

**SOUTH PLAINS UNDERGROUND WATER
CONSERVATION DISTRICT**

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED AUGUST 31, 2024**

Board of Directors:

Barrett Brown, President
Gabe Neill, Secretary
Jon Williams
Tye Day
E.C. Harlan

SOUTH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT

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Independent Auditor's Report

October 25, 2024

Board of Directors
South Plains Underground Water Conservation District
Brownfield, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of South Plains Underground Water Conservation District (the District) as of and for the year ended August 31, 2024, 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 financial position of the governmental activities and each major fund of South Plains Underground Water Conservation District as of August 31, 2024, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Plains Underground Water Conservation District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise a substantial doubt about South Plains Underground Water Conservation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.

Independent Auditor's Report (Continued)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of South Plains Underground Water Conservation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Plains Underground Water Conservation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 assurance.

Davis, Ray & Co.

Seminole, Texas
October 25, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of South Plains Underground Water Conservation District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2024. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$710,242.40 at August 31, 2024.
- During the year, the District's expenses were \$47,180.09 less than the \$282,895.65 generated in taxes, charges for services, interest and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$515,521.68.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status. The government-wide statements report information using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- The remaining statements are *fund financial statements* that tell how *general government* services were financed in the *short term* as well as what remains for future spending. The District has only governmental funds. All of the District's basic services are included in the general fund, which focuses on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the right side of the governmental funds statement that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$710,242.40 at August 31, 2024. (See Table A-1).

Table A-1
SOUTH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT'S NET POSITION

	Governmental Activities 2024	Governmental Activities 2023	% Change
Current assets:			
Cash and cash equivalents	\$ 82,151.13	\$ 102,485.06	-19.84%
Certificates of deposit	547,868.08	548,460.70	-0.11%
Receivables (net)	6,779.43	5,709.55	18.74%
Total current assets	636,798.64	656,655.31	-3.02%
Noncurrent assets:			
Property, plant and equipment, net	97,043.76	65,882.82	47.30%
Total Assets	733,842.40	722,538.13	1.56%
Current liabilities:			
Accounts payable	-	19,475.82	N/A
Well deposits	23,600.00	40,000.00	-41.00%
Total Current Liabilities	23,600.00	59,475.82	-60.32%
Total Liabilities	23,600.00	59,475.82	-60.32%
Net position:			
Net investment in capital assets	97,043.76	65,882.82	47.30%
Unrestricted	613,198.64	597,179.49	2.68%
Total Net Position	\$ 710,242.40	\$ 663,062.31	7.12%

The \$613,198.64 of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$282,895.65. The major source of revenue is property taxes – 79 percent. Charges for services, interest income and miscellaneous income comprise the final 21 percent of revenue.

Table A-2
CHANGES IN SOUTH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT'S NET POSITION

	Governmental Activities 2024	Governmental Activities 2023	% Change
Program Revenues:			
Charges for services	\$ 2,100.00	\$ 4,500.00	-53.33%
General Revenues:			
Property taxes	223,685.78	207,022.81	8.05%
Interest income	23,009.87	9,016.75	155.19%
Miscellaneous income	34,100.00	-	N/A
Total Revenues	<u>282,895.65</u>	<u>220,539.56</u>	<u>28.27%</u>
Expenses:			
General administration	235,715.56	236,574.97	-0.36%
Change in Net Position	<u>\$ 47,180.09</u>	<u>\$ (16,035.41)</u>	<u>-394.22%</u>

General Fund Budgetary Highlights

The District did not amend its original budget during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024, the District had invested \$97,043.76, net of accumulated depreciation, in capital assets; (see Table A-3). This represents a net increase (including additions and deductions) of \$31,160.94 or 47.3 percent from last year.

Table A-3
SOUTH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT'S CAPITAL ASSETS

	2024	2023
Equipment	\$ 101,581.63	\$ 101,581.63
Furniture & fixtures	24,597.02	24,597.02
Vehicles	44,464.58	38,296.65
Buildings	136,371.99	136,371.99
Total at historical cost	<u>307,015.22</u>	<u>300,847.29</u>
Total accumulated depreciation	<u>(209,971.46)</u>	<u>(234,964.47)</u>
Net capital assets	<u>\$ 97,043.76</u>	<u>\$ 65,882.82</u>

