,511,874</u> | <u>\$ 981,085</u> | 2% |

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The general fund and the debt service fund are the only funds of the District. The general fund reported ending fund balances of \$9,390,755, while the debt service fund reported an ending fund balance of \$282,696. The total ending fund balance of the general fund shows an increase of \$413,934 over the prior year. This increase is primarily the result of decreases in capital outlay to complete the projects for the service center and distribution system.

General Fund Budgetary Highlights

The District did not amend their budget once over the course of the year. There were several line items over budget, however total actual expenses were \$173,611 under final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, for governmental activities as of September 30, 2022, was \$59,394,545. The total change in net capital assets was a decrease of 1%. Major capital additions include a vehicle, a trailer mounted generator, GPS equipment, and water line extension. See Table A-3 for additional information about changes in capital assets during the fiscal year.

Table 3
District's Capital Assets

| | 2022 | 2021 | Dollar Change | Percent Change |
|--------------------------|----------------------|----------------------|---------------------|-------------------|
| Land | \$ 2,636,598 | \$ 2,636,598 | \$ | |
| Building | 483,814 | 483,814 | | |
| Equipment | 1,157,758 | 1,045,564 | 112,194 | 10.7% |
| Office equipment | 44,082 | 44,082 | | |
| Land improvements | 255,620 | 255,620 | | |
| Park | 1,207,854 | 1,204,695 | 3,159 | 0.3% |
| Service center | 468,042 | 468,042 | | |
| Distribution system | <u>66,727,669</u> | <u>65,996,381</u> | <u>731,288</u> | 1.1% |
| Total at historical cost | 72,981,437 | 72,134,796 | 846,641 | 1.2% |
| Accumulated depreciation | <u>13,586,892</u> | <u>12,119,078</u> | <u>1,467,814</u> | 12.1% |
| Net Capital Assets | <u>\$ 59,394,545</u> | <u>\$ 60,015,718</u> | <u>\$ (621,173)</u> | -1.0% |

Debt

At year-end, the District had \$8,757,000 in bonds payable for the governmental activities, as shown in the following table.

Table 4
Long Term Debt

| | <u>2022</u> | | <u>2021</u> | | <u>Change</u> | | <u>% Change</u> |
|-----------------------------|---------------------|----|------------------|----|--------------------|--|-----------------|
| Refunding Bond Series 2009A | \$ 536,000 | \$ | 603,000 | \$ | (67,000) | | -11% |
| Revenue Bond Series 2009B | 3,794,000 | | 4,269,000 | | (475,000) | | -11% |
| Refunding Bond Series 2009C | 4,127,000 | | 4,590,000 | | (463,000) | | -10% |
| Refunding Bond Series 2012 | 300,000 | | 340,000 | | (40,000) | | -12% |
| | <u>\$ 8,757,000</u> | \$ | <u>9,802,000</u> | \$ | <u>(1,045,000)</u> | | |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The District's Board approved a tax rate of \$0.71 for maintenance and operations and \$0.40 for interest and sinking for a total of \$1.11.

The District's 2022-2023 fiscal budget for the general fund anticipates \$3,179,283 in tax, water, park, and other revenues and expenditures of \$3,179,283 for operating and administrative costs. If these estimates are realized, the District's budgetary general fund fund balance is expected to remain consistent with the prior year's fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's financial report is designed to present users (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the district's accountability. If you have questions about this report or need additional financial information, contact the Somervell County Water District, P.O. Box 1386, 2099 CR 301, Glen Rose Texas 76043.

BASIC FINANCIAL STATEMENTS

SOMERVELL COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

| | <u>Primary Government Governmental Activities</u> |
|---------------------------------------|---|
| ASSETS | |
| Current Assets | |
| Cash | \$ 5,784,173 |
| Restricted | |
| Cash | 341,162 |
| Receivables | |
| Property tax | 51,894 |
| Allowance for uncollectible tax | (10,163) |
| Accounts receivable | 51,775 |
| Other receivables | 3,573 |
| Accrued interest receivable | 353 |
| Total current assets | <u>6,222,767</u> |
| Non-current Assets | |
| Investments | 3,588,620 |
| Net pension asset | 231,089 |
| Capital assets: | |
| Land | 2,636,598 |
| Building, net | 276,095 |
| Equipment, net | 163,711 |
| Office equipment, net | 423 |
| Land improvements, net | 114,612 |
| Park, net | 509,249 |
| Service center, net | 438,495 |
| Distribution system, net | 55,255,362 |
| Total non-current assets | <u>63,214,254</u> |
| Total Assets | <u>69,437,021</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | 185,193 |
| Total Deferred Outflows of Resources | <u>185,193</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 18,707 |
| Payroll liabilities | 17,662 |
| Accrued interest | 9,572 |
| Security deposits | 59,836 |
| Total current liabilities | <u>105,777</u> |
| Noncurrent liabilities | |
| Due within one year | 1,055,000 |
| Due in more than one year | 7,702,000 |
| Total noncurrent liabilities | <u>8,757,000</u> |
| Total Liabilities | <u>8,862,777</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | 266,478 |
| Total Deferred Inflows of Resources | <u>266,478</u> |
| NET POSITION | |
| Net investment in capital assets | 50,627,973 |
| Restricted | 341,162 |
| Unrestricted | 9,523,824 |
| Total Net Position | <u>\$ 60,492,959</u> |

The accompanying notes are an integral part of this statement.

SOMERVELL COUNTY WATER DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue</u> |
|---------------------------------|-------------------------|---------------------|----------------------|------------------------------------|
| | <u>Expenses</u> | <u>Charges for</u> | <u>Operating</u> | <u>and Changes in Net Position</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Governmental</u> |
| | | | <u>Contributions</u> | <u>Activities</u> |
| Primary Government | | | | |
| Program activities: | | | | |
| Professional fees | \$ 43,307 | \$ | \$ | (43,307) |
| Contracted services | 109,554 | | | (109,554) |
| Repair and maintenance | 31,834 | | | (31,834) |
| Administration | 267,848 | | | (267,848) |
| Interest | 115,653 | | | (115,653) |
| Depreciation | 91,229 | | | (91,229) |
| Total governmental activities | <u>659,425</u> | | | <u>(659,425)</u> |
| Business-type activities | | | | |
| Water and sewer | 2,586,219 | 938,969 | | (1,647,250) |
| Park and recreation | 186,780 | 114,837 | | (71,943) |
| Total business-type activities | <u>2,772,999</u> | <u>1,053,806</u> | | <u>(1,719,193)</u> |
| Total Primary Government | <u>\$ 3,432,424</u> | <u>\$ 1,053,806</u> | <u>\$</u> | <u>(2,378,618)</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| | | | | 3,167,633 |
| | | | | 78,277 |
| | | | | 113,793 |
| | | | | <u>3,359,703</u> |
| | | | | Change in Net Position |
| | | | | 981,085 |
| | | | | Net Position - Beginning |
| | | | | <u>59,511,874</u> |
| | | | | Net Position - Ending |
| | | | | <u>\$ 60,492,959</u> |

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

SOMERVELL COUNTY WATER DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|----------------------------------|---|
| ASSETS: | | | |
| Current: | | | |
| Cash | \$ 5,784,173 | \$ | \$ 5,784,173 |
| Investments | 3,588,620 | | 3,588,620 |
| Restricted | | | |
| Cash | 59,836 | 281,326 | 341,162 |
| Receivables | | | |
| Property tax | 36,003 | 15,891 | 51,894 |
| Allowance for uncollectible tax | (7,051) | (3,112) | (10,163) |
| Accounts receivable | 51,775 | | 51,775 |
| Other receivables | 2,203 | 1,370 | 3,573 |
| Accrued interest receivable | 353 | | 353 |
| Total Assets | \$ <u>9,515,912</u> | \$ <u>295,475</u> | \$ <u>9,811,387</u> |
| LIABILITIES: | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 18,707 | \$ | \$ 18,707 |
| Payroll liabilities | 17,662 | | 17,662 |
| Security deposits | 59,836 | | 59,836 |
| Total Liabilities | <u>96,205</u> | | <u>96,205</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable revenue - property taxes | <u>28,952</u> | <u>12,779</u> | <u>41,731</u> |
| Total Deferred Inflows of Resources | <u>28,952</u> | <u>12,779</u> | <u>41,731</u> |
| FUND BALANCE: | | | |
| Restricted: | | | |
| Debt service | | 282,696 | 282,696 |
| Assigned | 7,041,229 | | 7,041,229 |
| Unassigned | 2,237,763 | | 2,237,763 |
| Total Fund Balance | <u>9,278,992</u> | <u>282,696</u> | <u>9,561,688</u> |
| Total Liabilities, Deferred Inflows, and Fund Balances | \$ <u>9,404,149</u> | \$ <u>295,475</u> | \$ <u>9,699,624</u> |

The accompanying notes are an integral part of this statement.

