

TRINITY BAY CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §
COUNTIES OF CHAMBERS AND JEFFERSON §

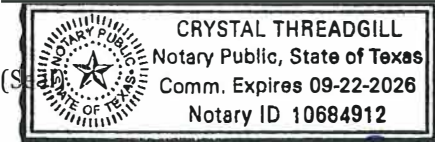
I, Gregg Turner, vice-president of the Board of Directors of the Trinity Bay Conservation District hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 15th day of February, 2023 its annual report for the year or period ended September 30, 2022 and that copies of the annual audit have been filed in the District office, located at 2500 SH 124, Stowell, Texas. The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: Feb 15 2023 ~~2022~~

By: [Signature]
(Signature of District Representative)

Gregg Turner, vice-president of the Board of Directors
(Typed Name and Title of above District Representative)
GREGG TURNER

Sworn to and subscribed to before me this 15th day of February, 2023



[Signature]
(Signature of Notary)

My commission expires on 9-26 2026 Notary Public in and for the State of Texas.

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA
Troy W. Domingue, CPA
Allen W. Fehnel, CPA



Stanley (Chip) Majors, Jr., CPA.CITP, CGMA
Jane P. Burns, CPA, CDFA
Jeremy R. Triska, CPA
Chris W. Busch, CPA

February 15, 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Trinity Bay Conservation District
Stowell, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Trinity Bay Conservation District, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Trinity Bay Conservation District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Trinity Bay Conservation District, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trinity Bay Conservation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trinity Bay Conservation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trinity Bay 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 on page 5 through 10; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 46 through 47; the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund on page 48; the Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Wastewater Fund on page 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Texas Supplementary Information listed in the Table of Contents on page 50 through 62 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2023, on our consideration of the Trinity Bay Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trinity Bay Conservation District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trinity Bay Conservation District's internal control over financial reporting and compliance.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Trinity Bay Conservation District, we offer readers of the Trinity Bay Conservation District financial statements this narrative overview and analysis of the financial activities of the Trinity Bay Conservation District for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with the independent auditor's report and the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The assets of the Trinity Bay Conservation District exceeded its liabilities as of September 30, 2022, by \$35,784,131 (net position).
- The Trinity Bay Conservation District's total net position increased by \$1,194,538. The District had expenses associated with all activities totaling \$10,108,158 and total revenues were \$11,302,696.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Trinity Bay Conservation District's basic financial statements. These financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements 3) notes to the financial statements and 4) required supplementary information which includes this management's discussion and analysis. In addition to the basic financial statements, this report also contains other supplementary information as listed in the Table of Contents.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Trinity Bay Conservation District's assets and liabilities, with the difference between the two 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 Trinity Bay Conservation District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused vacation).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 11-12 of this report.

TRINITY BAY CONSERVATION DISTRICT

Management's Discussion and Analysis
For The Year Ended September 30, 2022

Fund financial statements - A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds can be divided into two categories- governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Nonfinancial assets and long-term liabilities that will not be paid with current assets are excluded. Such information may be useful in evaluating a government's near-term financing requirements.

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

Proprietary Funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District's enterprise funds consist of a water and wastewater fund which is combined with the debt service and construction funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 17-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the Financial Statements can be found on pages 21 through 45.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information presents additional information related to the pension activity of the District, and budgetary comparison schedules for the District to demonstrate compliance with the budget. This required supplementary information can be found on pages 46 through 49. Texas supplementary information provides schedules relating to services and rates, fund expenditures and expenses, investments, taxes, long-term debt, comparative statements of revenue and expenditures, comparative statements of revenue and expenses, board members, key personnel and consultants, and can be found on pages 50 through 62.

TRINITY BAY CONSERVATION DISTRICT

Management's Discussion and Analysis
For The Year Ended September 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Trinity Bay Conservation District, assets and deferred outflows exceeded liabilities and deferred inflows by \$35.8 million at September 30, 2022. At September 30, 2022, the District has invested \$29.6 million in capital assets, net of related debt. Approximately \$1.16 million of the District's net position is restricted for debt service. The \$5.0 million of unrestricted net position represents resources available to fund the programs of the District next year. This compares to \$29.7 million invested in capital assets, net of related debt, \$1.16 million restricted for debt service, and \$3.7 million of unrestricted net position at September 30, 2021.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 4,173,824	\$ 3,692,678	\$ 4,180,422	\$ 3,915,996	\$ 8,354,246	\$ 7,608,674
Capital assets	9,354,740	9,313,331	26,463,222	26,781,198	35,817,962	36,094,529
Total Assets	<u>13,528,564</u>	<u>13,006,009</u>	<u>30,643,644</u>	<u>30,697,194</u>	<u>44,172,208</u>	<u>43,703,203</u>
Deferred outflows of resources	428,899	504,586	428,899	504,586	857,798	1,009,172
Current and other liabilities	380,946	248,740	1,891,386	2,288,427	2,272,332	2,537,167
Long-term liabilities	523,443	800,299	4,809,585	6,398,840	5,333,028	7,199,139
Total Liabilities	<u>904,389</u>	<u>1,049,039</u>	<u>6,700,971</u>	<u>8,687,267</u>	<u>7,605,360</u>	<u>9,736,306</u>
Deferred inflows of resources	820,258	193,238	820,257	193,238	1,640,515	386,476
Net Position						
Net investment in						
Capital assets	8,739,678	9,860,876	20,853,807	19,853,450	29,593,485	29,714,326
Restricted	-	-	1,164,561	1,160,947	1,164,561	1,160,947
Unrestricted	3,493,138	2,407,442	1,532,947	1,306,878	5,026,085	3,714,320
Total Net Position	<u>\$ 12,232,816</u>	<u>\$ 12,268,318</u>	<u>\$ 23,551,315</u>	<u>\$ 22,321,275</u>	<u>\$ 35,784,131</u>	<u>\$ 34,589,593</u>

Changes in net position. The District's total revenues were \$11.3 million in 2022. The District's revenue originates from charges for services totaling \$6.0 million or 53% and property taxes of \$3.6 million or 32% of total revenue.

The total cost of all programs and services was \$10.1 million, an increase of \$1,190,246 over 2021. Normal operating expenses by function included water and wastewater of \$6.4 million, drainage \$2.7 million, administration \$859,265, and interest on debt \$180,838. The District's had an increase in net position of \$1,194,538.

TRINITY BAY CONSERVATION DISTRICT

Management's Discussion and Analysis
For The Year Ended September 30, 2022

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Charges for services						
Water and wastewater	\$ -	\$ -	\$ 6,021,209	\$ 4,991,102	\$ 6,021,209	\$ 4,991,102
General revenues						
Property taxes	3,644,931	3,434,637	-	-	3,644,931	3,434,637
Other taxes	89	18,488	-	-	89	18,488
Investment income	7,837	6,387	5,747	8,313	13,584	14,700
Loss on disposal of capital assets	(51,716)	-	-	-	(51,716)	-
Other	35,136	(43,890)	1,639,463	878,266	1,674,599	834,376
Total Revenues	<u>3,636,277</u>	<u>3,415,622</u>	<u>7,666,419</u>	<u>5,877,681</u>	<u>11,302,696</u>	<u>9,293,303</u>
Expenses						
General administration	859,265	663,550	-	-	859,265	663,550
Drainage	2,705,621	2,695,614	-	-	2,705,621	2,695,614
Water and wastewater	-	-	6,362,434	5,357,812	6,362,434	5,357,812
Interest on long-term debt	8,193	3,473	172,645	197,463	180,838	200,936
Total Expenses	<u>3,573,079</u>	<u>3,362,637</u>	<u>6,535,079</u>	<u>5,555,275</u>	<u>10,108,158</u>	<u>8,917,912</u>
Transfers	<u>(98,700)</u>	<u>(68,440)</u>	<u>98,700</u>	<u>68,440</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(35,502)	(15,455)	1,230,040	390,846	1,194,538	375,391
Net position - beginning	<u>12,268,318</u>	<u>12,283,773</u>	<u>22,321,275</u>	<u>21,930,429</u>	<u>34,589,593</u>	<u>34,214,202</u>
Net position - ending	<u>\$ 12,232,816</u>	<u>\$ 12,268,318</u>	<u>\$ 23,551,315</u>	<u>\$ 22,321,275</u>	<u>\$ 35,784,131</u>	<u>\$ 34,589,593</u>

Governmental activities: Net position of the governmental activities of the District's decreased by \$35,502.

Business type activities. Business-type activities increased the District's net position by \$1,230,040.

TRINITY BAY CONSERVATION DISTRICT

Management’s Discussion and Analysis
For The Year Ended September 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds. The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Revenues for the District’s governmental fund types (the General Fund) totaled \$3.7 million in 2022, an increase of \$128,505 from 2021. Revenues in 2022 included property taxes of \$3.6 million compared to \$3.4 million in 2021. Total expenditures were \$3.4 million with \$210,831 of capital expenditures. Governmental expenditures included 72.0% of the expenditures for drainage maintenance and improvements, 25.2% were for general administrative services of the District, and debt service accounted for the remaining 2.8% of expenditures.

Budgetary Highlights

No changes were made to the original budget during the year. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund, can be found on page 48 and the Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual – Enterprise Fund on page 49. Revenues for the Governmental Funds were below budgeted amounts by 6.9%, while Enterprise Fund revenues were above budgeted amounts by 20.7%. Governmental Funds operating expenditures were under budget by 8.3%, while Enterprise Funds operating expenses (excluding depreciation) were over budget by 9.1%.

Capital Assets

The Trinity Bay Conservation District’s investment in capital assets at September 30, 2022, was \$35,817,962 net of accumulated depreciation. This investment in capital assets includes land, buildings, utility systems, infrastructure, machinery and equipment, and represents a net decrease of \$276,562 after considering current depreciation expense of \$2,130,662.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ -	\$ -	\$ 1,107,128	\$ 1,107,128	\$ 1,107,128	\$ 1,107,128
Easements	681,333	681,333	-	-	681,333	681,333
Construction in progress	-	51,715	362,000	1,866,892	362,000	1,918,607
Assets held under capital lease	668,000	638,015	-	-	668,000	638,015
Buildings and improvements	-	-	3,776,265	3,776,265	3,776,265	3,776,265
Infrastructure	13,101,300	13,101,300	45,099,114	42,404,297	58,200,414	55,505,597
Machinery and equipment	4,639,705	3,953,805	1,105,359	1,172,903	5,745,064	5,126,708
Automobiles and trucks	483,993	483,993	516,988	516,988	1,000,981	1,000,981
Furniture and fixtures	159,086	159,086	113,352	113,352	272,438	272,438
Total at historical cost	19,733,417	19,069,247	52,080,206	50,957,825	71,813,623	70,027,072
Total accumulated depreciation	(10,378,677)	(9,755,916)	(25,616,984)	(24,176,627)	(35,995,661)	(33,932,543)
Capital assets, net	<u>\$ 9,354,740</u>	<u>\$ 9,313,331</u>	<u>\$ 26,463,222</u>	<u>\$ 26,781,198</u>	<u>\$ 35,817,962</u>	<u>\$ 36,094,529</u>

TRINITY BAY CONSERVATION DISTRICT

Management's Discussion and Analysis
For The Year Ended September 30, 2022

Long-Term Debt

At September 30, 2022, the Trinity Bay Conservation District had \$615,062 of capital leases outstanding and \$5,585,015 of bonded debt outstanding. More detailed information about the District's debt is presented in the notes to the financial statements.