DEBT ADMINISTRATION

At year end, the District had no long-term or short-term debt from borrowed funds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Appraised, taxable values have increased \$5,194,467.00 from last year.
- The District has adopted a revenue budget of \$269,910.00, an increase of \$6,004.00 or 2 percent from last year's budget.
- The District has adopted an expenditure budget of \$295,850.00, an increase of \$28,145.00 or 10 percent from last year's budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

SOUTH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2024

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 82,151.13
Certificates of deposit	547,868.08
Property taxes receivable, net of allowances	5,322.15
Due from Appraisal District	1,029.09
Accrued interest receivable	428.19
Total Current Assets	636,798.64
Noncurrent Assets:	
Property, plant and equipment, net of accumulated depreciation (Note 2)	97,043.76
Total Assets	\$ 733,842.40
<u>LIABILITIES</u>	
Current Liabilities:	
Well deposits payable	\$ 23,600.00
Total Current Liabilities	23,600.00
Total Liabilities	23,600.00
<u>NET POSITION</u>	
Net investment in capital assets	97,043.76
Unrestricted	613,198.64
Total Net Position	\$ 710,242.40

The accompanying notes to financial statements are an integral part of this statement.

SOUTH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Governmental Activities					
General administration	\$ 235,715.56	\$ 2,100.00	\$ -	\$ -	\$ (233,615.56)
Total Primary Government	<u>\$ 235,715.56</u>	<u>\$ 2,100.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (233,615.56)</u>

General Revenues:	
Property taxes	\$ 223,685.78
Interest income	23,009.87
Miscellaneous income	<u>34,100.00</u>
Total General Revenues	<u>280,795.65</u>
Changes in Net Position	47,180.09
Net Position - Beginning	<u>663,062.31</u>
Net Position - Ending	<u>\$ 710,242.40</u>

The accompanying notes to financial statements are an integral part of this statement.

SOUTH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
AUGUST 31, 2024

	General Fund	Special Projects Fund	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 64,300.00	\$ 17,851.13	\$ 82,151.13
Certificates of deposit	473,364.40	74,503.68	547,868.08
Property taxes receivable, net of allowances	5,322.15	-	5,322.15
Due from Appraisal District	1,029.09	-	1,029.09
Accrued interest receivable	428.19	-	428.19
Total Assets	\$ 544,443.83	\$ 92,354.81	\$ 636,798.64
Liabilities:			
Well deposits payable	\$ 23,600.00	-	\$ 23,600.00
Total Liabilities	23,600.00	-	23,600.00
Deferred Inflows of Resources:			
Unavailable resources-property taxes	5,322.15	-	5,322.15
Total Deferred Inflows of Resources	5,322.15	-	5,322.15
Fund Balances:			
Assigned	-	92,354.81	92,354.81
Unassigned	515,521.68	-	515,521.68
Total Fund Balances	515,521.68	92,354.81	607,876.49
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 544,443.83	\$ 92,354.81	\$ 636,798.64

The accompanying notes to financial statements are an integral part of this statement.

SOUTH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT
RECONCILIATION OF GOVERNMENTAL
FUNDS BALANCE SHEET
AUGUST 31, 2024

Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities:

Governmental Fund Balances	\$ 607,876.49
Amounts reported in governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	97,043.76
Property taxes receivable unavailable to pay for current period expenditures are unearned in the funds.	<u>5,322.15</u>
Net Position of Governmental Activities	<u><u>\$ 710,242.40</u></u>

The accompanying notes to financial statements are an integral part of this statement.

SOUTH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
AUGUST 31, 2024

	General Fund	Special Projects Fund	Total Governmental Funds
<u>REVENUES</u>			
Taxes, penalties and interest	\$ 222,730.16	\$ -	\$ 222,730.16
Non refundable deposits	2,100.00	-	2,100.00
Interest income	20,049.71	2,960.16	23,009.87
Miscellaneous income	34,100.00	-	34,100.00
Total Revenues	<u>278,979.87</u>	<u>2,960.16</u>	<u>281,940.03</u>
<u>EXPENDITURES</u>			
General administration	222,411.92	-	222,411.92
Capital outlay:			
Current expenditures	44,464.58	-	44,464.58
Total Expenditures	<u>266,876.50</u>	<u>-</u>	<u>266,876.50</u>
Excess (deficiency) of revenues over expenditures	12,103.37	2,960.16	15,063.53
Fund Balance, August 31, 2023	<u>503,418.31</u>	<u>89,394.65</u>	<u>592,812.96</u>
Fund Balance, August 31, 2024	<u>\$ 515,521.68</u>	<u>\$ 92,354.81</u>	<u>\$ 607,876.49</u>

The accompanying notes to financial statements are an integral part of this statement.