SOMERVELL COUNTY WATER DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2022

| | | |
|---|----|-------------|
| Total fund balances - governmental funds balance sheet | \$ | 9,561,688 |
| <p>Amounts reported for governmental activities in the statement of net position (SNP) are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$72,134,796 and the accumulated depreciation was \$12,119,078.</p> | | 60,015,718 |
| <p>Capital assets are recorded as capital outlay (expenditure) in the fund financial statements, but are recorded as an increase in capital assets in the government-wide statements.</p> | | 846,641 |
| <p>Depreciation expense decreases net position in SNP.</p> | | (1,467,814) |
| <p>Long-term debt is not recorded in governmental funds. The beginning balance of long-term debt, included bonds of \$9,802,000.</p> | | (9,802,000) |
| <p>Long-term debt principal payments are expenditures in the fund financial statements, but are shown as decreases in liabilities in the statement of net position.</p> | | 1,045,000 |
| <p>Interest payable decreases the net position in the government-wide statements.</p> | | (9,572) |
| <p>Included in the noncurrent assets is the recognition of the District's net pension asset required by GASB No. 68 in the amount of \$231,089, a deferred resource inflow in the amount of \$266,475 and a deferred resource outflow in the amount of \$185,193. This resulted in an increase in net position.</p> | | 149,804 |
| <p>Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.</p> | | 41,731 |
| Net position of governmental activities - statement of net position | \$ | 60,381,196 |

The accompanying notes are an integral part of this statement.

SOMERVELL COUNTY WATER DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
 YEAR ENDED SEPTEMBER 30, 2022

| | General Fund | Debt Service Fund | Total Governmental Funds |
|---|---------------------|-------------------------|--------------------------------|
| REVENUES | | | |
| Property taxes | \$ 1,945,043 | \$ 1,237,083 | \$ 3,182,126 |
| Water sales | 938,969 | | 938,969 |
| Park revenue | 114,837 | | 114,837 |
| Interest | 69,024 | 9,253 | 78,277 |
| Other income | 113,793 | | 113,793 |
| Total Revenues | <u>3,181,666</u> | <u>1,246,336</u> | <u>4,428,002</u> |
| EXPENDITURES | | | |
| Operations | | | |
| Professional fees | 43,307 | | 43,307 |
| Contracted services | 109,554 | | 109,554 |
| Repair and maintenance | 31,834 | | 31,834 |
| Administration | 295,797 | | 295,797 |
| Distribution | 748,745 | | 748,745 |
| Production | 667,476 | | 667,476 |
| Park and recreation | 136,141 | | 136,141 |
| Capital outlay | 846,641 | | 846,641 |
| Debt service | | | |
| Principal | | 1,045,000 | 1,045,000 |
| Interest | | 116,727 | 116,727 |
| Total Expenditures | <u>2,879,495</u> | <u>1,161,727</u> | <u>4,041,222</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 302,171 | 84,609 | 386,780 |
| Fund Balance - Beginning | <u>8,976,821</u> | <u>198,087</u> | <u>9,174,908</u> |
| Fund Balance - Ending | <u>\$ 9,278,992</u> | <u>\$ 282,696</u> | <u>\$ 9,561,688</u> |

The accompanying notes are an integral part of this statement.

SOMERVELL COUNTY WATER DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022**

| | | |
|---|----|-----------------------|
| Total change in fund balances - total governmental funds | \$ | 386,780 |
| <p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p> | | |
| Capital assets are recorded as capital outlay (expenditure) in the fund financial statements, but are recorded as an increase in capital assets in the government-wide statements. | | 846,641 |
| Depreciation expense decreases net position in SNP. | | (1,467,814) |
| Long-term debt principal payments are expenditures in the fund financial statements, but are shown as decreases in liabilities in the statement of net position. | | 1,045,000 |
| The implementation of GASB No. 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of December 31, 2021 caused the change in the ending net position to increase \$67,327. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$50,008. The District's reported TCDRS net pension expense had to be recorded. The net pension expense increased the change in net position by \$54,815. The result of these changes is to increase the change in net position. | | 72,134 |
| Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy. | | <u>(13,419)</u> |
| Total change in net position of governmental activities - statement of activities | \$ | <u><u>869,322</u></u> |

The accompanying notes are an integral part of this statement.

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS

Somervell County Water District (the District) was created by an act of the Texas Legislature in 1985 and encompasses all of Somervell County, Texas. Voters of the District confirmed the creation of the District by a majority vote on August 6, 1985 and elected a Board of Directors. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water. The District began supplying water services to customers in Somervell County, Texas in November 2011.

As a political subdivision of the State of Texas, the District is exempt from federal income taxes, state and local sales and use taxes, and local real and personal property taxes. The voters gave the District the authority to levy real and personal property taxes for maintenance and operations and for debt service.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting and reporting framework and the more significant accounting principles and practices of the Somervell County Water District (District) are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal year ended September 30, 2022.

Basis of Presentation

The financial statements of the District are prepared in conformity with accounting principals generally accepted in the United States of America (GAAP) as applied to governmental units. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Government-wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole. The primary government is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and District general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to uses of the District's services; and (2) operating grants and contributions which finance annual operating activities. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental funds.

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: property taxes, water sales, park revenue, and investment income. In general, other revenues are recognized when cash is received.

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

Fund Types and Major Funds

Governmental funds

The District reports the following major governmental fund:

General Fund – reports as the primary fund of the District. This fund is used to account for all financial resources.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

Assets, Liabilities, and Net Position or Equity

Cash

The District maintains and controls several cash accounts. Some of these accounts are interest-bearing accounts but none are considered to be investments nor need to be considered cash equivalents.

Investments

Investments are reported at fair value (generally based on quoted market prices).

Inventory

The costs of inventory are recorded as expenditures when purchased (purchase method).

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Capital assets, depreciation, and amortization

The District adopted a formal capitalization policy whereby the District capitalizes assets with a cost greater than \$5,000 and a useful life greater than one year. The District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

| | |
|--------------------------------|---------------|
| Building and land improvements | 10 - 33 years |
| Office furniture and equipment | 5 years |
| Machinery and equipment | 7 years |
| Wheeler Branch Park | 5 - 30 years |
| Water system | 50 years |

Long-term debt

In the government-wide financial statements, outstanding debt is reported as liabilities.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources refer to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets. The District has no amounts recorded as deferred outflows of resources in the governmental fund financial statements and \$185,193 of deferred outflows related to TCDRS in the government-wide financial statements.

Deferred inflows of resources refer to the acquisition of net assets that applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Specifically, for the current period, the difference in delinquent taxes receivable and the associated allowance for uncollectible taxes of \$41,731 is considered a deferred inflow of resources in the governmental fund financial statements, while \$266,478 of deferred inflows related to TCDRS is considered deferred inflow of resources in the government-wide financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas County & District Retirement System (the "TCDRS") and additions to/deductions from TCDRS' Fiduciary Net Position have been determined on the same basis as they are reported to TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Investments are reported at fair value.

Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Nonspendable – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) are legally or contractually required to be maintained intact. The District had no nonspendable funds at September 30, 2022.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation. The District had \$282,696 restricted for debt service at September 30, 2022.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District had no committed funds at September 30, 2022.

Assigned – This classification includes amounts that are constrained by the Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the District Council or through the Council delegating this responsibility to the General Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has \$7,041,229 for capital maintenance and improvements at September 30, 2022.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Estimates

The preparation of the 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 certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. As such, actual results could differ from those estimates.

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budget policy and practice

The District's budget is based upon estimated revenues and expenditures on the modified accrual basis for which the Board of Directors uses as a guideline for operations during the year. The Board adopts the budget in a public meeting.

NOTE 4: DEPOSITS AND INVESTMENTS

Custodial Credit Risk for Deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of 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) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District has an investment policy and therefore, is in compliance with this requirement.

Fair Value

Generally accepted accounting principles require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4: DEPOSITS AND INVESTMENTS - continued

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example: interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs that reflect an entity’s own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally-developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

The District’s investments at September 30, 2022, were as follows:

| Investment Type: | Market Value | Weighted Average Maturity (Days) |
|-------------------------|---------------------|---|
| Certificates of deposit | \$ <u>3,588,620</u> | <u>122</u> |
| | <u>\$ 3,588,620</u> | |

While management believes the District’s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For all assets and liabilities other than investments carrying value approximates fair value.