LONG-TERM DEBT

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Capital leases	\$ 615,062	\$ 34,729	\$ -	\$ -	\$ 615,062	\$ 34,729
Bonds payable, 2014 Series	-	-	2,460,000	2,560,000	2,460,000	2,560,000
Bonds payable, 2012 Series	-	-	2,880,000	3,540,000	2,880,000	3,540,000
Unamortized Bond Premium	-	-	245,015	291,672	245,015	291,672
Total bonded debt	<u>\$ 615,062</u>	<u>\$ 34,729</u>	<u>\$ 5,585,015</u>	<u>\$ 6,391,672</u>	<u>\$ 6,200,077</u>	<u>\$ 6,426,401</u>

Total long-term debt at September 30, 2022 decreased \$226,324 from the prior year. The reduction was due to scheduled payments of bond principal and the amortization of the bond premium in excess of current year capital lease financing. For the fiscal year ended September 30, 2022, interest expense was \$ 180,838.

Economic Factors and Next Year's Budgets

General fund revenues are budgeted at \$4.5 million. Property tax revenues for 2023 for the general fund are budgeted at \$4.3 million, which is an increase of \$762,426 as compared September 30, 2022 reported income.

Expenditures for the general fund are budgeted at \$4.5 million for the fiscal year ending September 30, 2023, as compared to actual expenditures of \$3.4 million for the fiscal year just ended.

Water and wastewater revenue are budgeted at \$6.8 million, which is an decrease of \$3,646 from actual revenue of for the fiscal year just ended.

Budgeted expenses for the water and wastewater fund, prior to depreciation and debt service are \$5.0 million for operations and \$981,300 for debt service. Actual expenses for the year ended September 30, 2022, prior to capitalization of fixed assets, was \$5.2 million for operations and projects, and \$932,645 related to debt service.

Requests for Information

This financial report is designed to provide a general overview of the Trinity Bay Conservation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Financial Department.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TRINITY BAY CONSERVATION DISTRICT

STATEMENT OF NET POSITION SEPTEMBER 30, 2022

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 3,544,269	\$ 1,014,487	\$ 4,558,756
Taxes Receivable, Net	283,320	-	283,320
Accounts Receivable, Net	-	702,666	702,666
Due from Other Governments	12,868	-	12,868
Due from Other Funds	(84,572)	84,572	-
Inventories	-	73,548	73,548
Prepaid Items	275,505	180,536	456,041
Restricted Cash and Cash Equivalents - Noncurrent	-	1,982,180	1,982,180
Net Pension Asst	142,434	142,433	284,867
Capital Assets:			
Land Purchase and Improvements	-	1,107,128	1,107,128
Easements, Net	681,333	-	681,333
Buildings, Net	-	3,193,995	3,193,995
Infrastructure, Net	7,810,276	21,686,586	29,496,862
Machinery and Equipment, Net	242,845	113,513	356,358
Capital Lease Assets, Net	620,286	-	620,286
Construction in Progress	-	362,000	362,000
Total Assets	<u>13,528,564</u>	<u>30,643,644</u>	<u>44,172,208</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	428,899	428,899	857,798
Total Deferred Outflows of Resources	<u>428,899</u>	<u>428,899</u>	<u>857,798</u>
LIABILITIES			
Accounts Payable	85,859	43,112	128,971
Wages and Salaries Payable	67,615	55,187	122,802
Compensated Absences Payable	38,064	63,466	101,530
Customer Deposits	-	854,114	854,114
Intergovernmental Payable	-	19,450	19,450
Due to Other Governments	64,066	-	64,066
Accrued Interest Payable	-	24,400	24,400
Capital Leases Payable - Current	125,342	-	125,342
Noncurrent Liabilities:			
Debt Due Within One Year	-	831,657	831,657
Debt Due in More Than One Year	489,720	4,753,358	5,243,078
Compensated Absences - Long-Term	33,723	56,227	89,950
Total Liabilities	<u>904,389</u>	<u>6,700,971</u>	<u>7,605,360</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	820,258	820,257	1,640,515
Total Deferred Inflows of Resources	<u>820,258</u>	<u>820,257</u>	<u>1,640,515</u>
NET POSITION			
Net Investment in Capital Assets	8,739,678	20,853,807	29,593,485
Restricted for Debt Service	-	1,164,561	1,164,561
Unrestricted	3,493,138	1,532,947	5,026,085
Total Net Position	<u>\$ 12,232,816</u>	<u>\$ 23,551,315</u>	<u>\$ 35,784,131</u>

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

TRINITY BAY CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Expenses</u>	<u>Program Revenues</u>
Primary Government		Charges for Services
GOVERNMENTAL ACTIVITIES:		
General Administration	\$ 859,265	\$ -
Drainage	2,705,621	-
Interest on Debt	8,193	-
Total Governmental Activities	3,573,079	-
 BUSINESS-TYPE ACTIVITIES:		
Water and Wastewater	6,535,079	6,021,209
Total Business-Type Activities	6,535,079	6,021,209
TOTAL PRIMARY GOVERNMENT	\$ 10,108,158	\$ 6,021,209

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Other Taxes

Penalty and Interest on Taxes

Grants and Project Revenue

Gain (loss) from Disposal of Capital Assets

Miscellaneous Revenue

Investment Earnings

Developer Contributions

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (859,265)	\$ -	\$ (859,265)
(2,705,621)	-	(2,705,621)
(8,193)	-	(8,193)
(3,573,079)	-	(3,573,079)
-	(513,870)	(513,870)
-	(513,870)	(513,870)
(3,573,079)	(513,870)	(4,086,949)
3,560,082	-	3,560,082
89	-	89
84,849	-	84,849
3,750	-	3,750
(51,716)	-	(51,716)
31,386	811,539	842,925
7,837	5,747	13,584
-	827,924	827,924
(98,700)	98,700	-
3,537,577	1,743,910	5,281,487
(35,502)	1,230,040	1,194,538
12,268,318	22,321,275	34,589,593
\$ 12,232,816	\$ 23,551,315	\$ 35,784,131

FUND FINANCIAL STATEMENTS

TRINITY BAY CONSERVATION DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2022

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 3,448,780	\$ 95,489	\$ 3,544,269
Taxes Receivable	404,744	-	404,744
Allowance for Uncollectible Taxes (credit)	(121,423)	-	(121,423)
Due from Other Governments	12,868	-	12,868
Due from Other Funds	31,423	-	31,423
Prepaid Expense	180,536	-	180,536
Total Assets	\$ 3,956,928	\$ 95,489	\$ 4,052,417
LIABILITIES			
Accounts Payable	\$ 85,859	\$ -	\$ 85,859
Wages and Salaries Payable	67,615	-	67,615
Due to Other Governments	-	64,066	64,066
Due to Other Funds	84,572	31,423	115,995
Total Liabilities	238,046	95,489	333,535
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	274,207	-	274,207
Total Deferred Inflows of Resources	274,207	-	274,207
FUND BALANCES			
Unassigned Fund Balance	3,444,675	-	3,444,675
Total Fund Balances	3,444,675	-	3,444,675
Total Liabilities, Deferred Inflows & Fund Balances	\$ 3,956,928	\$ 95,489	\$ 4,052,417

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

TRINITY BAY CONSERVATION DISTRICT

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

Total Fund Balances - Governmental Funds	\$ 3,444,675
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	274,207
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	9,354,740
Expenditures at the fund level that are considered prepaid assets at the government-wide level	94,968
Long-term liabilities, including capital lease liabilities and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(686,849)
Net pension assets (obligations are not available to pay for current expenditures, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(248,925)
Net Position of Governmental Activities	<u><u>\$ 12,232,816</u></u>

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

TRINITY BAY CONSERVATION DISTRICT

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

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:			
Taxes:			
Property Taxes	\$ 3,559,335	\$ -	\$ 3,559,335
Other Taxes	89	-	89
Penalty and Interest on Taxes	84,849	-	84,849
Investment Earnings	7,837	-	7,837
Other Revenue	35,135	-	35,135
Total Revenues	3,687,245	-	3,687,245
EXPENDITURES:			
Current:			
General Administration:			
Personnel Costs	182,945	-	182,945
Professional Fees	61,952	-	61,952
Contract and Outside Services	142,369	-	142,369
Repairs and Maintenance	35,051	-	35,051
Utilities	27,908	-	27,908
Sundry	11,161	-	11,161
Supplies	394,065	-	394,065
Drainage:			
Personnel Costs	1,603,566	-	1,603,566
Pension Plan Contributions	193,929	-	193,929
Professional Fees	69,626	-	69,626
Contract and Outside Services	70,552	-	70,552
Repairs and Maintenance	297,756	-	297,756
Capital Expenditures	210,831	-	210,831
Debt Service:			
Principal on Debt	87,667	-	87,667
Interest on Debt	8,193	-	8,193
Total Expenditures	3,397,571	-	3,397,571
Excess (Deficiency) of Revenues Over (Under) Expenditures	289,674	-	289,674
OTHER FINANCING SOURCES (USES):			
Transfers Out (Use)	(98,700)	-	(98,700)
Total Other Financing Sources (Uses)	(98,700)	-	(98,700)
Net Change in Fund Balances	190,974	-	190,974
Fund Balance - October 1 (Beginning)	3,253,701	-	3,253,701
Fund Balance - September 30 (Ending)	\$ 3,444,675	\$ -	\$ 3,444,675

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

TRINITY BAY CONSERVATION DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds	\$ 190,974
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	747
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements.	140,454
Loss on disposal of capital assets is not a loss at the fund level	(51,716)
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(620,362)
The repayment of the principal portion of long-term debt consumes current financial resources of the governmental funds; however, it has no impact on the net position of the government-wide activities.	87,667
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds. These include changes in net pension asset, and compensated absences.	216,734
Change in Net Position of Governmental Activities	<u>\$ (35,502)</u>

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

TRINITY BAY CONSERVATION DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND SEPTEMBER 30, 2022

	Business-Type Activities
	Water and Wastewater
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,014,487
Accounts Receivable, Net	702,666
Due from Other Funds	84,572
Other Receivables	-
Prepaid Expenses	180,536
Inventories	73,548
Total Current Assets	<u>2,055,809</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents - Noncurrent	1,982,180
Net Pension Asset	142,433
Capital Assets:	
Land Purchase and Improvements	1,107,128
Buildings and Improvements	3,776,265
Accumulated Depreciation - Buildings and Improvements	(582,270)
Infrastructure	45,099,114
Accumulated Depreciation - Infrastructure	(23,412,528)
Machinery and Equipment	1,735,699
Accumulated Depreciation - Machinery and Equipment	(1,622,186)
Construction in Progress	362,000
Total Noncurrent Assets	<u>28,587,835</u>
Total Assets	<u>30,643,644</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	<u>428,899</u>
Total Deferred Outflows of Resources	<u>428,899</u>