SOUTH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AUGUST 31, 2024

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

Net Changes in Governmental Fund Balances	\$ 15,063.53
Amounts reported for governmental activities in the statement of activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	44,464.58
The depreciation on capital assets used in governmental activities is not reported in the funds.	(13,303.64)
Certain property tax revenues are deferred in the funds.	<u>955.62</u>
Change in Net Position of Governmental Activities	<u>\$ 47,180.09</u>

The accompanying notes to financial statements are an integral part of this statement.

**SOUTH PLAINS UNDERGROUND WATER
CONSERVATION DISTRICT**
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The South Plains Underground Water Conservation District was created on April 23, 1991 under the laws of the State of Texas. The District's operations are financed primarily from ad valorem taxes. The District operates under a board-manager form of government. There are five elected board member positions. The purpose of the District is to provide for conserving, preserving, protecting, recharging, and preventing waste of the water from the underground water reservoirs. The members of the Board of Directors are elected by the public, have authority to make decisions, appoint administrators and managers, and significantly influence operations and have the primary accountability for fiscal matters. The District is not included in any other governmental reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Fund Accounting

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

**SOUTH PLAINS UNDERGROUND WATER
CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024**

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

General Fund:

This fund is established to account for resources devoted to financing the general operations of the District. Property tax revenue and other sources of revenue used to finance the fundamental operations of the District are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

This fund was also established to account for and track drilling permit deposits received by the District. Amounts included in this fund are refundable to the depositor and are governed by the District's Registrations/Permits Policy.

Special Projects Fund:

The Special Projects Fund is established to account for resources devoted to items outside the fundamental operations of the District. These resources are assigned by the Board for projects and events to further the overall goals of the District. Interest revenue earned on the fund's deposits is included in this fund.

Use of Estimates

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

Property Taxes

Property taxes attach as an enforceable lien on property as of January 31. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. Property taxes are deferred in the fiscal year for which they are levied and are recorded as revenue in the fiscal year in which they are received. Taxes levied and uncollected are carried as an asset of the appropriate fund. An allowance is established for delinquent taxes to the extent that their collectability is improbable.

**SOUTH PLAINS UNDERGROUND WATER
CONSERVATION DISTRICT**
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

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

1. A proposed operating budget is prepared for the next succeeding fiscal year commencing September 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to September 1 the budget is legally adopted by the District's Board of Directors.
3. Formal budgetary integration is employed as a management control device during the year.
4. Unused appropriations for the entire above annually budgeted funds lapse at the end of the year.
5. The budget amounts shown in the financial statements contain both the original and final budget as amended by the board.

Deposits, Securities, and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas Water Code. The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. All deposits are categorized as insured or collateralized with securities held by the District or by its agent in the District's name. During the year, the District's deposits were fully covered by FDIC or pledged securities.

The District's investment policies and types of investment are governed by the Public Funds Investments Act. Investments are reported by the District at cost in accordance with Governmental Accounting Standards Board Statement (GASB) No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools". The District's management believes that it complied with the requirements of the Public Funds Investments Act.

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk.

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

**SOUTH PLAINS UNDERGROUND WATER
CONSERVATION DISTRICT**
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Analysis of Specific Deposit and Investment Risks (Continued)

b. Custodial Credit Risk

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

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

During the year, the District was not significantly exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Capital assets are defined by the District as assets with an estimated useful life in excess of two years. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Net Position and Fund Balances

Net position represents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments or when the District's intent is to use such funds for a specified purpose.

**SOUTH PLAINS UNDERGROUND WATER
CONSERVATION DISTRICT**
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position and Fund Balances (Continued)

Fund balances of the governmental fund are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as prepaid items or inventories) or are legally or contractually required to remain intact.

Restricted Fund Balance – represents amounts that are constrained either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) by constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for specific purpose pursuant to formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes the specified use by taking the same type of formal action. Commitments are typically done through the adoption and amendment of the budget.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority.

Unassigned Fund Balance – represents all other spendable amounts. These amounts are unconstrained in that they may be spent for any purpose.

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. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those fund balance classifications can be used.

Tax Abatements

Governmental Accounting Standards Board ("GASB") issued Statement No. 77 entitled *Tax Abatements Disclosures*, which could have an effect on the District's financial statements if applicable. For the year ended August 31, 2024, the District had no tax abatements.