Additional policies and contractual provisions governing deposits and investments for the District are as follows:

Credit Risk – To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District only has checking accounts, money market accounts, and certificates of deposit.

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4: DEPOSITS AND INVESTMENTS - continued

Custodial Credit Risk for Investments – To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the District’s deposits are secured by FDIC and pledged securities.

Concentration of Credit Risk – The District’s cash and investments consist of checking accounts, money market accounts, and certificates of deposits at their depository bank and several other financial institutions and were fully collateralized by FDIC and pledged securities.

Interest Rate Risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District monitors the interest rate of the money market accounts and certificates of deposit.

NOTE 5: RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Water Receivables

Significant receivables include amounts due from customers primarily for water services. These receivables are due within one year. The District expects to collect substantially all of the receivables and, therefore, no allowance for uncollectable is recorded.

Receivables at September 30, 2022 are as follows:

| | |
|----------------|-----------|
| Water services | \$ 51,775 |
|----------------|-----------|

Property Taxes Receivable and Property Tax Calendar

The District’s property tax is levied each October 1st on the assessed value listed as of the prior January 1st for all real property located in Somervell County, Texas. Appraised values are established by the Somervell Central Appraisal District at 100% of estimated market value and certified by the Appraisal Review Board. Tax statements are mailed as soon as possible after October 1st and the taxes are due immediately upon receipt of the tax statement by the taxpayer. Property taxes are attached as an enforceable lien as of January 1st following the tax levy date. Taxes are considered delinquent if the taxes are still unpaid after the following January 31st. Property taxes are recorded as receivables and deferred revenue at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes become available. Property taxes available include amounts collected during the year. Delinquent taxes are considered only partially collectible and are, therefore, reduced by a percentage factor for the expected uncollectible amounts.

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets:

| | Balance at 9/30/2021 | Increases | Decreases | Balance at 9/30/2022 |
|---|-------------------------|---------------------|-----------------|-------------------------|
| Governmental Activities | | | | |
| Non-Depreciable Assets: | | | | |
| Land | \$ 2,636,598 | \$ _____ | \$ _____ | \$ 2,636,598 |
| Total non-depreciable assets | <u>2,636,598</u> | <u>_____</u> | <u>_____</u> | <u>2,636,598</u> |
| Depreciable Assets: | | | | |
| Building | 483,814 | | | 483,814 |
| Equipment | 1,045,564 | 112,194 | | 1,157,758 |
| Office equipment | 44,082 | | | 44,082 |
| Land improvements | 255,620 | | | 255,620 |
| Park | 1,204,695 | 3,159 | | 1,207,854 |
| Service center | 468,042 | | | 468,042 |
| Distribution system | 65,996,381 | 731,288 | | 66,727,669 |
| Total depreciable assets | <u>69,498,198</u> | <u>846,641</u> | <u>_____</u> | <u>70,344,839</u> |
| Less accumulated depreciation | | | | |
| Building | 191,437 | 16,282 | | 207,719 |
| Equipment | 943,675 | 50,372 | | 994,047 |
| Office equipment | 42,816 | 843 | | 43,659 |
| Land improvements | 127,887 | 13,121 | | 141,008 |
| Park | 643,428 | 55,177 | | 698,605 |
| Service center | 18,936 | 10,611 | | 29,547 |
| Distribution system | 10,150,899 | 1,321,408 | | 11,472,307 |
| Total accumulated depreciation | <u>12,119,078</u> | <u>1,467,814</u> | <u>_____</u> | <u>13,586,892</u> |
| Total Governmental Activities, net: | \$ <u>60,015,718</u> | \$ <u>(621,173)</u> | \$ <u>_____</u> | \$ <u>59,394,545</u> |
| Depreciation expense is allocated as follows: | | | | |
| Water and sewer | \$ 1,321,408 | | | |
| Park and recreation | 55,177 | | | |
| Unallocated | 91,229 | | | |
| | \$ <u>1,467,814</u> | | | |

NOTE 7: LONG-TERM DEBT

2009A General Obligation Bonds (EDAP at 0%), due in annual installments beginning September 1, 2011 through September 1, 2030.

2009B General Obligation Bonds (WIF Rural Loan at 0%), due in annual installments beginning September 1, 2011 through September 1, 2030.

2009C General Obligation Bonds (WIF), due in annual installments beginning September 1, 2011 through September 1, 2030, having an interest rate ranging from .854% in 2017 to 2.822% in 2030.

2012 General Obligation Bonds (DEAP at 0%), due in annual installments beginning March 14, 2013 through March 14, 2030.

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT - continued

Change in Long-term Debt

| | Balance at 9/30/21 | Increases | Decreases | Balance at 9/30/22 | Due in One Year |
|---------------------------|-----------------------|-------------------|-------------------|-----------------------|--------------------|
| GO Bonds Series 2009A | \$ 603,000 | \$ | \$ 67,000 | \$ 536,000 | \$ 67,000 |
| GO Bonds Series 2009B | 4,269,000 | | 475,000 | 3,794,000 | 475,000 |
| GO Bonds Series 2009C | 4,590,000 | | 463,000 | 4,127,000 | 473,000 |
| GO Bonds Series 2012 | 340,000 | | 40,000 | 300,000 | 40,000 |
| Total Bonds | <u>9,802,000</u> | | <u>1,045,000</u> | <u>8,757,000</u> | <u>1,055,000</u> |
| Pension Liability (Asset) | \$ 11,079 | \$ 256,939 | \$ 499,107 | \$ (231,089) | |
| | <u>\$ 11,079</u> | <u>\$ 256,939</u> | <u>\$ 499,107</u> | <u>\$ (231,089)</u> | |

Debt service for long-term notes is as follows:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 1,055,000 | \$ 106,860 | \$ 1,161,860 |
| 2024 | 1,066,000 | 96,076 | 1,162,076 |
| 2025 | 1,076,000 | 84,697 | 1,160,697 |
| 2026 | 1,084,000 | 72,163 | 1,156,163 |
| 2027 | 1,096,000 | 59,651 | 1,155,651 |
| 2028-2030 | 3,380,000 | 92,867 | 3,472,867 |
| | <u>\$ 8,757,000</u> | <u>\$ 512,314</u> | <u>\$ 9,269,314</u> |

NOTE 8: RISK MANAGEMENT – CLAIMS AND JUDGEMENTS

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

NOTE 9: UNFAVORABLE BUDGET VARIANCES

During the Year Ended September 30, 2022, the District had the following unfavorable budget variances:

| | |
|---------------------|---------|
| Contracted services | \$ 554 |
| Distribution | 265,945 |
| Park and recreation | 47,241 |

All expenditures were approved by the District, and total expenditures were \$173,611 less than budget.

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10: HEALTH CARE COVERAGE

During the year ended September 30, 2022, the District covered the cost of a health insurance plan (the Plan) through TML. The District paid premiums of \$311 to \$444 per month per employee for health insurance. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The District set aside \$650 per employee for health benefits. Depending on the health plan the employee selects, the remainder between the health benefits and \$650 is deposited into a health reimbursement arrangement (HRA) for the employee.

NOTE 11: RETIREMENT PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

Plan Description

Somervell County Water District provides retirement, disability, and survivor benefits for all of its full- and part-time non-temporary employees, regardless of the number of hours they work in a year, through a nontraditional defined benefit pension plan in the state-wide Texas County & District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of state-wide agent multiple-employer public employee retirement system consisting of nearly 800 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACRF is available upon written request from the TCDRS Board of Trustees, at P.O. Box 2034, Austin, Texas 78768-2034, or at <https://www.tcdrs.org>.

Benefits Provided

The plan provisions are adopted by the Board of Directors of the District, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 8 or more years of service, with 20 years regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service 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 Board of Directors, 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. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Board of Directors within certain guidelines.

Memberships

District membership in the TCDRS plan at December 31, 2022 and 2021, consisted of the following:

| | 2021 | 2022 |
|---|------|------|
| Number of inactive employees entitled to but not yet receiving benefits: | 2 | 1 |
| Number of active employees: | 10 | 9 |

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11: RETIREMENT PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM - continued

Contributions

The District has elected the annually determined contribution rate (Variable-Rate) 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 employee contribution rate and the employer contribution rate may be changed by the Board of Directors of the District within the options available in the TCDRS Act.

| <u>Contribution rates</u> | 2021 | 2022 |
|---------------------------------------|----------|--------|
| Employer | 11.57% | 14.74% |
| Member | 7.00% | 7.00% |
| | | |
| District's 2022 Employer Contribution | \$83,954 | |
| District's 2022 Member Contribution | \$42,033 | |

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|-------------------------------------|
| Valuation Date | December 31, 2021 |
| Actuarial cost method | Entry age (level percentage of pay) |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 19.1 years |
| Asset valuation method | 5-year smoothed market |
| Discount rate | 7.60% |
| Long-term expected investment rate of return* | 7.60% |

**Includes inflation of 2.50%*

The plan does not have an automatic cost-of-living adjustment and one is not considered to be substantively automatic under GASB No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the plan may elect an ad-hoc COLA for its retirees.