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

	Business-Type Activities
	Water and Wastewater
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 43,112
Wages and Salaries Payable	55,187
Compensated Absences Payable	63,466
Customer Deposits	854,114
Intergovernmental Payable	19,450
Accrued Interest Payable	24,400
Bonds Payable - Current	831,657
Total Current Liabilities	<u>1,891,386</u>
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	4,555,000
Unamortized Premiums (Discounts) on Bonds	198,358
Compensated Absences - Long-Term	56,227
Total Noncurrent Liabilities	<u>4,809,585</u>
Total Liabilities	<u>6,700,971</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	820,257
Total Deferred Inflows of Resources	<u>820,257</u>
NET POSITION	
Net Investment in Capital Assets	20,853,807
Restricted for Debt Service	1,164,561
Unrestricted	1,532,947
Total Net Position	<u>\$ 23,551,315</u>

TRINITY BAY CONSERVATION DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities
	Water and Wastewater
OPERATING REVENUES:	
Charges for Services	\$ 6,021,209
Other Revenue	811,539
Total Operating Revenues	6,832,748
OPERATING EXPENSES:	
Operating Expenses	
Personnel Costs	1,999,686
Professional Fees and Outside Services	740,149
Repairs and Maintenance	676,030
Other Operating Costs	288,829
Supplies	1,149,840
	4,854,534
Depreciation	1,507,900
Total Operating Expenses	6,362,434
Operating Income (Loss)	470,314
NONOPERATING REVENUES (EXPENSES):	
Investment Earnings	5,747
Developer contributions	827,924
Interest Expense	(172,645)
Total Nonoperating Revenue (Expenses)	661,026
Income Before Transfers	1,131,340
Nonoperating Transfers In	98,700
Change in Net Position	1,230,040
Total Net Position - October 1 (Beginning)	22,321,275
Total Net Position - September 30 (Ending)	\$ 23,551,315

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

TRINITY BAY CONSERVATION DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities
	Water and Wastewater
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 5,974,289
Cash Received from Assessments - Others	856,181
Cash Payments to Employees for Services	(2,202,828)
Cash Payments for Suppliers	<u>(3,365,270)</u>
Net Cash provided by Operating Activities	<u>1,262,372</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfer from Other Funds	98,700
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>98,700</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(362,000)
Interest Paid on Debt	(222,565)
Retirement of Long-Term Debt	(760,000)
Customer Security Deposit	33,862
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,310,703)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest Received on Investments	<u>5,747</u>
Net Decrease in Cash and Cash Equivalents	56,116
Cash and Cash Equivalents at the Beginning of the Year	<u>2,940,551</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 2,996,667</u>

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

TRINITY BAY CONSERVATION DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities
	Water and Wastewater
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income (Loss)	\$ 470,314
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities:	
Depreciation	1,507,900
Effect of Increases and Decreases in Current	
Assets and Liabilities:	
Decrease (Increase) in Receivables	(2,278)
Decrease (Increase) in Due From Other Funds	(40,200)
Decrease (Increase) in Prepaid Expenses	(52,655)
Decrease (Increase) in Inventories	29,256
Increase (Decrease) in Accounts Payable	(449,079)
Increase (Decrease) in Wages Payable	291
Increase (Decrease) in Compensated Absences Payable	5,471
Increase (Decrease) in Intergovernmental Payable	2,256
Increase (Decrease) in Pension Accounts	<u>(208,904)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,262,372</u>
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents	\$ 1,014,487
Restricted Cash and Cash Equivalents	<u>1,982,180</u>
Total Cash and Cash Equivalents	<u>\$ 2,996,667</u>

During the fiscal year ended September 30, 2022, the water and wastewater infrastructure additions included \$827,924 in developer contributions.

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

NOTES TO THE FINANCIAL STATEMENTS

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements include the accounts of all District operations. The measure for including organizations as component units of the District was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic, but not the only, criteria for inclusion is the degree of oversight responsibility maintained by the Board of Directors. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Based on these criteria, no potential component unit has been excluded from these statements. There are no component units included in the District's reporting entity.

Reporting entity

Trinity Bay Conservation District (the District) was organized in 1949, under the provision of Section 59, Article XVI of the Constitution of the State of Texas. The District is located within Chambers and Jefferson Counties. The District operates under a Board of Directors comprised of five members elected by the citizens residing within the District. It is the Board of Directors' responsibility to appoint a general manager who is the chief administrator and executive officer of the District.

The District's major operations include maintenance of drainage facilities within the District. Additionally, the District operates an enterprise fund for the provision of water and wastewater services. The District operates under Chapter 49 of the Texas Water Code.

The following is a summary of the District's more significant accounting policies:

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-Wide Statements

The Statement of Net Position and the Statement of Activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed through user charges.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Government-Wide Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and proprietary fund financial statements is on the major funds rather than reporting funds by type. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Governmental Fund Types

All governmental funds are reported using *modified accrual basis of accounting and the current financial resources measurement focus*. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collectible within 60 days of the current fiscal period or soon enough thereafter to pay liabilities of the current period. Property taxes receivable, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes are recorded and deferred until they become available. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The District has the following major governmental fund:

General Fund - This fund is the general operating fund of the District and is used to account for resources and functions traditionally associated with governments that are not required to be accounted for in another fund.

Additionally, the District reports the following other governmental fund:

Capital Projects Fund - This fund is used to account for all major capital expenditures not financed by the proprietary or trust funds. The District has a capital project fund for drainage construction projects funded primarily by capital grants.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Types

All proprietary funds are accounted for using the *accrual basis of accounting* and the *economic resources measurement focus*. These funds account for operations that are primarily financed by user charges. Revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating expenses of the District's proprietary fund include the personnel costs, costs of operating the systems, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District's fund included in this category is the Water and Wastewater Fund. The Water and Wastewater Fund is used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the Board is that the cost of providing certain goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges for those services.

Use of Estimates

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

Budgets and Budgetary Accounting

Prior to September 30, of each year, the District adopts a budget for the fiscal year beginning October 1, of that year. The budget, which includes anticipated revenues and expenditures, is adopted for the Governmental Fund Types and all Proprietary Funds. The budget is amended by the District as needed throughout the year.

Interfund Transactions and Balances

Interfund transactions intended to reflect the transfer of resources between funds are reflected as transfers. Certain transactions representing short-term liabilities between funds are recorded as receivables and payables in the respective funds at the time the transactions are reported on the fund basis statements.

Cash and Time Deposits

Cash in excess of current operating requirements is invested in time deposits in order to earn a higher rate of interest. The District generally does not invest in any other securities. For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of one year or less when purchased to be cash equivalents. Cash deposits and certificates of deposit are reported at their carrying amount, which reasonably estimates fair value.

Accounts Receivable

Accounts receivable from water and wastewater services are presented net of the allowance for doubtful accounts of \$455,182 at September 30, 2022. The increase in the allowance of \$13,155 is included in Other Operating Costs.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Restricted Assets

The Water and Wastewater Enterprise Fund, based on certain bond covenants, is required to establish and maintain resources (cash and temporary investments) that can be used to service outstanding debt. Additionally, funds collected for construction and meter deposits are segregated and restricted for future disposition.

Inventory

Inventories of materials and supplies are maintained for the drainage operations of the general fund and for the proprietary funds. The inventory in each fund is recorded at cost (first-in, first-out basis), which is lower than market.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated. Infrastructure such as drainage systems are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. The minimum capitalization threshold is any individual item with a total cost greater than \$2,000.

Major outlays for capital asset construction and improvements are capitalized as construction-in-progress as projects are constructed. Upon completion, the projects are transferred to depreciable assets.

Capital assets are being depreciated using the straight-line method and depreciation expense for governmental assets is specifically identified by function with general assets being allocated based on a percentage of governmental functional expenditures over total governmental expenditures. Depreciation expense for the proprietary funds is recorded in each respective proprietary fund. The following estimated useful lives are used for calculating depreciation expense:

<u>Assets</u>	<u>Years</u>
Infrastructure	15 – 40
Building & Improvements	15 – 40
Systems	15 – 40
Vehicles	5 – 7
Machinery & Equipment	5 – 10
Office Equipment	3 – 5

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an addition to net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Leases

The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The lease liability is initially measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of payments made. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The lease asset is amortized on a straight-line basis over its useful life.

The District used the interest rate charged by the lessor as the discount rate if available. When the interest rate charged by the lessor is not available, the District uses its estimated incremental borrowing rate as the discount rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are the fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Pensions

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

Fund Balances

Governmental Accounting Standards Board (GASB) Statement No. 54-*Fund Balance Reporting and Government Fund Type Definitions* establishes fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

In the fund financial statements, governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board of Directors through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the Board of Directors. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in any other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. 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 unrestricted fund balance classifications can be used.

For the government-wide financial statements, net position is reported as restricted when constraints placed on net position are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Change in Accounting Principle

GASB Statement No. 87, *Leases*, was adopted effective September 1, 2021. GASB Statement No. 87 establishes standards for recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and revenues and expenses related to leases in the basic financial statements, in addition to requiring more extensive note disclosures. The adoption of this standard did not result in a restatement of beginning fund balance or net position, but assets and liabilities were recognized, and more extensive not disclosures were required.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Subsequent Events

In accordance with ASC 855, the management of Trinity Bay Conservation District has evaluated subsequent events through February 15, 2023, the date on which the financial statements were available for issue.

2) **COMPLIANCE AND ACCOUNTABILITY**

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below:

None reported.

Deficit Fund Balance or Fund Net Assets of Individual Funds

No funds reported a deficit fund balance or deficit fund net assets at year-end.

3) **CASH DEPOSITS AND INVESTMENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits

At September 30, 2022, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,540,936 and the bank balance was \$7,223,964. The District's cash deposits at September 30, 2022, and during the year ended September 30, 2022, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

3) **CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments

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

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

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

District's investments at September 30, 2022 consisted solely of certificate of deposits in the amount of \$4,517,673. Cash and investments are reported as Cash and Cash Equivalents in the financial statements as follows:

	Cash	Investments	Total
Governmental activities - unrestricted	\$ 1,001,514	\$ 2,542,755	\$ 3,544,269
Business-type Activities - unrestricted	1,013,760	727	1,014,487
Business-type Activities - restricted			
Interest and Sinking Fund	4,769	174,272	179,041
Bond Reserve Fund	3,220	982,300	985,520
Customer Meter Deposits	-	817,619	817,619
	\$ 2,023,263	\$ 4,517,673	\$ 6,540,936

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:

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 September 30, 2022, the District's investments were covered by collateral with a fair value equal to the investment. At year-end, the District was not significantly exposed to credit risk. At September 30, 2022, all certificates of deposit held were fully insured by the FDIC, or by pledged collateral held by the District's agent bank in the District's name.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

3) **CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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.

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.

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.