Implementation of New Accounting Principles

The objective of GASB 96, *Subscription-Based Information Technology Arrangements* is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB Statement No. 96 is effective for fiscal years beginning after June 15, 2022. The District assessed the new standard and determined that there was no impact to the financial statements.

**SOUTH PLAINS UNDERGROUND WATER
CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023**

Note 2 CHANGES IN GENERAL FIXED ASSETS

The following is a summary of changes in the property, plant and equipment for the year ended August 31, 2024:

	Balance 8/31/2023	Additions	Retirements	Balance 8/31/2024
Equipment	\$ 101,581.63	\$ -	\$ -	\$ 101,581.63
Furniture & Fixtures	24,597.02	-	-	24,597.02
Vehicles	38,296.65	44,464.58	38,296.65	44,464.58
Buildings	136,371.99	-	-	136,371.99
Total Fixed Assets	300,847.29	44,464.58	38,296.65	307,015.22
Less accumulated depreciation:				
Equipment	88,893.69	3,208.86	-	92,102.55
Furniture & Fixtures	24,281.10	97.20	-	24,378.30
Vehicles	38,296.65	5,187.53	38,296.65	5,187.53
Buildings	83,493.03	4,810.05	-	88,303.08
Total accumulated depreciation	234,964.47	13,303.64	38,296.65	209,971.46
Net fixed assets	\$ 65,882.82	\$ 31,160.94	\$ -	\$ 97,043.76

Note 3 DEFINED CONTRIBUTION PLAN

The District sponsors a defined contribution pension plan administered by Capital Guardian Trust. Plan provisions are established or amended by Board resolution. Contributions and costs are determined at 8.0% of each employee's salary and totaled \$6,639.96 for the year ended August 31, 2024.

Note 4 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the year ended August 31, 2024, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 5 SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 25, 2024, the date the financial statements were available to be issued. No subsequent events were noted.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2024

	<u>ORIGINAL BUDGET</u>	<u>FINAL AND AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>				
Taxes, penalties and interest	\$ 221,831.00	\$ 221,831.00	\$ 222,730.16	\$ 899.16
Non-refundable deposits	-	-	2,100.00	2,100.00
Interest income	5,075.00	5,075.00	20,049.71	14,974.71
Miscellaneous income	<u>37,000.00</u>	<u>37,000.00</u>	<u>34,100.00</u>	<u>(2,900.00)</u>
Total Revenues	<u>263,906.00</u>	<u>263,906.00</u>	<u>278,979.87</u>	<u>15,073.87</u>
<u>EXPENDITURES</u>				
General administration	249,705.00	249,705.00	222,411.92	27,293.08
Capital outlay:				
Current expenditures	<u>18,000.00</u>	<u>18,000.00</u>	<u>44,464.58</u>	<u>(26,464.58)</u>
Total Expenditures	<u>267,705.00</u>	<u>267,705.00</u>	<u>266,876.50</u>	<u>828.50</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,799.00)</u>	<u>(3,799.00)</u>	<u>12,103.37</u>	<u>15,902.37</u>
Fund Balance, August 31, 2023	<u>503,418.31</u>	<u>503,418.31</u>	<u>503,418.31</u>	<u>-</u>
Fund Balance, August 31, 2024	<u><u>\$ 499,619.31</u></u>	<u><u>\$ 499,619.31</u></u>	<u><u>\$ 515,521.68</u></u>	<u><u>\$ 15,902.37</u></u>

SOUTH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT
SPECIAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2024

	<u>ORIGINAL BUDGET</u>	<u>FINAL AND AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>				
Interest income	\$ 510.00	\$ 510.00	\$ 2,960.16	\$ 2,450.16
Miscellaneous income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>510.00</u>	<u>510.00</u>	<u>2,960.16</u>	<u>2,450.16</u>
<u>EXPENDITURES</u>				
General administration	30,000.00	30,000.00	-	30,000.00
Capital outlay:				
Current expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>30,000.00</u>	<u>30,000.00</u>	<u>-</u>	<u>30,000.00</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(29,490.00)</u>	<u>(29,490.00)</u>	<u>2,960.16</u>	<u>32,450.16</u>
Fund Balance, August 31, 2023	<u>89,394.65</u>	<u>89,394.65</u>	<u>89,394.65</u>	<u>-</u>
Fund Balance, August 31, 2024	<u>\$ 59,904.65</u>	<u>\$ 59,904.65</u>	<u>\$ 92,354.81</u>	<u>\$ 32,450.16</u>