Mortality rates for depositing members were based on 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.

The actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017 – 2020. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in December 2021.

There were no changes in methods reflected in the December 31, 2021 actuarial valuation.

Discount Rate

The discount rate used to measure the total pension liability decreased from 8.1% in the prior year valuation to 7.60% in the current year valuation.

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11: RETIREMENT PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM - continued

The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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 below are based on January 2020 information for a 7 to 10-year time horizon.

The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is based on a 30-year time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013 – December 31, 2016. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

| Asset Class | Benchmark | Target Allocation (1) | Geometric Real Rate of Return (2) |
|--|--|-----------------------|-----------------------------------|
| US Equities | Dow Jones U.S. Total Stock Market Index | 11.50% | 3.80% |
| Global Equities | MSCI World (net) Index | 2.50% | 4.10% |
| International Equities - Developed Markets | MSCI World Ex USA (net) Index | 5.00% | 3.80% |
| International Equities - Emerging Markets | MSCI EM Standard (net) Index | 6.00% | 4.30% |
| Investment - Grade Bonds | Bloomberg Barclays U.S. Aggregate Bond Index | 3.00% | 8.50% |
| Strategic Credit | FTSE High-Yield Cash-Pay Capped Index | 9.00% | 1.77% |
| Direct Lending | S&P/LSTA Leveraged Loan Index | 16.00% | 6.25% |
| Distressed Debt | Cambridge Associates Distressed Securities Index (3) | 4.00% | 4.50% |
| REIT Equities | 67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index | 2.00% | 3.10% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 2.00% | 3.85% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index (4) | 6.00% | 5.10% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index (5) | 25.00% | 6.80% |
| Hedge Funds | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index | 6.00% | 1.55% |
| Cash Equivalents | 90-Day U.S. Treasury | 2.00% | -1.05% |

(1) Target asset allocation adopted at the March 2022 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.5%, per Cliffwater's 2022 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.

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11: RETIREMENT PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM - continued

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

At September 30, 2022, the District reported a net pension asset of \$231,089 for its net pension asset measured at December 31, 2021. For the year ended September 30, 2022, the District recognized pension expense of \$590,733.

Changes to the real rate of return, inflation, long-term investment return, and the payroll growth assumptions affected measurement of the total pension liability during the measurement period.

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

Changes in the net pension liability for the year ended December 31, 2021 are as follows:

| | Increase (Decrease) | |
|--|--|---|
| | Plan Fiduciary Total Pension Liability (a) | Net Pension Net Position (b) (a)-(b) |
| Balance at 12/31/20 | \$ 1,729,499 | \$ 1,718,420 |
| Changes for the year: | | |
| Service Cost | 106,855 | 106,855 |
| Interest | 138,335 | 138,335 |
| Change in benefit terms | 2,692 | 2,692 |
| Difference between expected/actual experience | 7,876 | 7,876 |
| Changes of assumptions | (209) | (209) |
| Contributions - employer | | 69,623 |
| Contributions - employee | | 40,315 |
| Net investment income | | 386,304 |
| Benefit payments, including refunds of employee contributions | (32,925) | (32,925) |
| Administrative expenses | | (1,181) |
| Other charges | | 2,656 |
| Net changes | 222,624 | 464,792 |
| Balance at 12/31/21 | <u>\$ 1,952,123</u> | <u>\$ 2,183,212</u> |
| | | <u>\$ (231,089)</u> |

Discount Rate Sensitivity Analysis

The following shows the net pension asset calculated using the discount rate of 7.6%, as well as what the District's net pension asset would be if it were calculated using a discount rate that is 1 percent point lower (6.6%) or 1 percent point higher 8.6%) than the current rate.

| | 1% Decrease in Discount Rate (6.6%) | Discount Rate (7.6%) | 1% Increase in Discount Rate (8.6%) |
|-------------------------|---|-------------------------|---|
| Total pension liability | 33,809 | (231,089) | (454,732) |

At December 31, 2021, the District reported its deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

**NOTE 11: RETIREMENT PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM -
continued**

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience (net of current year amortization) | \$ 32,018 | \$ 28,266 |
| Changes in actuarial assumptions | \$ 85,848 | \$ 1,674 |
| Differences between projected and actual investment earnings (net of current year amortization) | | \$ 236,538 |
| Contributions subsequent to the measurement date | \$ 67,327 | |
| Total | <u>\$ 185,193</u> | <u>\$ 266,478</u> |

\$67,327 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|-------------------------|-------------|
| Year ended December 31, | |
| 2023 | \$ (45,265) |
| 2024 | \$ (69,317) |
| 2025 | \$ (49,334) |
| 2026 | \$ (38,230) |
| 2027 | \$ 9,174 |
| Thereafter | \$ 44,360 |

NOTE 12: COMMITMENTS AND CONTINGENCIES

In March 2009, the District and the City of Glen Rose entered into an agreement for the City to purchase water from the District. The District agreed to sell and deliver water to the City to serve the City's water distribution system up to, but not to exceed a total of 225 million gallons per year. The City will pay, monthly, at a rate of \$1.75 per thousand gallons. The initial rate will be reviewed annually. The rate may not increase or decrease more than fifteen percent (15%) of the preceding fiscal year's gallonage rate. The contract expired in March 2019. On February 10, 2020, the City and the District negotiated terms and conditions of an addendum to the contract. The District agreed to sell and deliver the City an amount not to exceed a total of 225 million gallons in any calendar year. The City agreed not to resell any such water delivered for uses outside of its service area and the District agrees to provide facilities which will be capable of delivering water at a rate which, if continued for twenty-four hours, would, in total, equal 1.5 MGD to the City's points of delivery.

NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87 *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS - continued

leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. GASB No. 95 postponed the effective date 18 months. The District determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In May 2019, the GASB issued Statement No. 91 *Conduit debt obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021 due to GASB No. 95. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92 *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021. GASB No. 95 postponed the effective date for one year. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 93 *Replacement of Interbank Offered Rates*. The objective of the Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for reporting periods ending after December 15, 2021. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2022. GASB No. 95 postponed the implementation by one year. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS – continued

which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018. The following statements are postponed by one year: 83, 84, 88, 89, 90, 91, 92 and 93. The following statement is postponed by 18 months: No. 87. The requirements of this Statement are effective immediately.

In May 2020, the GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for years beginning after June 15, 2022. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2020, the GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements Nos. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The District has determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In October 2021, the GASB issued Statement No. 98 *The Annual Comprehensive Financial Report*. This Statement establishes the term *annual comprehensive financial report* and its acronym ACFR. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The District determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

SOMERVELL COUNTY WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS - continued

In April 2022, the GASB issued Statement No. 99 *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective as follows: related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges are effective upon issuance; related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022; and related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2022, the GASB issued Statement No. 100 *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2022, the GASB issued Statement No. 101 *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

REQUIRED SUPPLEMENTARY INFORMATION

SOMERVELL COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 1,969,343 | \$ 1,969,343 | \$ 1,945,043 | \$ (24,300) |
| Water sales | 647,000 | 647,000 | 938,969 | 291,969 |
| Park revenue | 120,000 | 120,000 | 114,837 | (5,163) |
| Interest | 25,000 | 25,000 | 69,024 | 44,024 |
| Gain on sale of assets | | - | 113,793 | 113,793 |
| Total Revenues | <u>2,761,343</u> | <u>2,761,343</u> | <u>3,181,666</u> | <u>420,323</u> |
| EXPENDITURES | | | | |
| Operations | | | | |
| Professional fees | 50,000 | 50,000 | 43,307 | 6,693 |
| Contracted services | 109,000 | 109,000 | 109,554 | (554) |
| Repair and maintenance | 33,000 | 33,000 | 31,834 | 1,166 |
| Administration | 334,735 | 334,735 | 295,797 | 38,938 |
| Distribution | 482,800 | 482,800 | 748,745 | (265,945) |
| Production | 839,250 | 839,250 | 667,476 | 171,774 |
| Park and recreation | 88,900 | 88,900 | 136,141 | (47,241) |
| Capital outlay | 1,003,658 | 1,003,658 | 846,641 | 157,017 |
| Total Expenditures | <u>2,941,343</u> | <u>2,941,343</u> | <u>2,879,495</u> | <u>61,848</u> |
| Excess (Deficiency) of Revenues Over (Under) | | | | |
| Expenditures | (180,000) | (180,000) | 302,171 | 482,171 |
| Fund Balance - Beginning | <u>8,976,821</u> | <u>8,976,821</u> | <u>8,976,821</u> | |
| Fund Balance - Ending | <u>\$ 8,796,821</u> | <u>\$ 8,796,821</u> | <u>\$ 9,278,992</u> | <u>\$ 482,171</u> |