4) **PROPERTY TAXES**

Taxable property within the District is subject to assessment, levy and collection of ad valorem taxes necessary to support the general governmental services. The Act under which the District was created provided for the levy of an operations and maintenance tax of \$0.25 per \$100 of assessed value. This rate was subsequently amended on May 2, 1957, to \$.50 per \$100 of assessed value. The tax rate for debt service is unlimited. The total tax rate for the fiscal year ended September 30, 2022, was \$0.39677 per \$100 assessed valuation based on the total net assessed value of \$903,894,070.

Taxes are levied on October 1 of each year, and are payable without penalty or interest through the following January 31. The District recognizes property tax revenue when levied to the extent that it results in current receivables. Property taxes are collected and remitted to the District by the Chambers County and Jefferson County Tax Assessor Collectors' offices.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. However, as the District no longer has debt to service with tax collections, all delinquent taxes collected are now allocated to maintenance. Allowances for uncollectible taxes receivable of \$121,423 at September 30, 2022, are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

5) **DUE FROM OTHER GOVERNMENTS**

As of September 30, 2022, amounts due from other governments consisted of the following:

	Amount	Purpose
Governmental Activities:		
Due from Chambers County	\$ 12,868	Tax Collection Proceeds
Due from Jefferson County	-	Tax Collection Proceeds
Total -- governmental activities	12,868	
Total - all funds	\$ 12,868	

6) **INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables/payables are scheduled to be repaid within one year and consisted of the following:

	Receivable	Payable
General Fund		
Capital Projects	\$ 31,423	\$ -
Water and Wastewater	-	84,572
	31,423	84,572
Capital Projects		
General Fund	-	31,423
Water and Wastewater		
General Fund	84,572	-
Total	\$ 115,995	\$ 115,995

The outstanding balances between funds generally result from a time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The General Fund transferred \$98,700 to the Water and Wastewater Fund during the year ended September 30, 2022.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

7) **PROPERTY, PLANT AND EQUIPMENT**

Capital asset activity for the governmental activities for the year ended September 30, 2022, is described in the table below:

Governmental Activities	Balance October 1, 2021	Increases	Transfers and Retirements	Balance September 30, 2022
Capital assets, not being depreciated				
Easements	\$ 681,333	\$ -	\$ -	\$ 681,333
Construction in progress	51,715	-	(51,715)	-
Total capital assets, not being depreciated	<u>733,048</u>	<u>-</u>	<u>(51,715)</u>	<u>681,333</u>
Capital assets, being depreciated				
Office furniture, fixtures and equipment	159,086	-	-	159,086
Vehicles	483,993	-	-	483,993
Machinery and equipment	3,953,805	47,885	638,015	4,639,705
Right to use - equipment	638,015	668,000	(638,015)	668,000
Infrastructure - Drainage	<u>13,101,300</u>	<u>-</u>	<u>-</u>	<u>13,101,300</u>
Total capital assets, being depreciated	<u>18,336,199</u>	<u>715,885</u>	<u>-</u>	<u>19,052,084</u>
Less accumulated depreciation				
Office furniture, fixtures and equipment	(155,786)	(2,400)	-	(158,186)
Vehicles	(427,999)	(28,848)	-	(456,847)
Machinery and equipment	(3,843,145)	(57,080)	(524,681)	(4,424,906)
Right to use - equipment	(433,536)	(138,859)	524,681	(47,714)
Infrastructure - Drainage	<u>(4,895,450)</u>	<u>(395,574)</u>	<u>-</u>	<u>(5,291,024)</u>
Total accumulated depreciation	<u>(9,755,916)</u>	<u>(622,761)</u>	<u>-</u>	<u>(10,378,677)</u>
Total capital assets, being depreciation, net	<u>8,580,283</u>	<u>93,124</u>	<u>-</u>	<u>8,673,407</u>
Capital assets, net	<u>\$ 9,313,331</u>	<u>\$ 93,124</u>	<u>\$ (51,715)</u>	<u>\$ 9,354,740</u>

Depreciation expense was charged to the functions/programs of the District as follows:

General Administration	\$ 2,400
Drainage	<u>620,361</u>
Total	<u>\$ 622,761</u>

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

7) **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Capital asset activity for the business-type activities for the year ended September 30, 2022, is described in the table below:

Business-type Activities	Balance October 1, 2021	Increases	Transfers and Retirements	Balance September 30, 2022
Capital assets, not being depreciated				
Land	\$ 1,107,128	\$ -	\$ -	\$ 1,107,128
Construction in progress	1,866,892	362,000	(1,866,892)	362,000
Total capital assets, not being depreciated	<u>2,974,020</u>	<u>362,000</u>	<u>(1,866,892)</u>	<u>1,469,128</u>
Capital assets, being depreciated				
Buildings and improvements	3,776,265	-	-	3,776,265
Office furniture, fixtures and equipment	113,352	-	-	113,352
Vehicles	516,988	-	-	516,988
Machinery and equipment	1,172,903	-	(67,544)	1,105,359
Infrastructure - Water and Wastewater	42,404,297	827,925	1,866,892	45,099,114
Total capital assets, being depreciated	<u>47,983,805</u>	<u>827,925</u>	<u>1,799,348</u>	<u>50,611,078</u>
Less accumulated depreciation				
Buildings and improvements	(488,320)	(93,950)	-	(582,270)
Office furniture, fixtures and equipment	(80,079)	(6,843)	-	(86,922)
Vehicles	(472,663)	(22,594)	-	(495,257)
Machinery and equipment	(1,044,116)	(63,435)	67,544	(1,040,007)
Infrastructure - Water and Wastewater	(22,091,449)	(1,321,079)	-	(23,412,528)
Total accumulated depreciation	<u>(24,176,627)</u>	<u>(1,507,901)</u>	<u>67,544</u>	<u>(25,616,984)</u>
Total capital assets, being depreciation, net	<u>23,807,178</u>	<u>(679,976)</u>	<u>1,866,892</u>	<u>24,994,094</u>
Capital assets, net	<u>\$ 26,781,198</u>	<u>\$ (317,976)</u>	<u>\$ -</u>	<u>\$ 26,463,222</u>
			<u>\$ 1,507,901</u>	

Construction in progress consisted of the Hankhamer Wastewater Treatment Plant.

8) **DUE TO OTHER GOVERNMENTS**

The District's obligations to other governments as of September 30, 2022, consisted of TCEQ fees in the amount of \$19,450.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

9) **BONDED INDEBTEDNESS**

Bonded indebtedness activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue refunding bonds, Series 2012	\$ 3,540,000	\$ -	\$ (660,000)	\$ 2,880,000	\$ 685,000
Revenue bonds, Series 2014	2,560,000	-	(100,000)	2,460,000	100,000
Bond premiums	291,672	-	(46,657)	245,015	46,657
Total bonded debt	<u>\$ 6,391,672</u>	<u>\$ -</u>	<u>\$ (806,657)</u>	<u>\$ 5,585,015</u>	<u>\$ 831,657</u>

Revenue Refunding Bonds, Series 2012

During fiscal year 2012, the District issued Revenue Refunding bonds, Series 2012, with a face value of \$9,220,000, for the purpose of refunding all of the District's then outstanding bonds (Series 1998A, Series 1998B and Series 2002). The interest rates on the Series 2012 Bonds range from 2.0% to 3.5%. The bonds are secured and payable by a lien on the net revenues from the operations of the District's waterworks and sanitary sewer system, as defined in the bond order. The District is required to deposit monthly into an interest and sinking fund, an amount as will be sufficient to pay the principal and interest on the next payment date.

Additionally, the District is required to maintain a reserve fund equal to the largest year of future debt service. The reserve was fully funded at the time of issuance of the bonds. The reserve is to be used to pay the principal and interest on the bonds at any time when there is not sufficient money available in the interest and sinking fund for such purpose. If the reserve is reduced below the stated funding level, monthly deposits are to be made until the reserve fund has been restored.

There are a number of limitations, restrictions, and provisions contained in the bond indentures. The District is in compliance with all significant limitations, restrictions, and provisions.

Revenue Bonds, Series 2014

During fiscal year 2015, the District issued Revenue bonds, Series 2014, with a face value of \$2,910,000, for the purpose of constructing the District's office facilities. The interest rates on the Series 2014 Bonds range from 3.0% to 4.0%. The bonds are secured and payable by a lien on the net revenues from the operations of the District's waterworks and sanitary sewer system, as defined in the bond order. The District is required to deposit monthly into an interest and sinking fund, an amount as will be sufficient to pay the principal and interest on the next payment date.

Additionally, the District is required to maintain a reserve fund equal to the largest year of total future debt service with consideration of the 2012 Bonds reserve funds. The reserve was fully funded at the time of issuance of the bonds. The reserve is to be used to pay the principal and interest on the bonds at any time when there is not sufficient money available in the interest and sinking fund for such purpose. If the reserve is reduced below the stated funding level, monthly deposits are to be made until the reserve fund has been restored.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

9) **BONDED INDEBTEDNESS (CONTINUED)**

There are a number of limitations, restrictions, and provisions contained in the bond indentures. The District is in compliance with all significant limitations, restrictions, and provisions.

The following is a schedule of annual requirements necessary to amortize all bonded indebtedness outstanding of the Water and Wastewater Enterprise Fund as of September 30, 2022, including total principal of \$5,340,000 and total interest of \$1,004,176.

Due During Fiscal Years Ending September 30,	Total Principal Due	Total Interest Due	Total Principal and Interest
2023	\$ 785,000	\$ 195,200	\$ 980,200
2024	795,000	168,226	963,226
2025	830,000	140,850	970,850
2026	870,000	112,300	982,300
2027	225,000	82,400	307,400
2028-2032	1,255,000	270,200	1,525,200
2033-2034	580,000	35,000	615,000
	\$ 5,340,000	\$ 1,004,176	\$ 6,344,176

The amount available in the Water and Sewer Enterprise Fund debt service accounts as of September 30, 2022, is \$1,164,561 to service the above bonded indebtedness. This consists of \$179,041 in interest and sinking funds and \$985,520 in reserve funds.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

10) OTHER LONG-TERM LIABILITIES

During the year ended September 30, 2022, in addition to the bonded indebtedness noted in footnote 9 and pension benefits noted in footnote 12, the District had the following Other Long-Term Liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 34,729	\$ 668,000	\$ (87,667)	\$ 615,062	\$ 125,342
Compensated absences	79,618	38,146	(45,977)	71,787	38,064
Total long-term liabilities	<u>\$ 114,347</u>	<u>\$ 706,146</u>	<u>\$ (133,644)</u>	<u>\$ 686,849</u>	<u>\$ 163,406</u>
Business-type activities:					
Compensated absences	\$ 114,222	\$ 68,937	\$ (63,466)	\$ 119,693	\$ 63,466
Total long-term liabilities	<u>\$ 114,222</u>	<u>\$ 68,937</u>	<u>\$ (63,466)</u>	<u>\$ 119,693</u>	<u>\$ 63,466</u>

Right to Use Lease Obligations

The District has entered into leases for machinery and equipment which meet the criteria for capitalization. The leases include a governmental clause whereby the leases may be terminated at the end of (or with appropriate notice during) budget periods if such funding is not budgeted and District funds are not appropriated. However, the District considers the leases to be capital leases and have accounted for them as such in the financial statements. Interest rate charged by the lessor is 3.75%.