SOMERVELL COUNTY WATER DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TCDRS PENSION
Last 10 Years (will ultimately be displayed)

| | Plan Year Ended | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2019 | 2018 |
| Total pension liability | | | | |
| Service cost | \$ 106,855 | \$ 88,442 | \$ 87,340 | \$ 87,734 |
| Interest (on the total pension liability) | 138,335 | 122,531 | 108,994 | 96,370 |
| Changes in benefit terms | 2,692 | | | 2,775 |
| Difference between expected and actual experience | 7,876 | 7,979 | | |
| Change of assumptions | (209) | 103,044 | 2,616 | 2,119 |
| Benefit payments, including refunds of employee contributions | (32,925) | (32,925) | (32,925) | (32,598) |
| Net Change in Total Pension Liability | <u>222,624</u> | <u>289,071</u> | <u>166,025</u> | <u>156,400</u> |
| Total Pension Liability - Beginning | <u>1,729,499</u> | <u>1,440,428</u> | <u>1,274,403</u> | <u>1,118,003</u> |
| Total Pension Liability - Ending | <u>\$ 1,952,123</u> | <u>\$ 1,729,499</u> | <u>\$ 1,440,428</u> | <u>\$ 1,274,403</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | \$ 69,623 | \$ 63,944 | \$ 56,948 | \$ 59,584 |
| Contributions - employee | 40,315 | 38,389 | 35,881 | 35,030 |
| Net investment income | 386,304 | 154,443 | 202,024 | (21,459) |
| Benefit payments, including refunds of employee contributions | (32,925) | (32,925) | (32,925) | (32,599) |
| Administrative expense | (1,181) | (1,257) | (1,138) | (988) |
| Other | 2,655 | 2,202 | 2,259 | 1,967 |
| Net Change in Plan Fiduciary Net Position | <u>464,791</u> | <u>224,796</u> | <u>263,049</u> | <u>41,535</u> |
| Plan Fiduciary Net Position - Beginning | <u>1,718,420</u> | <u>1,493,624</u> | <u>1,230,575</u> | <u>1,189,040</u> |
| Plan Fiduciary Net Position - Ending | <u>\$ 2,183,211</u> | <u>\$ 1,718,420</u> | <u>\$ 1,493,624</u> | <u>\$ 1,230,575</u> |
| Net Pension Liability - Ending | \$ (231,088) | \$ 11,079 | \$ (53,196) | \$ 43,828 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 111.84% | 99.36% | 103.69% | 96.56% |
| Covered Payroll | \$ 575,924 | \$ 548,409 | \$ 512,581 | \$ 500,430 |
| Net Pension Liability as a Percentage of Covered Payroll | -40.12% | 2.02% | -10.38% | 8.76% |

| | 2017 | 2016 | 2015 | 2014 |
|----|------------------|-------------------|-------------------|-------------------|
| \$ | 83,406 | \$ 74,163 | \$ 71,966 | \$ 80,751 |
| | 84,850 | 74,597 | 70,503 | 57,821 |
| | | | (9,824) | |
| | (2,971) | | 5,131 | |
| | 5,204 | (26,012) | (54,812) | 37,864 |
| | <u>(32,598)</u> | <u>(53,408)</u> | <u>(18,866)</u> | <u>(7,861)</u> |
| | 137,891 | 69,340 | 64,098 | 168,575 |
| | <u>980,112</u> | <u>910,772</u> | <u>846,674</u> | <u>678,099</u> |
| \$ | <u>1,118,003</u> | <u>\$ 980,112</u> | <u>\$ 910,772</u> | <u>\$ 846,674</u> |

| | | | | |
|----|------------------|-------------------|-------------------|-------------------|
| \$ | 58,794 | \$ 56,547 | \$ 59,574 | \$ 58,410 |
| | 34,469 | 32,129 | 33,228 | 31,993 |
| | 144,574 | 65,138 | (11,937) | 45,582 |
| | (32,599) | (53,408) | (18,866) | (7,861) |
| | (791) | (708) | (609) | (575) |
| | 805 | 13,553 | 3,059 | 451 |
| | <u>205,252</u> | <u>113,251</u> | <u>64,449</u> | <u>128,000</u> |
| | <u>983,788</u> | <u>870,537</u> | <u>806,088</u> | <u>678,088</u> |
| \$ | <u>1,189,040</u> | <u>\$ 983,788</u> | <u>\$ 870,537</u> | <u>\$ 806,088</u> |

| | | | | |
|----|----------|------------|-----------|-----------|
| \$ | (71,037) | \$ (3,676) | \$ 40,235 | \$ 40,586 |
|----|----------|------------|-----------|-----------|

| | | | | |
|--|---------|---------|--------|--------|
| | 106.35% | 100.38% | 95.58% | 95.21% |
|--|---------|---------|--------|--------|

| | | | | |
|----|---------|------------|------------|------------|
| \$ | 492,410 | \$ 458,982 | \$ 474,691 | \$ 457,043 |
|----|---------|------------|------------|------------|

| | | | | |
|--|---------|--------|-------|-------|
| | -14.43% | -0.80% | 8.48% | 8.88% |
|--|---------|--------|-------|-------|

SOMERVELL COUNTY WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS - TCDRS PENSION
Last 10 Fiscal Years (will ultimately be displayed)

| | Fiscal Year Ended | | | |
|--|-------------------|-----------------|-----------------|-----------------|
| | 2022 | 2021 | 2020 | 2019 |
| Actuarially Determined Contribution | \$ 83,954 | \$ 66,607 | \$ 61,709 | \$ 56,499 |
| Contributions in relation to the actuarially determined contribution | <u>(83,954)</u> | <u>(66,607)</u> | <u>(61,709)</u> | <u>(56,499)</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 600,468 | \$ 574,579 | \$ 535,337 | \$ 500,430 |
| Contribution as a percentage of covered payroll | 13.98% | 11.59% | 11.53% | 11.29% |

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age (level percentage of pay) |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 19.1 Years (based on contribution rate calculated at 12/31/21 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 | 7.60%, net of 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 a 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. |

Other Information:

| | |
|---|---|
| Changes in Assumptions and Methods Reflected in 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. 2021: No changes in plan provisions were reflected in the Schedule |
| 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 the benefits after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: Employer contributions reflect that a 1% flat COLA was adopted. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. |

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|----|-----------------|-----------------|-----------------|-----------------|
| \$ | 58,794 | \$ 56,547 | \$ 59,574 | \$ 58,410 |
| | <u>(58,794)</u> | <u>(56,547)</u> | <u>(59,574)</u> | <u>(58,410)</u> |
| \$ | - | \$ - | \$ - | \$ - |
| \$ | 492,410 | \$ 458,982 | \$ 474,691 | \$ 457,043 |
| | 11.94% | 12.32% | 12.55% | 12.78% |

TEXAS SUPPLEMENTARY INFORMATION

SOMERVELL COUNTY WATER DISTRICT

TSI-1. SERVICES AND RATES - UNAUDITED
YEAR ENDED SEPTEMBER 30, 2022

1. **Services Provided by the District during the Fiscal Year:**

- | | | |
|--|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input checked="" type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other (specify): _____ | | |

2. **Retail Service Providers**

(You may omit this information if your district does not provide retail services)

a. **Retail Rates for a 5/8" meter (or equivalent):**

| | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate per 1000 Gallons Over Minimum Use | Usage Levels |
|-------------|----------------|---------------|---------------|--|----------------|
| WATER: | \$ | | N | \$ 2.50 | 0-15,000 |
| Residential | | | | \$ 3.50 | 15,001-25,000 |
| 5/8" | 15.00 | | | \$ 4.50 | 25,001-100,000 |
| 1" | 37.50 | | | \$ 5.00 | > 100,000 |
| Commercial | \$ | | N | \$ 2.75 | 0-20,000 |
| 1" | 37.50 | | | \$ 3.75 | 20,001-50,000 |
| 2" | 120.00 | | | \$ 4.75 | 50,001-100,000 |
| 4" | 375.00 | | | \$ 5.75 | > 100,000 |
| 6" | 750.00 | | | \$ | |
| WASTEWATER: | \$ n/a | | | \$ | |
| SURCHARGE: | \$ 0.005 | | | \$ | |

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water: Wastewater: \$

b. **Water and Wastewater Retail Connections:**

| Meter Size | Total Connections | Active Connections | ESFC Factor | Active ESFCs |
|------------------|-------------------|--------------------|-------------|--------------|
| Unmetered | | | x 1.0 | |
| 5/8" | 1,064 | 1,064 | x 1.0 | 1,064 |
| 3/4" | | | x 1.0 | |
| 1" | 52 | 52 | x 2.5 | 130 |
| 1 1/2" | | | x 5.0 | |
| 2" | 13 | 13 | x 8.0 | 104 |
| 3" | | | x 16.0 | |
| 4" | 1 | 1 | x 25.0 | 25 |
| 6" | 1 | 1 | x 50.0 | 50 |
| 8" | | | x 80.0 | |
| Total Water | 1,131 | 1,131 | | 1,373 |
| Total Wastewater | | | x 1.0 | |

SOMERVELL COUNTY WATER DISTRICT

TSI-1. SERVICES AND RATES - UNAUDITED (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

| | |
|---|--|
| Gallons pumped into system: 217,231,000 | Water Accountability Ratio: (Gallons billed / Gallons pumped) 0.9108 |
| Gallons billed to customers: 197,855,000 | |

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees: Yes No

If yes, Date of the most recent Commission Order:

Does the District have Operation and Maintenance standby fees? Yes No

If yes, Date of the most recent Commission Order:

5. Location of District (required for first audit year or when information changes,

County(ies) in which the District is located: Somervell

Is the District located entirely in one county? Yes No

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: Glen Rose

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely Partly Not at all

ETJs in which the District is located:

Are the Board members appointed by an office outside the district: Yes No

If Yes, by whom?

SOMERVELL COUNTY WATER DISTRICT

TSI-2. GENERAL FUND EXPENSES - UNAUDITED
YEAR ENDED SEPTEMBER 30, 2022

| | | | |
|-------------------------------------|--|----|-------------------------|
| Professional Fees: | | | |
| Auditing | | \$ | 13,000 |
| Bookkeeper | | | 16,200 |
| Miscellaneous other | | | 14,107 |
| Contracted Services: | | | |
| Tax collector | | | 57,573 |
| Insurance | | | 43,291 |
| Communications and telephone | | | 4,052 |
| Utilities | | | 4,638 |
| Repairs and Maintenance | | | |
| Customer notification | | | 7,673 |
| Repair and maintenance | | | 11,939 |
| Other | | | 12,222 |
| Administrative Expenses: | | | |
| Personnel salaries and wages | | | 206,692 |
| Employee benefits and payroll taxes | | | 50,632 |
| Health insurance | | | 16,978 |
| Transportation and mileage | | | 12,000 |
| Other | | | 9,495 |
| Distribution: | | | |
| Personnel salaries and wages | | | 190,976 |
| Employee benefits and payroll taxes | | | 57,865 |
| Health insurance | | | 31,630 |
| Fuel | | | 37,406 |
| Repair and maintenance | | | 402,969 |
| Tools | | | 1,731 |
| Utilities | | | 5,685 |
| Other | | | 20,483 |
| Production: | | | |
| Personnel salaries and wages | | | 140,447 |
| Employee benefits and payroll taxes | | | 16,929 |
| Health insurance | | | 19,742 |
| Chemicals | | | 52,165 |
| Lab supplies | | | 3,960 |
| Repair and maintenance | | | 245,534 |
| State fees | | | 12,044 |
| Tools | | | 960 |
| Utilities | | | 158,387 |
| Other | | | 17,308 |
| Park and Recreation: | | | |
| Personnel salaries and wages | | | 39,747 |
| Employee benefits and payroll taxes | | | 8,856 |
| Health insurance | | | 3,119 |
| Community relations | | | 30,705 |
| Contract labor | | | 36,600 |
| Fish purchases | | | 3,300 |
| Repair and maintenance | | | 5,622 |
| Other | | | 8,192 |
| Capital Outlay: | | | |
| Capitalized Assets | | | 846,641 |
| | | | <hr/> |
| TOTAL EXPENSES | | \$ | <u><u>2,879,495</u></u> |

Number of persons employed by the District: 9 Full-time 1 Part-time

SOMERVELL COUNTY WATER DISTRICT

TSI-3. TEMPORARY INVESTMENTS - UNAUDITED
YEAR ENDED SEPTEMBER 30, 2022

| | <u>I.D. or Cert No</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> |
|------------------------|----------------------------|--------------------------|--------------------------|---------------------------------------|---|
| General Fund | | | | | |
| Certificate of Deposit | 87 | 0.25% | 3/2/2023 | \$ 1,803,352 | \$ 345 |
| Certificate of Deposit | 171 | 0.15% | 12/29/2022 | <u>1,785,268</u> | |
| | | | | <u>\$ 3,588,620</u> | <u>\$ 345</u> |

SOMERVELL COUNTY WATER DISTRICT

TSI-4. TAXES LEVIED AND RECEIVABLE

YEAR ENDED SEPTEMBER 30, 2022

| | Maintenance Taxes* | Debt Service Taxes* | Total Taxes* |
|-------------------------------------|-----------------------|------------------------|--------------------|
| Taxes receivable, beginning of year | \$ 47,428 | \$ 20,369 | \$ 67,797 |
| 2021 original tax levy | 1,919,843 | 1,212,532 | 3,132,375 |
| Adjustments | <u>(7,401)</u> | <u>(4,674)</u> | <u>(12,075)</u> |
| Total to be accounted for | <u>1,912,442</u> | <u>1,207,858</u> | <u>3,120,300</u> |
| Tax collections | | | |
| Current year | (1,904,949) | (1,203,126) | (3,108,075) |
| Prior years | <u>(18,918)</u> | <u>(9,210)</u> | <u>(28,128)</u> |
| Total collections | <u>(1,923,867)</u> | <u>(1,212,336)</u> | <u>(3,136,203)</u> |
| Taxes receivable, end of year | \$ <u>36,003</u> | \$ <u>15,891</u> | \$ <u>51,894</u> |
| Taxes receivable, by years | | | |
| Prior years | | | |
| 2013 | \$ 6,252 | \$ 160 | \$ 6,412 |
| 2014 | 1,028 | 294 | 1,322 |
| 2015 | 1,230 | 306 | 1,536 |
| 2016 | 1,832 | 436 | 2,268 |
| 2017 | 1,710 | 488 | 2,198 |
| 2018 | 2,291 | 499 | 2,790 |
| 2019 | 2,007 | 1,400 | 3,407 |
| 2020 | 4,439 | 2,905 | 7,344 |
| 2021 | 5,280 | 3,129 | 8,409 |
| 2022 | 9,934 | 6,274 | 16,208 |
| Total taxes receivable, by year | \$ <u>36,003</u> | \$ <u>15,891</u> | \$ <u>51,894</u> |

SOMERVELL COUNTY WATER DISTRICT

TSI-4. TAXES LEVIED AND RECEIVABLE - CONTINUED
 YEAR ENDED SEPTEMBER 30, 2022

Property Valuations:

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Land | \$ 304,832,124 | \$ 231,788,132 | \$ 216,841,267 | \$ 224,774,315 |
| Improvements | 1,340,458,249 | 1,093,120,896 | 1,031,939,728 | 1,005,195,866 |
| Personal property | 365,143,610 | 326,170,215 | 318,688,348 | 367,837,099 |
| Minerals | 1,440,292,012 | 1,541,989,592 | 1,322,845,422 | 1,323,511,112 |
| Less: exemptions | <u>(934,355,844) a</u> | <u>(707,271,161) b</u> | <u>(694,766,703) c</u> | <u>(679,576,532) d</u> |
| | <u>\$ 2,516,370,151</u> | <u>\$ 2,485,797,674</u> | <u>\$ 2,195,548,062</u> | <u>\$ 2,241,741,860</u> |

Tax Rates per \$100 Valuation

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Maintenance tax rates | \$ 0.076 | \$ 0.081 | \$ 0.081 | \$ 0.076 |
| Debt service tax rate | 0.048 | 0.048 | 0.048 | 0.053 |
| Total tax rate * | <u>0.124</u> | <u>0.129</u> | <u>0.129</u> | <u>0.129</u> |
| Tax Levy | \$ 3,132,375 | \$ 3,206,679 | \$ 2,832,257 | \$ 2,891,847 |
| Percent of Taxes Collected to Taxes Levied | <u>99.6%</u> | <u>99.6%</u> | <u>99.3%</u> | <u>99.4%</u> |

* Maximum tax rate approved by voters: \$0.25 on January 18, 1986

NOTE: Improvements include Ag of \$577,596,369 and timber of \$456,960.

a Includes productivity loss of \$560,237,166, homestead cap of \$48,090,102, and exemptions of \$325,885,400.

b Includes productivity loss of \$565,374,946, homestead cap of \$114,278,573, and exemptions of \$204,983,413.

c Includes productivity loss of \$424,644,161, homestead cap of \$90,815,517, and exemptions of \$197,868,087.

d Includes productivity loss of \$418,087,072, homestead cap of \$77,513,103, and exemptions of \$169,852,058.

SOMERVELL COUNTY WATER DISTRICT

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS
(SERIES 2009A) - BY YEARS (UNAUDITED)
 YEAR ENDED SEPTEMBER 30, 2022

| Due During Fiscal Years Ending | SERIES 2009A | | |
|-----------------------------------|-------------------|-----------------|-------------------|
| | Principal Due | Interest Due | Total |
| 2023 | \$ 67,000 | \$ | \$ 67,000 |
| 2024 | 67,000 | | 67,000 |
| 2025 | 67,000 | | 67,000 |
| 2026 | 67,000 | | 67,000 |
| 2027 | 67,000 | | 67,000 |
| 2028 | 67,000 | | 67,000 |
| 2029 | 67,000 | | 67,000 |
| 2030 | 67,000 | | 67,000 |
| | <u>\$ 536,000</u> | <u>\$</u> | <u>\$ 536,000</u> |

SOMERVELL COUNTY WATER DISTRICT

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - continued
(SERIES 2009B) - BY YEARS (UNAUDITED)
 YEAR ENDED SEPTEMBER 30, 2022

| Due During Fiscal Years Ending | SERIES 2009B | | |
|-----------------------------------|---------------------|-----------------|---------------------|
| | Principal Due | Interest Due | Total |
| 2023 | \$ 475,000 | \$ | \$ 475,000 |
| 2024 | 475,000 | | 475,000 |
| 2025 | 474,000 | | 474,000 |
| 2026 | 474,000 | | 474,000 |
| 2027 | 474,000 | | 474,000 |
| 2028 | 474,000 | | 474,000 |
| 2029 | 474,000 | | 474,000 |
| 2030 | 474,000 | | 474,000 |
| | <u>\$ 3,794,000</u> | <u>\$</u> | <u>\$ 3,794,000</u> |

SOMERVELL COUNTY WATER DISTRICT

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - continued
(SERIES 2009C) - BY YEARS (UNAUDITED)
 YEAR ENDED SEPTEMBER 30, 2022

| Due During Fiscal Years Ending | SERIES 2009C | | |
|-----------------------------------|---------------------|-------------------|---------------------|
| | Principal Due | Interest Due | Total |
| 2023 | \$ 473,000 | \$ 106,860 | \$ 579,860 |
| 2024 | 484,000 | 96,076 | 580,076 |
| 2025 | 495,000 | 84,697 | 579,697 |
| 2026 | 508,000 | 72,163 | 580,163 |
| 2027 | 520,000 | 59,651 | 579,651 |
| 2028 | 534,000 | 45,580 | 579,580 |
| 2029 | 549,000 | 31,370 | 580,370 |
| 2030 | 564,000 | 15,916 | 579,916 |
| | <u>\$ 4,127,000</u> | <u>\$ 512,313</u> | <u>\$ 4,639,313</u> |

SOMERVELL COUNTY WATER DISTRICT

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - continued

(SERIES 2012) - BY YEARS (UNAUDITED)

YEAR ENDED SEPTEMBER 30, 2022

| Due During Fiscal Years Ending | SERIES 2012 | | |
|-----------------------------------|-------------------|-----------------|-------------------|
| | Principal Due | Interest Due | Total |
| 2023 | \$ 40,000 | \$ | \$ 40,000 |
| 2024 | 40,000 | | 40,000 |
| 2025 | 40,000 | | 40,000 |
| 2026 | 35,000 | | 35,000 |
| 2027 | 35,000 | | 35,000 |
| 2028 | 35,000 | | 35,000 |
| 2029 | 35,000 | | 35,000 |
| 2030 | 40,000 | | 40,000 |
| | <u>\$ 300,000</u> | <u>\$</u> | <u>\$ 300,000</u> |

SOMERVELL COUNTY WATER DISTRICT

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - continued
(ALL BONDED DEBT SERIES) - BY YEARS (UNAUDITED)
 YEAR ENDED SEPTEMBER 30, 2022

| Due During Fiscal Years Ending | ANNUAL REQUIREMENTS FOR ALL SERIES | | |
|-----------------------------------|------------------------------------|-------------------|---------------------|
| | Principal Due | Interest Due | Total |
| 2023 | \$ 1,055,000 | \$ 106,860 | \$ 1,161,860 |
| 2024 | 1,066,000 | 96,076 | 1,162,076 |
| 2025 | 1,076,000 | 84,697 | 1,160,697 |
| 2026 | 1,084,000 | 72,163 | 1,156,163 |
| 2027 | 1,096,000 | 59,651 | 1,155,651 |
| 2028 | 1,110,000 | 45,580 | 1,155,580 |
| 2029 | 1,125,000 | 31,370 | 1,156,370 |
| 2030 | 1,145,000 | 15,916 | 1,160,916 |
| | <u>\$ 8,757,000</u> | <u>\$ 512,313</u> | <u>\$ 9,269,313</u> |

SOMERVELL COUNTY WATER DISTRICT

TSI-6. CHANGES IN LONG-TERM BONDED DEBT (UNAUDITED)
 YEAR ENDED SEPTEMBER 30, 2022

| | Bond Issues | | | | |
|--|-----------------------|-----------------------|--------------------------------------|-----------------------|---------------------|
| | Series 2012 | Series 2009C | Series 2009B | Series 2009A | Total |
| Interest Rate | 0.0% | 0.854 % -2.822% | 0.0% | 0.0% | |
| Dates Interest Payable | 3/15; 9/15 | 3/1; 9/1 | 3/1; 9/1 | 3/1; 9/1 | |
| Maturity Dates | 3/14/2030 | 9/1/2030 | 9/1/2030 | 9/1/2030 | |
| Beginning Bonds Outstanding | \$ 340,000 | \$ 4,590,000 | \$ 4,269,000 | \$ 603,000 | \$ 9,802,000 |
| Bonds Sold During Fiscal Year | | | | | |
| Bonds Retired During Fiscal Year | <u>40,000</u> | <u>463,000</u> | <u>475,000</u> | <u>67,000</u> | <u>1,045,000</u> |
| Ending Bonds Outstanding | <u>\$ 300,000</u> | <u>\$ 4,127,000</u> | <u>\$ 3,794,000</u> | <u>\$ 536,000</u> | <u>\$ 8,757,000</u> |
| Interest Paid During Fiscal Year | \$ | \$ 116,727 | \$ | \$ | \$ 116,727 |
| Paying Agents Name and City | | | | | |
| Series 2009A | | | Wells Fargo Corporate Trust Services | Minnneapolis, MN | |
| Series 2009B | | | Wells Fargo Corporate Trust Services | Minnneapolis, MN | |
| Series 2009C | | | Wells Fargo Corporate Trust Services | Minnneapolis, MN | |
| Series 2012 | | | Wells Fargo Corporate Trust Services | Minnneapolis, MN | |
| Bond Authority | General Obligation | General Obligation | General Obligation | General Obligation | |
| Board of Directors Resolution | \$ 700,000 | \$ 9,367,000 | \$ 9,494,000 | \$ 1,340,000 | |
| Debt Service Fund cash and temporary investments | | | | | |
| Balances September 30, 2022 | \$ 281,326 | | | | |
| Average annual debt service payment (principal and interest) for remaining term of all debt | | | | | |
| Series 2009A | \$ 67,000 | | | | |
| Series 2009B | 474,250 | | | | |
| Series 2009C | 579,914 | | | | |
| Series 2012 | <u>37,500</u> | | | | |
| | <u>\$ 1,158,664</u> | | | | |

SOMERVELL COUNTY WATER DISTRICT

TSI-7a. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - GENERAL FUND - UNAUDITED

Five Years Ended December 31, 2018, 2019, 2020, 2021, and 2022

| | AMOUNTS | | | | |
|--|-------------------|---------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Operating revenues: | | | | | |
| Property taxes | \$ 1,945,043 | \$ 2,015,750 | \$ 1,778,457 | \$ 1,708,018 | \$ 1,732,172 |
| Water sales | 938,969 | 626,583 | 589,002 | 573,916 | 627,652 |
| Park revenue | 114,837 | 136,838 | 168,912 | 97,328 | 86,145 |
| Interest | 69,024 | 107,523 | 190,591 | 220,728 | 143,052 |
| Gain on sale of assets | | 30,000 | | | |
| Miscellaneous income | 113,793 | | | 142 | 12,000 |
| Total operating revenues | <u>3,181,666</u> | <u>2,916,694</u> | <u>2,726,962</u> | <u>2,600,132</u> | <u>2,601,021</u> |
| Operating expenses: | | | | | |
| Professional fees | 43,307 | 48,807 | 42,612 | 36,356 | 14,422 |
| Contracted services | 109,554 | 116,755 | 97,969 | 95,541 | 112,566 |
| Repair and maintenance | 31,834 | 30,866 | 28,148 | 26,191 | 10,638 |
| Administration | 295,797 | 288,330 | 278,632 | 277,109 | 284,303 |
| Distribution | 748,745 | 564,988 | 395,645 | 375,580 | 338,220 |
| Production | 667,476 | 581,225 | 552,944 | 523,282 | 697,837 |
| Park and recreation | 136,141 | 86,955 | 86,233 | 100,033 | 94,352 |
| Capital outlay | 846,641 | 1,473,554 | 1,049,092 | 1,063,774 | 1,031,279 |
| Total operating expenses | <u>2,879,495</u> | <u>3,191,480</u> | <u>2,531,275</u> | <u>2,497,866</u> | <u>2,583,617</u> |
| Other financing sources / (uses) | | | | | |
| Grant revenue | | | | | 112,362 |
| Total other financing sources / (uses) | | | | | <u>112,362</u> |
| Net Income | \$ <u>302,171</u> | \$ <u>(274,786)</u> | \$ <u>195,687</u> | \$ <u>102,266</u> | \$ <u>129,766</u> |

PERCENT OF FUND TOTAL REVENUE

| 2022 | 2021 | 2020 | 2019 | 2018 |
|--------|--------|--------|--------|--------|
| 61.1% | 69.1% | 65.2% | 65.7% | 66.6% |
| 29.5% | 21.5% | 21.6% | 22.1% | 24.1% |
| 3.6% | 4.7% | 6.2% | 3.7% | 3.3% |
| 2.2% | 3.7% | 7.0% | 8.5% | 5.5% |
| | 1.0% | | | |
| 3.6% | | | 0.0% | 0.5% |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 1.4% | 1.7% | 1.5% | 1.5% | 0.6% |
| 3.4% | 4.0% | 3.6% | 3.7% | 4.3% |
| 1.0% | 1.0% | 1.0% | 1.0% | 0.4% |
| 9.3% | 9.9% | 10.2% | 10.7% | 10.9% |
| 23.5% | 19.4% | 14.5% | 14.4% | 13.0% |
| 21.0% | 19.9% | 20.3% | 20.1% | 26.8% |
| 4.3% | 3.0% | 3.2% | 3.8% | 3.6% |
| 26.6% | 50.5% | 38.5% | 40.9% | 39.7% |
| 90.5% | 109.5% | 92.8% | 96.1% | 99.3% |
| | | | | 4.3% |
| | | | | 4.3% |
| 9.5% | -9.5% | 7.2% | 3.9% | 5.1% |

SOMERVELL COUNTY WATER DISTRICT

TSI-7b. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - DEBT SERVICE FUND - UNAUDITED

Five Years Ended December 31, 2018, 2019, 2020, 2021, and 2022

| | AMOUNTS | | | | |
|--|------------------|------------------|---------------------|------------------|------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Operating revenues: | | | | | |
| Property taxes | \$ 1,237,083 | \$ 1,194,834 | \$ 1,054,301 | \$ 1,190,733 | \$ 1,206,048 |
| Interest | 9,253 | 2,028 | 5,630 | 21,440 | 13,681 |
| Total operating revenues | <u>1,246,336</u> | <u>1,196,862</u> | <u>1,059,931</u> | <u>1,212,173</u> | <u>1,219,729</u> |
| Debt service: | | | | | |
| Principal | 1,045,000 | 1,036,000 | 1,029,000 | 1,023,000 | 1,018,000 |
| Interest | 116,727 | 125,566 | 132,926 | 138,956 | 143,595 |
| Total operating expenses | <u>1,161,727</u> | <u>1,161,566</u> | <u>1,161,926</u> | <u>1,161,956</u> | <u>1,161,595</u> |
| Other financing sources / (uses) | | | | | |
| Transfers in / (out) | | | | | |
| Total other financing sources / (uses) | | | | | |
| Net Income | \$ <u>84,609</u> | \$ <u>35,296</u> | \$ <u>(101,995)</u> | \$ <u>50,217</u> | \$ <u>58,134</u> |

PERCENT OF FUND TOTAL REVENUE

| 2022 | 2021 | 2020 | 2019 | 2018 |
|---------------|---------------|---------------|---------------|---------------|
| 99.3% | 99.8% | 99.5% | 98.2% | 98.9% |
| 0.7% | 0.2% | 0.5% | 1.8% | 1.1% |
| <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |
| 83.8% | 86.6% | 97.1% | 84.4% | 83.5% |
| 9.4% | 10.5% | 12.5% | 11.5% | 11.6% |
| <u>93.2%</u> | <u>97.1%</u> | <u>109.6%</u> | <u>95.9%</u> | <u>95.1%</u> |
| 6.8% | 2.9% | -9.6% | 4.1% | 4.9% |

SOMERVELL COUNTY WATER DISTRICT

TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS - UNAUDITED
 YEAR ENDED SEPTEMBER 30, 2022

Complete District Mailing Address: P.O. Box 1386, Glen Rose, Texas 76043

District Business Telephone Number: (254) 897-4141

Submission Date of the most recent District Registration Form:
 (TWC Sections 36.054 and 49.054): None

Limit on Fees of Office that a Director may receive during a fiscal year: No limit imposed
 (Set by Board Resolution (TWC Section 49.060))

| Names: | Term of Office (Elected or Appointed) or Date Hired | Fees of Office Paid 9/30/2022 | Expense Reimburse- ments 9/30/2022 | Title at Year End |
|--------------------------------------|--|--|---|------------------------|
| Board Members: | | | | |
| Ben Mieth | (Elected) Place II 5/22 - 5/26 | \$ | | President |
| Larry Fleming | (Elected) Place I 5/20 - 5/24 | | | Director |
| Maurice English | (Elected) Place VI 5/22 - 5/26 | | | Director |
| Lee Magee | (Elected) Place IV 5/20 - 5/24 | | | Secretary/Treasurer |
| Karen Richardson | (Elected) Place III 5/20 - 5/24 | | | Director |
| Nemo Britton | (Elected) Place VII 5/20 - 5/24 | | | Vice President |
| Kevin Morgan | (Elected) Place V 5/22 - 5/26 | | | Director |
| Key Administrative Personnel: | | | | |
| Kevin Taylor | | 151,415 | | General Manager |
| John Flippen | | 82,822 | | Director of Operations |
| Consultants: | | | | |
| Merritt, McLane & Hamby, P.C. | | 13,000 | | Auditor |
| Valley View Consulting | | 10,000 | | Financial advisor |
| Michael Cody, CPA, PC | | 9,000 | | Accounting services |
| Wheeler Branch Bookkeeping | | 7,200 | | Accounting services |
| Hilltop Securities | | 3,500 | | Financial advisor |
| Other miscellaneous | | 607 | | |

OTHER INFORMATION REQUIRED BY GAO

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

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
Somervell County Water 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 and each major fund of Somervell County Water District, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Somervell County Water District's basic financial statements, and have issued our report thereon dated January 24, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Somervell County Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Somervell County Water 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Somervell County Water District's financial statements are free of 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 determination of financial statement amounts. 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
January 24, 2023

SOMERVELL COUNTY WATER DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2022

I. Summary of Auditor's Report

- a. The type of report issued on the financial statements of Somervell County Water District was an unmodified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance not material to the financial statements of Somervell County Water District were disclosed during the audit.

II. Findings Required to be Reported in Accordance with *Government Auditing Standards*.

None

SOMERVELL COUNTY WATER DISTRICT

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2022

Findings/Noncompliance

None