Capital assets held under right to use lease obligations at September 30, 2022, amounted to \$668,000 and are included in capital assets. The related present values of the remaining obligations under the leases of \$615,062 are included in long-term liabilities (\$615,062 in governmental-type activities and \$-0- in business-type activities).

The future minimum obligations under right to use lease obligations at September 30, 2022, are as follows:

Due During Fiscal Years Ending September 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023	\$ 125,342	\$ 20,925	\$ -	\$ -	\$ 146,267
2024	130,124	16,143	-	-	146,267
2025	135,088	11,179	-	-	146,267
2026	140,242	6,025	-	-	146,267
2027	84,266	1,057	-	-	85,323
	<u>\$ 615,062</u>	<u>\$ 55,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 670,391</u>

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

10) **CHANGES IN OTHER LONG-TERM LIABILITIES (CONTINUED)**

Compensated Absences Payable

District employees are entitled to certain compensated absences based on the length of their employment. Sick leave does not vest or accumulate and is recorded as an expenditure when paid. No employee will be paid for unused sick leave upon separation of employment, unless specified by contract. Vacation time may be carried from one year to the next year. Employees will be paid for unused vacation time up to one and one-half times their annual vacation days upon separation of employment. Unused accrued vacation in excess of these days will not be reimbursed. The liability for accumulated vacation benefits of \$191,480 is reflected on the Statement of Net Position.

11) **OTHER REQUIRED DISCLOSURES**

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of budget overages. The following categories exceeded budgeted amount for the year ended September 30, 2022:

	General Fund	Enterprise Fund
Supplies	\$ 114,765	\$ 427,355
Repairs and maintenance	132,907	7,180
Maintenance of plants/buildings	-	272,663
Professional fees	45,578	10,848
Utilities	-	17,656
Contract and outside services	-	154,060
Sundry	-	1,119

12) **PENSION PLAN**

Plan Description

Trinity Bay Conservation District provides retirement, disability and survivor benefits for all of its full-time and part-time non-temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of separate nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or at www.tcdrs.org.

Benefits provided

The Plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-finance benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

12) **PENSION PLAN (CONTINUED)**

Benefits provided (continued)

Benefit amounts are determined by sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of those monetary credits is adopted by the governing body of the employer 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.

At December 31, 2021, the following employees were covered by the benefit terms:

Current active members	44
Current inactive members	19
Current retirees and beneficiaries	<u>23</u>
	<u>86</u>

Funding Policy

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

The employer contributed using the actuarially determined rate of 15.44% for the months of the accounting year in 2021 and 15.44% for the months of the accounting year in 2022. The contribution rate payable by the employee members for calendar years 2021 and 2022 is the rate of 7.00%, as adopted by the governing body of the employer.

Annual Pension Cost

For the employer's accounting year ended September 30, 2022, the annual pension cost for the TCDRS plan for its employees was \$403,175 and the actual contribution was \$403,175.

The required contribution was determined as part of the December 31, 2021 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2021 included (a) 7.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.7 percent. Both (a) and (b) included an inflation component of 2.50 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

12) **PENSION PLAN (CONTINUED)**

Net Pension Liability / (Asset)

	December 31, 2020	December 31, 2021
Total pension liability	\$ 12,527,144	\$ 13,101,955
Fiduciary net position	10,988,790	13,386,822
Net pension liability / (asset)	\$ 1,538,354	\$ (284,867)
Fiduciary net position as a % of total pension liability	87.72%	102.17%
Pensionable covered payroll ⁽¹⁾	\$ 2,788,366	\$ 2,538,242
Net pension liability as a % of covered payroll	55.17%	-11.22%

⁽¹⁾ Payroll is calculated based on contributions as reported to TCDRS.

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Discount Rate

	December 31, 2020	December 31, 2021
Discount rate ⁽²⁾	7.60%	7.60%
Long-term expected rate of return, net of investment expenses ⁽²⁾	7.60%	7.60%
Municipal bond rate ⁽³⁾	Does not apply	Does not apply

⁽²⁾ The rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

⁽³⁾ The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Other Key Actuarial Assumptions

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

	Beginning Date	Ending Date
Valuation date	December 31, 2020	December 31, 2021
Measurement date	December 31, 2020	December 31, 2021
Employer's fiscal year	October 1, 2021	September 30, 2022

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

12) **PENSION PLAN (CONTINUED)**

Actuarial Methods and Assumptions Used for GASB Calculations

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of economic/ demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.6% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Trinity Bay Conservation District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	60 and above
Turnover	New employees are assumed to replace any terminated members and have similar entry ages. The rates vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions(*)	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions(*)	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule 2019: No changes in plan provisions were reflected in the Schedule 2020: No changes in plan provisions were reflected in the Schedule 2021: No changes in plan provisions were reflected in the Schedule

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

12) **PENSION PLAN (CONTINUED)**

Actuarial Methods and Assumptions Used for Funding Valuation

Economic Assumptions

TCDRS system-wide economic assumptions:

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

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

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

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	1.50%

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

Long-term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater, LLC. The numbers shown are based on January 2022 information for a 10-year time horizon.

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

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

12) PENSION PLAN (CONTINUED)

Long-term Expected Rate of Return (Continued)

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%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) index	5.00%	3.80%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
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 Assoc. 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 Partnership (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 2.6%, 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.

Discount Rate

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

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

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

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

12) **PENSION PLAN (CONTINUED)**

Discount Rate (Continued)

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes.

Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

12) **PENSION PLAN (CONTINUED)**

Changes in Net Pension Liability

	Total Pension Liability <u>(a)</u>	Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) - (b)</u>
Balances as of December 31, 2020	\$ 12,527,144	\$ 10,988,790	\$ 1,538,354
Changes for the year:			
Service Cost	341,293	-	341,293
Interest on total pension liability ⁽¹⁾	956,380	-	956,380
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(145,048)	-	(145,048)
Effect of assumptions changes or inputs	1,782	-	1,782
Refund of contributions	(67,325)	(67,325)	-
Benefit payments	(512,271)	(512,271)	-
Administrative expenses	-	(7,242)	7,242
Member contributions	-	177,677	(177,677)
Net Investment income	-	2,412,546	(2,412,546)
Employer contributions	-	391,905	(391,905)
Other ⁽³⁾	-	2,742	(2,742)
	<u> </u>	<u> </u>	<u> </u>
Balances as of December 31, 2021	<u>\$ 13,101,955</u>	<u>\$ 13,386,822</u>	<u>\$ (284,867)</u>

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

⁽²⁾ No plan changes valued.

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

Sensitivity Analysis

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the Trinity Bay Conservation District net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.60%) or 1 percent higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 14,920,317	\$ 13,101,955	\$ 11,589,598
Fiduciary net position	<u>13,386,822</u>	<u>13,386,822</u>	<u>13,386,822</u>
Net pension liability / (asset)	<u>\$ 1,533,495</u>	<u>\$ (284,867)</u>	<u>\$ (1,797,224)</u>

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

12) **PENSION PLAN (CONTINUED)**

Pension Expense / (Income)

		January 1, 2021 to December 31, 2021
Service cost	\$	341,293
Interest on total pension liability ⁽¹⁾		956,380
Effect on plan changes		-
Administrative expenses		7,242
Member contributions		(177,677)
Expected investment return net of investment expenses		(834,607)
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses		(23,308)
Recognition of assumption changes or inputs		135,343
Recognition of investment gains or losses		(416,560)
Other ⁽²⁾		(2,742)
 Pension expense / (income)	 \$	 (14,636) <u><u> </u></u>

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

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

Deferred inflows and outflows of resources are as follows as of December 31, 2021:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 146,514	\$ 64,355
Changes of assumption	-	500,510
Net difference between projected and actual earnings	1,494,001	-
	1,640,515	564,865
Contributions made subsequent to measurement date	n/a	292,933
	\$1,640,515	\$ 857,798

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

Year ended December 31:	
2022	\$ (213,154)
2023	(380,294)
2024	(255,714)
2025	(226,488)
2026	-
Thereafter	-

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

12) **PENSION PLAN (CONTINUED)**

Allocation of Pension Amounts to Funds or Departments

Governmental Accounting Standards Board Statement No. 68 does not establish specific requirements for allocation of the net pension liability or other pension-related amounts to individual funds or departments.

GASB Implementation Guide 2015-1 question 5.129.1 states: For proprietary and fiduciary funds, consideration should be given to NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, paragraph 42, as amended, which requires that long-term liabilities that are directly related to and expected to be paid from those funds be reported in the statement of net position. During the year ended September 30, 2022, management elected to allocate the accounting and reporting of pension-related activity between the General Fund and the Proprietary Fund.

13) **COMMITMENTS AND CONTINGENCIES**

The District is a party to various claims and legal actions arising in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance or if not so covered, are without merit, or involve such amounts that unfavorable disposition would not have a material effect on the operation of the District.

14) **TAX ABATEMENTS**

The Trinity Bay Conservation District is committed to an expansion of its tax base, an increase to its population, the promotion of development in the District, and to an ongoing improvement in the quality of life for its residents. The District offers tax abatements for new and existing industries that bring new wealth within the boundaries of the District. Property eligible for tax abatement per the guidelines and criteria is defined as: property utilized by new and existing industries expected to result in an addition to the tax base of at least \$500,000 after the period of abatement expires. As provided in the Act, abatement may only be granted for the value of eligible property subsequent to and listed in an abatement agreement between the District and the property owner where the District has, by official action, expressed an intent to be bound by the terms of the agreement in accordance with Section 312.206(a) of the Texas Property Code.

Upon determination that all requirements for tax abatement have been satisfied by the applicant, the value and terms of the abatements will be for a period of eight (5) years in accordance with the Value and Term Abatement established in resolution no. 16-11 of the Board of Directors of the District. Abatement shall be granted effective with the January 1 valuation date immediately following the date of approval of the abatement agreement and completion of construction of the property.

For the fiscal year ended September 30, 2022, the District abated 50% of property valued at \$915,959, which resulted in abated property taxes totaling \$1,669. All abatement agreements were in relation to commercial property and there was one agreement for the fiscal year ended September 30, 2022.

15) **RECLASSIFICATION OF PRIOR PERIOD PRESENTATION**

Certain prior period balances have been reclassified for consistency with the current year presentation.

REQUIRED SUPPLEMENTARY INFORMATION

TRINITY BAY CONSERVATION DISTRICT

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Year Ended December 31, <u>2021</u>	Year Ended December 31, <u>2020</u>	Year Ended December 31, <u>2019</u>	Year Ended December 31, <u>2018</u>
Total Pension Liability				
Service cost	\$ 341,293	\$ 363,225	\$ 318,356	\$ 300,678
Interest on total pension liability	956,380	903,634	832,415	767,222
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	1,782	744,321	-	-
Effect of economic/demographic (gains) or losses	(145,048)	(37,802)	80,530	50,582
Benefit payments/refunds of contributions	<u>(579,596)</u>	<u>(468,844)</u>	<u>(327,736)</u>	<u>(334,751)</u>
Net change in total pension liability	574,811	1,504,534	903,565	783,731
Total pension liability, beginning	<u>12,527,144</u>	<u>11,022,610</u>	<u>10,119,045</u>	<u>9,335,314</u>
Total pension liability, ending (a)	<u>13,101,955</u>	<u>12,527,144</u>	<u>11,022,610</u>	<u>10,119,045</u>
Fiduciary Net Position				
Employer contributions	391,905	430,524	448,206	378,993
Member contributions	177,677	195,186	203,202	171,823
Investment income net of investment expenses	2,412,546	1,014,751	1,338,472	(148,188)
Benefit payments/refunds of contributions	(579,596)	(468,844)	(327,736)	(334,751)
Administrative expenses	(7,242)	(8,041)	(7,483)	(6,548)
Other	<u>2,742</u>	<u>5,614</u>	<u>12,450</u>	<u>7,250</u>
Net change in fiduciary net position	2,398,032	1,169,190	1,667,111	68,579
Fiduciary net position, beginning	<u>10,988,790</u>	<u>9,819,600</u>	<u>8,152,489</u>	<u>8,083,910</u>
Fiduciary net position, ending (b)	<u>13,386,822</u>	<u>10,988,790</u>	<u>9,819,600</u>	<u>8,152,489</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (284,867)</u>	<u>\$ 1,538,354</u>	<u>\$ 1,203,010</u>	<u>\$ 1,966,556</u>
Fiduciary net position as a % of total pension liability	102.17%	87.72%	89.09%	80.57%
Pensionable covered payroll	\$ 2,538,242	\$ 2,788,366	\$ 2,902,886	\$ 2,454,618
Net pension liability as a % of covered payroll	-11.22%	55.17%	41.44%	80.12%

See Independent Auditor's Report on Supplementary Information.

Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
\$ 282,338	\$ 292,558	\$ 239,916	\$ 233,778
705,447	642,780	599,247	551,401
-	-	(56,493)	-
17,221	-	56,442	-
43,379	(36,913)	(82,650)	27,659
<u>(274,569)</u>	<u>(253,170)</u>	<u>(236,857)</u>	<u>(213,843)</u>
773,816	645,255	519,605	598,995
<u>8,561,498</u>	<u>7,916,243</u>	<u>7,396,638</u>	<u>6,797,643</u>
<u>9,335,314</u>	<u>8,561,498</u>	<u>7,916,243</u>	<u>7,396,638</u>
361,041	335,565	324,450	305,717
163,685	152,134	147,095	138,602
1,001,585	454,562	(116,686)	366,990
(274,569)	(253,170)	(236,857)	(213,843)
(5,376)	(4,940)	(4,380)	(4,419)
<u>3,301</u>	<u>21,913</u>	<u>(5,416)</u>	<u>(9,035)</u>
1,249,667	706,064	108,206	584,012
<u>6,834,243</u>	<u>6,128,179</u>	<u>6,019,973</u>	<u>5,435,961</u>
<u>8,083,910</u>	<u>6,834,243</u>	<u>6,128,179</u>	<u>6,019,973</u>
<u>\$ 1,251,404</u>	<u>\$ 1,727,255</u>	<u>\$ 1,788,064</u>	<u>\$ 1,376,665</u>
86.59%	79.83%	77.41%	81.39%
\$ 2,338,352	\$ 2,173,347	\$ 2,101,363	\$ 1,980,030
53.52%	79.47%	85.09%	69.53%

TRINITY BAY CONSERVATION DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2022

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll⁽¹⁾</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2012	\$ 240,991	\$ 240,991	\$ -	\$ 1,769,391	13.6%
2013	253,091	253,091	-	1,894,396	13.4%
2014	305,717	305,717	-	1,980,030	15.4%
2015	307,219	324,450	(17,231)	2,101,363	15.4%
2016	308,398	335,565	(27,167)	2,173,347	15.4%
2017	328,772	361,041	(32,269)	2,338,352	15.4%
2018	361,811	378,993	(17,182)	2,454,618	15.4%
2019	410,178	448,206	(38,028)	2,902,886	15.4%
2020	401,804	430,524	(28,720)	2,788,366	15.4%
2021	339,871	391,905	(52,034)	2,538,242	15.4%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

(2) Payroll is calculated based on contribution as reported to TCDRS

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GOVERNMENTAL FUND
FOR THE YEAR EDNED SEPTEMBER 30, 2022**

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
REVENUES				
General property taxes	\$ 3,553,012	\$ 3,553,012	\$ 3,559,335	\$ 6,323
Other tax revenue	10,000	10,000	89	(9,911)
Penalties and interest	75,000	75,000	84,849	9,849
Intergovernmental revenue	300,000	300,000	-	(300,000)
Investment earnings	6,000	6,000	7,837	1,837
Other revenue	15,000	15,000	35,135	20,135
Total revenues	<u>3,959,012</u>	<u>3,959,012</u>	<u>3,687,245</u>	<u>(271,767)</u>
EXPENDITURES				
Personnel costs	2,216,100	2,216,100	1,980,440	235,660
Supplies	279,300	279,300	394,065	(114,765)
Repairs and maintenance	199,900	199,900	332,807	(132,907)
Professional fees	86,000	86,000	131,578	(45,578)
Utilities	35,000	35,000	27,908	7,092
Contract and outside services	345,500	345,500	308,781	36,719
Sundry	18,000	18,000	11,161	6,839
Capital expenditures	525,000	525,000	210,831	314,169
Total expenditures	<u>3,704,800</u>	<u>3,704,800</u>	<u>3,397,571</u>	<u>307,229</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>254,212</u>	<u>254,212</u>	<u>289,674</u>	<u>35,462</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(98,700)	(98,700)	(98,700)	-
Total Other Financing Sources (Uses)	<u>(98,700)</u>	<u>(98,700)</u>	<u>(98,700)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	155,512	155,512	190,974	35,462
FUND BALANCE, beginning of period	<u>3,253,701</u>	<u>3,253,701</u>	<u>3,253,701</u>	<u>-</u>
FUND BALANCE, end of period	<u>\$ 3,409,213</u>	<u>\$ 3,409,213</u>	<u>\$ 3,444,675</u>	<u>\$ 35,462</u>

See Independent Auditor’s Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BUDGET AND ACTUAL – WATER AND WASTEWATER FUND FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
REVENUES				
Water sales	\$ 1,686,000	\$ 1,686,000	\$ 2,047,600	\$ 361,600
Sewer sales	315,000	315,000	580,808	265,808
Penalty income	30,000	30,000	113,555	83,555
Tap connection fees	240,000	240,000	686,089	446,089
Capital improvement fee	2,985,000	2,985,000	2,704,834	(280,166)
Materials and engineering	400,000	400,000	110,861	(289,139)
Miscellaneous	4,500	4,500	589,001	584,501
Total operating revenues	<u>5,660,500</u>	<u>5,660,500</u>	<u>6,832,748</u>	<u>1,172,248</u>
EXPENSES				
Personnel	2,265,754	2,265,754	1,999,686	266,068
Supplies	722,500	722,500	1,149,855	(427,355)
Repairs & maintenance	177,500	177,500	184,680	(7,180)
Maintenance of plants/buildings	50,000	50,000	322,663	(272,663)
Professional fees	145,000	145,000	155,848	(10,848)
Utilities	245,000	245,000	262,656	(17,656)
Contract and outside services	444,650	444,650	598,710	(154,060)
Sundry	10,627	10,627	11,748	(1,121)
Capital improvement projects	719,922	719,922	530,688	189,234
Total operating expenses	<u>4,780,953</u>	<u>4,780,953</u>	<u>5,216,534</u>	<u>(435,581)</u>
OPERATING INCOME (LOSS) - BUDGET BASIS	<u>879,547</u>	<u>879,547</u>	<u>1,616,214</u>	<u>736,667</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income from investments	3,200	3,200	5,747	2,547
Developer contributions	-	-	827,924	827,924
Bond principal payments	(760,000)	(760,000)	(760,000)	-
Interest and amortization	(221,300)	(221,300)	(172,645)	48,655
Transfers in (out)	98,700	98,700	98,700	-
Total non-operating revenues (expenses)	<u>(879,400)</u>	<u>(879,400)</u>	<u>(274)</u>	<u>879,126</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES	<u>\$ 147</u>	<u>\$ 147</u>	1,615,940	<u>\$ 1,615,793</u>
Capitalized expenses			362,000	
Depreciation			(1,507,900)	
Debt payments applied to principal			<u>760,000</u>	
CHANGE IN NET POSITION			<u>\$ 1,230,040</u>	

See Independent Auditor's Report on Supplementary Information.

TEXAS SUPPLEMENTARY INFORMATION

TRINITY BAY CONSERVATION DISTRICT

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2022

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input checked="" type="checkbox"/> Wholesale Water	<input type="checkbox"/> Drainage
<input checked="" 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"/> Participants in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other		

2. Retail rates based on 5/8" meter: Retail rates not applicable

The most prevalent type of meter (if not a 5/8"): 5/8" is most prevalent

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels	
Water	\$ 53.00	0	Y	\$ 5.50	0	to 10,000
				5.80	10,001	to plus
Wastewater	10.00	2,000	Y	2.45	2,001	to plus
Surcharge	N A					

Does the District employ winter averaging for wastewater usage? Yes No

Total water and wastewater charges per 10,000 gallons usage (including surcharges):

Water \$108.00 Wastewater \$ 29.60

Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered			x 1.0	
< 3/4"	5,590	4,542	x 1.0	4,542
1"	347	304	x 2.5	760
1.5"	54	51	x 5.0	255
2"	71	64	x 8.0	512
3"	12	8	x 15.0	120
4"	8	7	x 25.0	175
6"	1	-	x 50.0	-
8"	-	-	x 80.0	-
10"	-	-	x 115.0	-
Total Water	<u>6,083</u>	<u>4,976</u>		<u>6,364</u>
Total Wastewater	<u>5,958</u>	<u>4,833</u>	x 1.0	<u>4,833</u>

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2022

(CONTINUED)

3. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system:	<u>476,391,000</u>
Gallons billed to customers:	<u>331,484,000</u>
Water accountability ratio: (Gallons billed/gallons pumped)	70%

4. Standby fees: Does the District assess standby fees? Yes _____ No X

Have standby fees been levied in accordance with Water Code Section 49.231 thereby constituting a lien on a property?

Yes _____ No X

5. Location of District: (submitted in prior years).

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

GENERAL FUND EXPENDITURES FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXPENDITURES

Personnel (including benefits)	<u>\$ 1,980,440</u>
Professional fees	
Auditing & accounting	25,250
Legal	36,302
Other professional fees	<u>70,026</u>
Total professional fees	<u>131,578</u>
Purchased and contracted services	
Appraisal district	22,881
Tax collectors	7,882
Equipment rental	21,944
Other contracted and outside services	<u>50,126</u>
Total contracted services	<u>102,833</u>
Consumable supplies and materials	
Fuel, chemicals and other	362,720
Repair and maintenance	<u>301,975</u>
Total consumable supplies and materials	<u>664,695</u>
Recurring operating expenses	
Office supplies	17,174
Insurance	110,087
Utilities	27,908
Other administrative expenses	<u>56,165</u>
Total administrative expenses	<u>211,334</u>
Capital outlay	<u>210,831</u>
Debt service	
Principal	87,667
Interest	<u>8,193</u>
Total debt service	<u>95,860</u>
TOTAL EXPENDITURES	<u><u>\$ 3,397,571</u></u>

Number of persons employed by the District: 44 full-time 0 part-time

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

WATER AND WASTEWATER FUND EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2022

OPERATING EXPENSES

Personnel (including benefits)	<u>\$ 1,999,686</u>
Professional fees	
Auditing	10,000
Legal	33,802
Engineering	111,762
Other professional fees	<u>284</u>
Total professional fees	<u>155,848</u>
Purchased and contracted services	
Bulk water and wastewater purchases	210,812
Other contracted and outside services	<u>266,186</u>
Total purchased and contracted services	<u>476,998</u>
Consumable supplies and materials	
Fuel, chemicals and other	499,336
Repair and maintenance	676,030
Materials and supplies	<u>632,604</u>
Total consumable supplies and materials	<u>1,807,970</u>
Recurring operating expenses	
Utilities	262,656
Insurance	108,557
Other administrative expenses	<u>42,819</u>
Total administrative expenses	<u>414,032</u>
Depreciation and amortization	<u>1,507,900</u>
TOTAL OPERATING EXPENSES	<u>6,362,434</u>
Interest expense and fiscal charges	<u>172,645</u>
Total non-operating expenses	<u>172,645</u>
TOTAL EXPENSES	<u>\$ 6,535,079</u>

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

SCHEDULE OF TEMPORARY INVESTMENTS SEPTEMBER 30, 2022

Institution - Investment	Identification or Certificate Number	Interest Rate	Maturity Date	Balances at End of Year	
				Unrestricted	Restricted
General Fund					
East Chambers County Bank - CD	7080281	0.20%	03/02/2023	\$ 2,542,755	\$ -
Water and Sewer Fund					
East Chambers County Bank - CD	7080283	0.20%	03/02/2023	727	-
East Chambers County Bank - CD	7080284	0.20%	03/02/2023	-	817,619
East Chambers County Bank - CD	7080285	0.20%	03/02/2023	-	140,255
East Chambers County Bank - CD	7080286	0.20%	8/21/2023	-	786,600
East Chambers County Bank - CD	7080332	0.20%	2/2/2023	-	34,017
East Chambers County Bank - CD	7080356	0.20%	2/25/2023	-	195,700
Total temporary investments				<u>\$ 2,543,482</u>	<u>\$ 1,974,191</u>

The Board of Directors of Trinity Bay Conservation District has elected to use Certificates of Deposit as a component of the Reserve Fund required by the Bond Orders associated with the issuance of revenue refunding bonds of series 2012, and revenue bonds of series 2014.

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

ANALYSIS OF TAXES LEVIED AND RECEIVABLE AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Maintenance Taxes																																																		
Taxes receivable, beginning of year	\$ 435,273																																																		
2021 original tax levy	3,588,912																																																		
Total to be accounted for	4,024,185																																																		
Taxes collections																																																			
Current year	3,491,742																																																		
Prior year	91,768																																																		
Total collections	3,583,510																																																		
Adjustments	35,931																																																		
	3,619,441																																																		
Taxes receivable, end of year	\$ 404,744																																																		
Taxes receivable by year																																																			
2021	\$ 89,470																																																		
2020	54,232																																																		
2019	26,560																																																		
2018	22,609																																																		
2017	22,812																																																		
Before 2017	189,061																																																		
Taxes receivable, end of year	\$ 404,744																																																		
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center; border-bottom: 1px solid black;">2021</th> <th style="text-align: center; border-bottom: 1px solid black;">2020</th> <th style="text-align: center; border-bottom: 1px solid black;">2019</th> <th style="text-align: center; border-bottom: 1px solid black;">2018</th> </tr> </thead> <tbody> <tr> <td>Property valuations</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Chambers County</td> <td style="text-align: right;">\$ 894,828,115</td> <td style="text-align: right;">\$ 851,611,822</td> <td style="text-align: right;">\$ 853,844,711</td> <td style="text-align: right;">\$ 822,636,112</td> </tr> <tr> <td> Jefferson County</td> <td style="text-align: right; border-bottom: 1px solid black;">9,065,955</td> <td style="text-align: right; border-bottom: 1px solid black;">6,361,753</td> <td style="text-align: right; border-bottom: 1px solid black;">6,332,431</td> <td style="text-align: right; border-bottom: 1px solid black;">5,387,555</td> </tr> <tr> <td> Total</td> <td style="text-align: right;">\$ 903,894,070</td> <td style="text-align: right;">\$ 857,973,575</td> <td style="text-align: right;">\$ 860,177,142</td> <td style="text-align: right;">\$ 828,023,667</td> </tr> <tr> <td>Tax rates per \$100 valuation</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Maintenance tax rate</td> <td style="text-align: right;">\$ 0.396770</td> <td style="text-align: right;">\$ 0.394930</td> <td style="text-align: right;">\$ 0.408700</td> <td style="text-align: right;">\$ 0.408700</td> </tr> <tr> <td> Debt Service tax rate</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Original levy</td> <td style="text-align: right;">\$ 3,588,912</td> <td style="text-align: right;">\$ 3,392,524</td> <td style="text-align: right;">\$ 3,518,875</td> <td style="text-align: right;">\$ 3,388,152</td> </tr> <tr> <td>Percent of taxes collected to taxes levied</td> <td style="text-align: right; border-bottom: 3px double black;">97.3%</td> <td style="text-align: right; border-bottom: 3px double black;">96.4%</td> <td style="text-align: right; border-bottom: 3px double black;">95.9%</td> <td style="text-align: right; border-bottom: 3px double black;">97.5%</td> </tr> </tbody> </table>		2021	2020	2019	2018	Property valuations					Chambers County	\$ 894,828,115	\$ 851,611,822	\$ 853,844,711	\$ 822,636,112	Jefferson County	9,065,955	6,361,753	6,332,431	5,387,555	Total	\$ 903,894,070	\$ 857,973,575	\$ 860,177,142	\$ 828,023,667	Tax rates per \$100 valuation					Maintenance tax rate	\$ 0.396770	\$ 0.394930	\$ 0.408700	\$ 0.408700	Debt Service tax rate	-	-	-	-	Original levy	\$ 3,588,912	\$ 3,392,524	\$ 3,518,875	\$ 3,388,152	Percent of taxes collected to taxes levied	97.3%	96.4%	95.9%	97.5%
	2021	2020	2019	2018																																															
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See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

WATER AND WASTEWATER - ENTERPRISE FUND DEBT SERVICE REQUIREMENTS BY YEARS SEPTEMBER 30, 2022

Due During Fiscal Years Ending September 30,	Revenue Refunding Bonds Series 2012 Issued \$9,220,000			Total Principal and Interest
	February 15,	August 15,		
	Interest	Interest	Principal	
2023	\$ 50,400	\$ 50,400	\$ 685,000	\$ 785,800
2024	38,413	38,413	705,000	781,826
2025	26,075	26,075	730,000	782,150
2026	13,300	13,300	760,000	786,600
	\$ 128,188	\$ 128,188	\$ 2,880,000	\$ 3,136,376

Due During Fiscal Years Ending September 30,	Revenue Refunding Bonds Series 2014 Issued \$2,910,000			Total Principal and Interest
	February 15,	August 15,		
	Interest	Interest	Principal	
2023	\$ 47,200	\$ 47,200	\$ 100,000	\$ 194,400
2024	45,700	45,700	90,000	181,400
2025	44,350	44,350	100,000	188,700
2026	42,850	42,850	110,000	195,700
2027	41,200	41,200	225,000	307,400
2028	36,700	36,700	235,000	308,400
2029	32,000	32,000	240,000	304,000
2030	27,200	27,200	250,000	304,400
2031	22,200	22,200	260,000	304,400
2032	17,000	17,000	270,000	304,000
2033	11,600	11,600	285,000	308,200
2034	5,900	5,900	295,000	306,800
	\$ 373,900	\$ 373,900	\$ 2,460,000	\$ 3,207,800

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

**WATER AND WASTEWATER - ENTERPRISE FUND
DEBT SERVICE REQUIREMENTS BY YEARS
SEPTEMBER 30, 2022
(CONTINUED)**

Due During Fiscal Years Ending September 30,	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest
2023	\$ 785,000	\$ 195,200	\$ 980,200
2024	795,000	168,226	963,226
2025	830,000	140,850	970,850
2026	870,000	112,300	982,300
2027	225,000	82,400	307,400
2028	235,000	73,400	308,400
2029	240,000	64,000	304,000
2030	250,000	54,400	304,400
2031	260,000	44,400	304,400
2032	270,000	34,000	304,000
2033	285,000	23,200	308,200
2034	295,000	11,800	306,800
	<u>\$ 5,340,000</u>	<u>\$ 1,004,176</u>	<u>\$ 6,344,176</u>

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

ANALYSIS OF CHANGES IN LONG-TERM DEBT SEPTEMBER 30, 2022

	<u>Bond Issues</u> <u>Series 2012</u>	<u>Bond Issues</u> <u>Series 2014</u>	<u>Total</u>
Interest rates	2.00% - 3.50%	3.00% - 4.00%	
Dates interest payable	2/15 - 8/15	2/15 - 8/15	
Maturity dates	2026	2034	
Bonds outstanding, beginning of current period	\$ 3,540,000	\$ 2,560,000	\$ 6,100,000
New bond proceeds	-	-	-
Retirements, principal	<u>660,000</u>	<u>100,000</u>	<u>760,000</u>
Bonds outstanding, end of current period	<u>\$ 2,880,000</u>	<u>\$ 2,460,000</u>	<u>\$ 5,340,000</u>
Interest paid during current period	<u>\$ 123,900</u>	<u>\$ 97,400</u>	<u>\$ 221,300</u>

Paying agent's name and address:
 Series 2012 - Bank of New York Mellon, Dallas Texas
 Series 2014 - Bank of New York Mellon, Dallas Texas

Bond authority	<u>Tax</u> <u>Bonds</u>	<u>Revenue</u> <u>Bonds</u>	<u>Refunding</u> <u>Bonds</u>
Amount authorized by voters	\$ -	NA	NA
Amount issued	-	2,910,000	9,220,000
Remaining to be issued	-	-	-
Debt service fund cash and temporary investment balances as of September 30, 2022			\$ 1,164,561
Average annual debt service payment (principal and interest) for remaining term of all debt			\$ 528,681

Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES GENERAL FUND FOR THE FIVE YEARS ENDED SEPTEMBER 30, 2022

	Amounts				
	2022	2021	2020	2019	2018
Operating revenues					
Taxes	\$ 3,559,424	\$ 3,398,917	\$ 3,455,953	\$ 3,461,457	\$ 3,247,243
Penalty and interest	84,849	74,148	70,122	83,817	60,655
Interest income	7,837	6,387	6,083	8,780	8,260
Intergovernmental grants	-	-	81,823	77,514	46,601
Intergovernmental projects	-	-	356,590	812,348	-
Other revenues	35,135	79,288	60,928	1,451	457,140
Total operating revenues	<u>3,687,245</u>	<u>3,558,740</u>	<u>4,031,499</u>	<u>4,445,367</u>	<u>3,819,899</u>
Expenses					
Personnel	1,980,440	2,014,215	2,391,194	2,406,980	2,217,829
Supplies	394,065	186,669	251,689	231,426	328,042
Repairs and maintenance	332,807	279,048	248,735	196,132	176,297
Utilities	27,908	26,595	24,953	23,232	24,606
Contract services and professional services	344,499	250,149	285,041	197,840	192,196
Sundry	11,161	3,533	11,010	20,805	16,290
Capital expenditures	210,831	88,162	372,457	232,125	67,067
Debt service	95,860	138,267	230,838	365,994	357,762
Total operating expenses	<u>3,397,571</u>	<u>2,986,638</u>	<u>3,815,917</u>	<u>3,674,534</u>	<u>3,380,089</u>
Excess (expenses)	<u>289,674</u>	<u>572,102</u>	<u>215,582</u>	<u>770,833</u>	<u>439,810</u>
Other financing sources (uses)					
FEMA Grant Deobligation	-	(123,172)	-	-	-
Transfers (to) from other funds	(98,700)	(68,440)	-	(2,054,964)	(1,064,300)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 190,974</u>	<u>\$ 380,490</u>	<u>\$ 215,582</u>	<u>\$ (1,284,131)</u>	<u>\$ (624,490)</u>

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
96.5%	95.5%	85.7%	77.9%	85.0%
2.3%	2.1%	1.7%	1.9%	1.6%
0.2%	0.2%	0.2%	0.2%	0.2%
0.0%	0.0%	2.0%	1.7%	1.2%
0.0%	0.0%	8.8%	18.3%	0.0%
1.0%	2.2%	1.5%	0.0%	12.0%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
53.7%	56.6%	59.3%	54.1%	58.1%
10.7%	5.2%	6.2%	5.2%	8.6%
9.0%	7.8%	6.2%	4.4%	4.6%
0.8%	0.7%	0.6%	0.5%	0.6%
0.0%	0.0%	0.0%	0.0%	0.0%
9.3%	7.0%	7.1%	4.5%	5.0%
0.3%	0.1%	0.3%	0.5%	0.4%
5.7%	2.5%	9.2%	5.2%	1.8%
2.6%	3.9%	5.7%	8.2%	9.4%
<u>92.1%</u>	<u>83.9%</u>	<u>94.7%</u>	<u>82.7%</u>	<u>88.5%</u>
<u>7.9%</u>	<u>16.1%</u>	<u>5.3%</u>	<u>17.3%</u>	<u>11.5%</u>
0.0%	-3.5%	0.0%	0.0%	0.0%
<u>-2.7%</u>	<u>-1.9%</u>	<u>0.0%</u>	<u>-46.2%</u>	<u>-27.9%</u>
<u>5.2%</u>	<u>10.8%</u>	<u>5.3%</u>	<u>-28.9%</u>	<u>-16.3%</u>

TRINITY BAY CONSERVATION DISTRICT

COMPARATIVE STATEMENT OF REVENUES AND EXPENSES WATER AND WASTEWATER FUND FOR THE FIVE YEARS ENDED SEPTEMBER 30, 2022

	Amounts				
	2022	2021	2020	2019	2018
Operating revenues					
Water service	\$ 4,541,067	\$ 3,922,326	\$ 3,640,433	\$ 3,448,091	\$ 3,611,643
Sewer service	732,874	715,743	704,220	657,330	680,161
Penalty and income	113,555	62,891	24,037	22,897	22,936
Tap and connection fees	745,390	353,033	363,725	170,791	216,762
Line extensions and miscellaneous fees	110,861	192,676	232,101	246,487	295,619
Other	589,001	80,517	26,490	12,821	15,452
Total operating revenues	6,832,748	5,327,186	4,991,006	4,558,417	4,842,573
Expenses					
Personnel	1,999,686	2,049,012	2,136,957	1,903,218	1,889,429
Plant operations, maintenance and supplies	1,641,206	1,140,763	1,124,762	782,550	748,914
Contractual and outside services	754,558	537,177	619,225	516,869	543,997
Utilities	262,656	242,447	245,532	193,399	223,514
Repairs and maintenance	184,680	73,890	34,041	214,286	45,763
Sundry	11,748	8,400	29,506	106,016	19,890
Depreciation	1,507,900	1,314,629	1,312,231	1,335,722	1,329,615
Total operating expenses	6,362,434	5,366,318	5,502,254	5,052,060	4,801,122
Excess (expenses)	470,314	(39,132)	(511,248)	(493,643)	41,451
Nonoperating Revenues (Expenses)					
Disaster recovery, net	-	-	-	-	38,712
Project income	-	-	378,948	328,471	-
Project expenses	-	-	(188,564)	(166,094)	-
Investment income	5,747	8,313	10,405	10,896	8,782
Developer contributions	827,924	550,688	259,662	-	-
Interest expense and fiscal charges	(172,645)	(197,463)	(222,528)	(241,380)	(260,355)
Total nonoperating revenues (expenses)	661,026	361,538	237,923	(68,107)	(212,861)
Net income before capital contributions, and transfers	1,131,340	322,406	(273,325)	(561,750)	(171,410)
Capital contributions from grants	-	-	-	-	-
Transfers (to) from other funds	98,700	68,440	-	2,054,964	1,064,300
Change in net position	\$ 1,230,040	\$ 390,846	\$ (273,325)	\$ 1,493,214	\$ 892,890
Total active retail water and / or wastewater connections	6,364	6,232	5,905	5,754	5,630

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues				
<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
66.5%	73.6%	72.9%	75.6%	74.6%
10.7%	13.4%	14.1%	14.4%	14.0%
1.7%	1.2%	0.5%	0.5%	0.5%
10.9%	6.6%	7.3%	3.7%	4.5%
1.6%	3.6%	4.7%	5.4%	6.1%
<u>8.6%</u>	<u>1.5%</u>	<u>0.5%</u>	<u>0.3%</u>	<u>0.3%</u>
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
29.3%	38.5%	42.8%	41.8%	39.0%
24.0%	21.4%	22.5%	17.2%	15.5%
11.0%	10.1%	12.4%	11.3%	11.2%
3.8%	4.6%	4.9%	4.2%	4.6%
2.7%	1.4%	0.7%	4.7%	0.9%
0.2%	0.2%	0.6%	2.3%	0.4%
<u>22.1%</u>	<u>24.7%</u>	<u>26.3%</u>	<u>29.3%</u>	<u>27.5%</u>
<u>93.1%</u>	<u>100.7%</u>	<u>110.2%</u>	<u>110.8%</u>	<u>99.1%</u>
<u>6.9%</u>	<u>-0.7%</u>	<u>-10.2%</u>	<u>-10.8%</u>	<u>0.9%</u>
0.0%	0.0%	0.0%	0.0%	0.8%
0.0%	0.0%	7.6%	7.2%	0.0%
0.0%	0.0%	-3.8%	-3.6%	0.0%
0.1%	0.2%	0.2%	0.2%	0.2%
12.1%	10.3%	5.2%	0.0%	0.0%
<u>-2.5%</u>	<u>-3.7%</u>	<u>-4.5%</u>	<u>-5.3%</u>	<u>-5.4%</u>
<u>9.7%</u>	<u>6.8%</u>	<u>4.8%</u>	<u>-1.5%</u>	<u>-4.4%</u>
16.6%	6.1%	-5.5%	-12.3%	-3.5%
0.0%	0.0%	0.0%	0.0%	0.0%
<u>1.4%</u>	<u>1.3%</u>	<u>0.0%</u>	<u>45.1%</u>	<u>22.0%</u>
<u>18.0%</u>	<u>7.3%</u>	<u>-5.5%</u>	<u>32.8%</u>	<u>18.4%</u>

TRINITY BAY CONSERVATION DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2022

Complete District Mailing Address: P.O. Box 599
Stowell, TX 77661

District Business Telephone Number: (409) 296-3602

Name and Address	Term of Office Date Elected or Date Hired	Salary or Fees and Expense Reimbursements Year Ended 9/30/2022	Title at Year-End	Resident of District
Board Members				
Lester Hankamer, Precinct #1 P.O. Box 290 Hankamer, TX 77560	7/2021 11/2026	\$ 2,700	Secretary	Yes
Richard Nicely, Precinct #2 1145 Devillier Road Winnie, TX 77665	11/2018 11/2024	1,200	Director	Yes
Victor Caraway, Precinct #3 P.O. Box 1515 Winnie, TX 77665	11/2018 11/2026	1,050	Director	Yes
Greggory Turner, Precinct #4 P.O. Box 307 Anahuac, TX 77514	11/2020 11/2024	2,550	Vice President	Yes
Scott Kahla, Precinct #5 P.O. Box 506 Stowell, TX 77661	11/2020 11/2024	2,550	President	Yes
Mark Mitchell, Precinct #2 427 Ledoux Road Winnie, TX 77665	11/2020 3/2022	1,050	NA	Yes
Jeffrey Jenkins, Precinct #3 P.O. Box 1377 Winnie, TX 77665	11/2018 3/2022	1,050	NA	Yes
Key Administrative Personnel				
Jerry Shadden P.O. Box 342 Winnie, TX 77665	02/2022 Present	Salary 94,762 Expenses 10,000	General Manager	Yes
James Gibson 615 Meadowlark Lane Winnie, TX 77665	06/2020 12/2021	Salary 47,824	General Manager	Yes

NOTE: No director is disqualified from serving on the board of the District under the Texas Water Code.

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2022 (CONTINUED)

Name and Address	Term of Office Date Elected or Date Hired	Fees and Expense Reimbursements 09/30/2022	Title at Year-End	Resident of District
Consultants				
Germer PLLC P.O. Box 4915 Beaumont, TX 77704	04/2021	\$ 60,547	Attorney	N/A
LJA Engineering, Inc. 2929 Briarpark Drive Houston, TX 77042	03/2016	136,102	Engineering Consultants	N/A
Chambers County Tax Collector P.O. Box 519 Anahuac, TX 77514	07/1982	7,728	Tax Collector	N/A
Wathen, DeShong & Juncker, LLP 4140 Gladys Ave., Suite 101 Beaumont, TX 77706	09/2019	35,250	Auditor	N/A
Plummer P.O. Box 736753 Dallas, TX 75373-6753	05/01/2022	7,775	Engineering Consultants	N/A

See Independent Auditor's Report on Supplementary Information.

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA
Troy W. Domingue, CPA
Allen W. Fehnel, CPA



Stanley (Chip) Majors, Jr., CPA.CITP, CGMA
Jane P. Burns, CPA, CDFA
Jeremy R. Triska, CPA
Chris W. Busch, CPA

February 15, 2023

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

To the Board of Directors
Trinity Bay Conservation District
Stowell, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Trinity Bay Conservation District as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Trinity Bay Conservation District's basic financial statements, and have issued our report thereon dated February 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trinity Bay Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants