

TRINITY BAY CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

	<u>PAGE</u>
Annual Filing Affidavit	1
<u>Independent Auditor’s Report</u>	2-4
<u>Management’s Discussion and Analysis</u>	5-10
 Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position for Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures And Changes in Fund Balances of to the Statement of Activities.....	16
Statement of Net Position – Proprietary Fund.....	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund.....	18
Statement of Cash Flows – Proprietary Fund.....	19-20
Notes to the Financial Statements	21-48
 Required Supplementary Information	
Schedule of Changes in Employer’s Net Pension Liability and Related Ratios	49
Schedule of Employer Contributions.....	50
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund.....	51
Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Wastewater Fund	52
 Texas Supplementary Information	
Schedule of Services and Rates.....	53-54
Schedule of General Fund Expenditures	55
Schedule of Water and Wastewater Fund Expenses.....	56
Schedule of Temporary Investments.....	57
Analysis of Taxes Levied and Receivable.....	58
Water and Wastewater - Enterprise Fund – Debt Service Requirement by Years	59-60
Analysis of Changes in Long-Term Debt.....	61
Comparative Statement of Revenues and Expenditures – General Fund.....	62
Comparative Statement of Revenues and Expenses – Water and Wastewater Fund	63
Board Members, Key Personnel and Consultants	64-65
 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	
	66-67

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §
COUNTIES OF CHAMBERS AND JEFFERSON §

I, Victor Caraway, 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 12th day of March, 2024 its annual report for the year or period ended September 30, 2023 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.

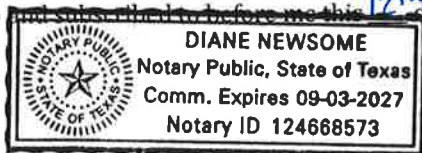
Date: March 12, 2024

By: [Signature]
(Signature of District Representative)

Victor Caraway, President of the Board of Directors
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this 12th day of March, 2024

(Seal)



[Signature]
(Signature of Notary)

My commission expires on September 3, 2027, 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

March 12, 2024

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, 2023, 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, 2023, 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 49 through 50; the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund on page 51; the Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Wastewater Fund on page 52 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 53 through 65 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 March 12, 2024, 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, 2023. 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, 2023, by \$36,910,640 (net position).
- The Trinity Bay Conservation District's total net position increased by \$1,126,509. The District had expenses associated with all activities totaling \$11,857,858 and total revenues were \$12,984,367.

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, 2023

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 48.

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 49 through 52. 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 53 through 65.

TRINITY BAY CONSERVATION DISTRICT

Management's Discussion and Analysis
For The Year Ended September 30, 2023

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 \$36.9 million at September 30, 2023. At September 30, 2023, the District has invested \$30.6 million in capital assets, net of related debt. Approximately \$1.17 million of the District's net position is restricted for debt service. The \$5.1 million of unrestricted net position represents resources available to fund the programs of the District next year. This compares to \$29.6 million invested in capital assets, net of related debt, \$1.16 million restricted for debt service, and \$5.0 million of unrestricted net position at September 30, 2022.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 4,095,173	\$ 4,173,824	\$ 3,964,162	\$ 4,180,422	\$ 8,059,335	\$ 8,354,246
Capital assets	10,402,842	9,354,740	26,642,972	26,463,222	37,045,814	35,817,962
Total Assets	14,498,015	13,528,564	30,607,134	30,643,644	45,105,149	44,172,208
Deferred outflows of resources	518,930	428,899	518,929	428,899	1,037,859	857,798
Current and other liabilities	471,704	380,946	2,046,513	1,891,386	2,518,217	2,272,332
Long-term liabilities	1,800,683	523,443	4,692,080	4,809,585	6,492,763	5,333,028
Total Liabilities	2,272,387	904,389	6,738,593	6,700,971	9,010,980	7,605,360
Deferred inflows of resources	110,694	820,258	110,694	820,257	221,388	1,640,515
Net Position						
Net investment in Capital assets	8,891,809	8,739,678	21,699,962	20,853,807	30,591,771	29,593,485
Restricted	-	-	1,169,440	1,164,561	1,169,440	1,164,561
Unrestricted	3,742,055	3,493,138	1,407,374	1,532,947	5,149,429	5,026,085
Total Net Position	\$ 12,633,864	\$ 12,232,816	\$ 24,276,776	\$ 23,551,315	\$ 36,910,640	\$ 35,784,131

Changes in net position. The District's total revenues were \$13 million in 2023. The District's revenue originates from charges for services totaling \$6.8 million or 52.5% and property taxes of \$4.3 million or 33.5% of total revenue.

The total cost of all programs and services was \$11.9 million, an increase of \$1,749,700 over 2022. Normal operating expenses by function included water and wastewater of \$7.6 million, drainage \$3.1 million, administration \$957,214, and interest on debt \$202,180. The District's had an increase in net position of \$1,126,509.

TRINITY BAY CONSERVATION DISTRICT

Management's Discussion and Analysis
For The Year Ended September 30, 2023

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Charges for services						
Water and wastewater	\$ -	\$ -	\$ 6,814,247	\$ 6,021,209	\$ 6,814,247	\$ 6,021,209
General revenues						
Property taxes	4,344,193	3,644,931	-	-	4,344,193	3,644,931
Other taxes	2,814	89	-	-	2,814	89
Investment income	14,028	7,837	9,530	5,747	23,558	13,584
Gain (loss) on disposal of capital assets	200,698	(51,716)	60,651	-	261,349	(51,716)
Other	70,995	35,136	1,467,211	1,639,463	1,538,206	1,674,599
Total Revenues	<u>4,632,728</u>	<u>3,636,277</u>	<u>8,351,639</u>	<u>7,666,419</u>	<u>12,984,367</u>	<u>11,302,696</u>
Expenses						
General administration	957,214	859,265	-	-	957,214	859,265
Drainage	3,125,374	2,705,621	-	-	3,125,374	2,705,621
Water and wastewater	-	-	7,573,090	6,362,434	7,573,090	6,362,434
Interest on long-term debt	50,392	8,193	151,788	172,645	202,180	180,838
Total Expenses	<u>4,132,980</u>	<u>3,573,079</u>	<u>7,724,878</u>	<u>6,535,079</u>	<u>11,857,858</u>	<u>10,108,158</u>
Transfers	<u>(98,700)</u>	<u>(98,700)</u>	<u>98,700</u>	<u>98,700</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	401,048	(35,502)	725,461	1,230,040	1,126,509	1,194,538
Net position - beginning	<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>
Net position - ending	<u>\$ 12,633,864</u>	<u>\$ 12,232,816</u>	<u>\$ 24,276,776</u>	<u>\$ 23,551,315</u>	<u>\$ 36,910,640</u>	<u>\$ 35,784,131</u>

Governmental activities: Net position of the governmental activities of the District's increased by \$401,048.

Business type activities. Business-type activities increased the District's net position by \$725,461.

TRINITY BAY CONSERVATION DISTRICT

Management’s Discussion and Analysis
For The Year Ended September 30, 2023

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 \$4.6 million in 2023, an increase of \$917,539 from 2022. Revenues in 2023 included property taxes of \$4.2 million compared to \$3.6 million in 2022. Total expenditures were \$5.4 million with \$1,609,506 of capital expenditures. Governmental expenditures included 77.8% of the expenditures for drainage maintenance and improvements, 17.5% were for general administrative services of the District, and debt service accounted for the remaining 4.6% of expenditures.

Budgetary Highlights

Budget changes were made to the original budget during the year to both the General Fund and the Water and Sewer Fund. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund, can be found on page 51 and the Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Wastewater Fund on page 52. Revenues for the Governmental Funds were below budgeted amounts by 0.2%, while Water and Wastewater Fund revenues were above budgeted amounts by 5.8%. Governmental Funds operating expenditures were over budget by 20.6%, while Enterprise Funds operating expenses (excluding depreciation) were over budget by 3.4%. Governmental Funds exceeded budget primarily due to capital expenditures that were offset with Other Financing Sources.

Capital Assets

The Trinity Bay Conservation District’s investment in capital assets at September 30, 2023, was \$37,045,814 net of accumulated depreciation. This investment in capital assets includes land, buildings, utility systems, infrastructure, machinery and equipment, and represents a net increase of \$1,227,852 after considering current depreciation expense of \$2,328,763.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
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	-	-	362,000	362,000	362,000	362,000
Right to use - leased equipment	18,138	-	18,138	-	36,276	-
Buildings and improvements	-	-	3,794,315	3,776,265	3,794,315	3,776,265
Infrastructure	13,101,300	13,101,300	46,266,813	45,099,114	59,368,113	58,200,414
Machinery and equipment	5,884,570	5,307,705	1,369,558	1,105,359	7,254,128	6,413,064
Automobiles and trucks	896,471	483,993	617,742	516,988	1,514,213	1,000,981
Furniture and fixtures	177,136	159,086	113,352	113,352	290,488	272,438
Total at historical cost	20,758,948	19,733,417	53,649,046	52,080,206	74,407,994	71,813,623
Total accumulated depreciation	<u>(10,356,106)</u>	<u>(10,378,677)</u>	<u>(27,006,074)</u>	<u>(25,616,984)</u>	<u>(37,362,180)</u>	<u>(35,995,661)</u>
Capital assets, net	<u>\$10,402,842</u>	<u>\$ 9,354,740</u>	<u>\$ 26,642,972</u>	<u>\$ 26,463,222</u>	<u>\$ 37,045,814</u>	<u>\$ 35,817,962</u>

TRINITY BAY CONSERVATION DISTRICT

Management’s Discussion and Analysis
For The Year Ended September 30, 2023

Long-Term Debt

At September 30, 2023, the Trinity Bay Conservation District had \$6.5 million of long-term 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	
	2023	2022	2023	2022	2023	2022
Leases Payable	\$ 16,426	\$ -	\$ 16,426	\$ -	\$ 32,852	\$ -
SBITA Payable	43,895	-	43,895	-	87,790	-
Finance Agreements	1,494,607	615,062	152,198	-	1,646,805	615,062
Bonds payable, 2014 Series	-	-	2,360,000	2,460,000	2,360,000	2,460,000
Bonds payable, 2012 Series	-	-	2,195,000	2,880,000	2,195,000	2,880,000
Unamortized Bond Premium	-	-	198,358	245,015	198,358	245,015
Total bonded debt	<u>\$1,554,928</u>	<u>\$ 615,062</u>	<u>\$ 4,965,877</u>	<u>\$ 5,585,015</u>	<u>\$ 6,520,805</u>	<u>\$ 6,200,077</u>

Total long-term debt at September 30, 2023 increased \$320,728 from the prior year. The increase was due to capital purchase financing, net of bond repayments. For the fiscal year ended September 30, 2023, interest expense was \$202,180.

Economic Factors and Next Year’s Budgets

General fund revenues are budgeted at \$4.6 million. Property tax revenues for 2024 for the general fund are budgeted at \$4.3 million, which is an increase of \$41,119 as compared September 30, 2023 reported income.

Expenditures for the general fund are budgeted at \$4.6 million for the fiscal year ending September 30, 2024, as compared to actual expenditures of \$5,446,800 million for the fiscal year just ended.

Water and wastewater revenue are budgeted at \$8.1 million, which is an increase of \$846,667 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 \$7.1 million for operations and \$981,300 for debt service. Actual expenses for the year ended September 30, 2023, prior to capitalization of fixed assets, was \$6.3 million for operations and projects, and \$936,788 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, 2023

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,592,378	\$ 658,188	\$ 4,250,566
Taxes Receivable, Net	311,349	-	311,349
Accounts Receivable, Net	-	872,494	872,494
Due from Other Governments	10,334	-	10,334
Due from Other Funds	(81,993)	81,993	-
Prepaid Items	220,442	220,443	440,885
Inventories	-	99,708	99,708
Restricted Cash and Cash Equivalents - Noncurrent	-	1,988,673	1,988,673
Capital Assets:			
Land Purchase and Improvements	-	1,107,128	1,107,128
Easements, Net	681,333	-	681,333
Buildings, Net	-	3,117,492	3,117,492
Infrastructure, Net	7,414,702	21,494,285	28,908,987
Machinery and Equipment, Net	2,291,659	546,919	2,838,578
Right to use - leased equipment	15,148	15,148	30,296
Construction in Progress	-	362,000	362,000
SBITA Asset, Net	42,663	42,663	85,326
Total Assets	<u>14,498,015</u>	<u>30,607,134</u>	<u>45,105,149</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	518,930	518,929	1,037,859
Total Deferred Outflows of Resources	<u>518,930</u>	<u>518,929</u>	<u>1,037,859</u>
LIABILITIES			
Accounts Payable	36,812	102,969	139,781
Wages and Salaries Payable	52,536	63,501	116,037
Compensated Absences Payable	34,370	52,542	86,912
Customer Deposits	-	889,964	889,964
Intergovernmental Payable	-	21,713	21,713
Accrued Interest Payable	-	21,028	21,028
Leases Payable - Current	4,772	4,772	9,544
SBITA Payable - Current	18,168	18,168	36,336
Bonds Payable - Current	-	841,657	841,657
Finance Agreements - Current	325,046	30,199	355,245
Noncurrent Liabilities:			
Leases Payable - Long-Term	11,654	11,654	23,308
SBITA Payable - Long-Term	25,727	25,727	51,454
Bonds Payable - Long-Term	-	3,760,000	3,760,000
Unamortized Premiums (Discounts) on Bonds	-	151,701	151,701
Finance Agreements - Long-Term	1,169,561	121,999	1,291,560
Net Pension Liability	542,186	542,185	1,084,371
Compensated Absences - Long-Term	51,555	78,814	130,369
Total Liabilities	<u>2,272,387</u>	<u>6,738,593</u>	<u>9,010,980</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	110,694	110,694	221,388
Total Deferred Inflows of Resources	<u>110,694</u>	<u>110,694</u>	<u>221,388</u>
NET POSITION			
Net Investment in Capital Assets	8,891,809	21,699,962	30,591,771
Restricted for Debt Service	-	1,169,440	1,169,440
Unrestricted	3,742,055	1,407,374	5,149,429
Total Net Position	<u>\$ 12,633,864</u>	<u>\$ 24,276,776</u>	<u>\$ 36,910,640</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, 2023

	<u>Expenses</u>	<u>Program Revenues</u>
Primary Government		Charges for Services
GOVERNMENTAL ACTIVITIES:		
General Administration	\$ 957,214	\$ -
Drainage	3,125,374	-
Interest on Debt	50,392	-
Total Governmental Activities	4,132,980	-
 BUSINESS-TYPE ACTIVITIES:		
Water and Wastewater	7,724,878	6,814,247
Total Business-Type Activities	7,724,878	6,814,247
TOTAL PRIMARY GOVERNMENT	\$ 11,857,858	\$ 6,814,247

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
\$ (957,214)	\$ -	\$ (957,214)
(3,125,374)	-	(3,125,374)
(50,392)	-	(50,392)
(4,132,980)	-	(4,132,980)
-	(910,631)	(910,631)
-	(910,631)	(910,631)
(4,132,980)	(910,631)	(5,043,611)
4,270,320	-	4,270,320
2,814	-	2,814
73,873	-	73,873
-	-	-
200,698	60,651	261,349
70,995	299,513	370,508
14,028	9,530	23,558
-	1,167,698	1,167,698
(98,700)	98,700	-
4,534,028	1,636,092	6,170,120
401,048	725,461	1,126,509
12,232,816	23,551,315	35,784,131
\$ 12,633,864	\$ 24,276,776	\$ 36,910,640

FUND FINANCIAL STATEMENTS

TRINITY BAY CONSERVATION DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 3,560,957	\$ 31,423	\$ 3,592,380
Taxes Receivable	444,783	-	444,783
Allowance for Uncollectible Taxes (credit)	(133,435)	-	(133,435)
Due from Other Governments	10,334	-	10,334
Due from Other Funds	31,423	-	31,423
Prepaid Expense	220,442	-	220,442
Total Assets	\$ 4,134,504	\$ 31,423	\$ 4,165,927
LIABILITIES			
Accounts Payable	\$ 36,812	\$ -	\$ 36,812
Wages and Salaries Payable	52,536	-	52,536
Due to Other Funds	81,993	31,423	113,416
Total Liabilities	171,341	31,423	202,764
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	302,147	-	302,147
Total Deferred Inflows of Resources	302,147	-	302,147
FUND BALANCES			
Unassigned Fund Balance	3,661,016	-	3,661,016
Total Fund Balances	3,661,016	-	3,661,016
Total Liabilities, Deferred Inflows & Fund Balances	\$ 4,134,504	\$ 31,423	\$ 4,165,927

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, 2023

Total Fund Balances - Governmental Funds	\$ 3,661,016
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	302,147
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	10,402,842
SBITA assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	42,663
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.	(1,640,853)
Net pension liabilities 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.	(133,951)
Net Position of Governmental Activities	<u><u>\$ 12,633,864</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, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:			
Taxes:			
Property Taxes	\$ 4,242,381	\$ -	\$ 4,242,381
Other Taxes	2,814	-	2,814
Penalty and Interest on Taxes	73,873	-	73,873
Investment Earnings	14,028	-	14,028
Other Revenue	271,688	-	271,688
Total Revenues	4,604,784	-	4,604,784
EXPENDITURES:			
Current:			
General Administration:			
Personnel Costs	203,378	-	203,378
Professional Fees	38,460	-	38,460
Contract and Outside Services	209,162	-	209,162
Repairs and Maintenance	8,516	-	8,516
Utilities	29,767	-	29,767
Sundry	18,720	-	18,720
Supplies	445,593	-	445,593
Drainage:			
Personnel Costs	1,779,842	-	1,779,842
Pension Plan Contributions	217,020	-	217,020
Professional Fees	65,034	-	65,034
Contract and Outside Services	82,751	-	82,751
Repairs and Maintenance	486,063	-	486,063
Capital Expenditures	1,609,506	-	1,609,506
Debt Service:			
Principal on Debt	225,041	-	225,041
Interest on Debt	27,947	-	27,947
Total Expenditures	5,446,800	-	5,446,800
Excess (Deficiency) of Revenues Over (Under) Expenditures	(842,016)	-	(842,016)
OTHER FINANCING SOURCES (USES):			
Other Financing Sources-Leases and SBITA's Transfers Out (Use)	1,157,057		1,157,057
Total Other Financing Sources (Uses)	(98,700)	-	(98,700)
Total Other Financing Sources (Uses)	1,058,357	-	1,058,357
Net Change in Fund Balances	216,341	-	216,341
Fund Balance - October 1 (Beginning)	3,444,675	-	3,444,675
Fund Balance - September 30 (Ending)	\$ 3,661,016	\$ -	\$ 3,661,016

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, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 216,341
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	27,939
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.	1,798,290
Depreciation and amortization are not recognized as expenditures in the governmental funds since they do not require the use of current financial resources.	(802,487)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt, leases and SBITA's consume the current financial resources of governmental funds. These transactions, however, have no effect on net position.	(939,872)
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.	100,837
Change in Net Position of Governmental Activities	<u><u>\$ 401,048</u></u>

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

TRINITY BAY CONSERVATION DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND SEPTEMBER 30, 2023

	Business-Type Activities
	Water and Wastewater
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 658,188
Accounts Receivable, Net	872,494
Due from Other Funds	81,993
Prepaid Expenses	220,443
Inventories	99,708
Total Current Assets	<u>1,932,826</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents - Noncurrent	1,988,673
Capital Assets:	
Land Purchase and Improvements	1,107,128
Buildings and Improvements	3,794,315
Accumulated Depreciation - Buildings and Improvements	(676,823)
Infrastructure	46,266,813
Accumulated Depreciation - Infrastructure	(24,772,528)
Machinery and Equipment	2,100,652
Accumulated Depreciation - Machinery and Equipment	(1,553,733)
Right to Use - Leased Equipment	18,138
Accumulated Depreciation - Right to Use - Leased Equipment	(2,990)
Construction in Progress	362,000
SBITA Asset	54,853
Accumulated Amortization - SBITA	(12,190)
Total Noncurrent Assets	<u>28,674,308</u>
Total Assets	<u>30,607,134</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	<u>518,929</u>
Total Deferred Outflows of Resources	<u>518,929</u>

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

	Business-Type Activities
	Water and Wastewater
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 102,969
Wages and Salaries Payable	63,501
Compensated Absences Payable	52,542
Customer Deposits	889,964
Intergovernmental Payable	21,713
Accrued Interest Payable	21,028
Leases Payable - Current	4,772
SBITA Payable - Current	18,168
Bonds Payable - Current	841,657
Finance Agreements - Current	30,199
Total Current Liabilities	<u>2,046,513</u>
Noncurrent Liabilities:	
Leases Payable - Long-Term	11,654
SBITA Payable - Long-Term	25,727
Bonds Payable - Long-Term	3,760,000
Unamortized Premiums (Discounts) on Bonds	151,701
Finance Agreements - Long-Term	121,999
Net Pension Liability	542,185
Compensated Absences - Long-Term	78,814
Total Noncurrent Liabilities	<u>4,692,080</u>
Total Liabilities	<u>6,738,593</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	110,694
Total Deferred Inflows of Resources	<u>110,694</u>
NET POSITION	
Net Investment in Capital Assets	21,699,962
Restricted for Debt Service	1,169,440
Unrestricted	1,407,374
Total Net Position	<u>\$ 24,276,776</u>

TRINITY BAY CONSERVATION DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities
	Water and Wastewater
OPERATING REVENUES:	
Charges for Services	\$ 6,814,247
Other Revenue	299,513
Total Operating Revenues	7,113,760
OPERATING EXPENSES:	
Operating Expenses	
Personnel Costs	2,680,165
Professional Fees and Outside Services	816,328
Repairs and Maintenance	1,385,762
Other Operating Costs	308,632
Supplies	831,547
	6,022,434
Depreciation	1,535,476
Amortization	15,180
Total Operating Expenses	7,573,090
Operating Income (Loss)	(459,330)
NONOPERATING REVENUES (EXPENSES):	
Investment Earnings	9,530
Gain (loss) from Disposal of Capital Assets	60,651
Developer Contributions	1,167,698
Interest Expense	(151,788)
Total Nonoperating Revenue (Expenses)	1,086,091
Income Before Transfers	626,761
Nonoperating Transfers In	98,700
Change in Net Position	725,461
Total Net Position - October 1 (Beginning)	23,551,315
Total Net Position - September 30 (Ending)	\$ 24,276,776

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, 2023

	Business-Type Activities
	Water and Wastewater
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 6,644,419
Cash Received from Assessments - Others	299,513
Cash Payments to Employees for Services	(2,775,163)
Cash Payments for Suppliers	(3,343,637)
Net Cash provided by Operating Activities	825,132
<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	98,700
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Net Proceeds from Sale of Capital Assets	60,651
Acquisition of Capital Assets	(368,064)
Interest Paid on Debt	(201,817)
Retirement of Long-Term Debt	(809,788)
Customer Security Deposit	35,850
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,283,168)
<u>Cash Flows from Investing Activities:</u>	
Interest Received on Investments	9,530
Net Decrease in Cash and Cash Equivalents	(349,806)
Cash and Cash Equivalents at the Beginning of the Year	2,996,667
Cash and Cash Equivalents at the End of the Year	\$ 2,646,861

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, 2023

	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)	\$ (459,330)
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities:	
Depreciation and Amortization	1,550,656
Effect of Increases and Decreases in Current	
Assets and Liabilities:	
Decrease (Increase) in Receivables	(169,828)
Decrease (Increase) in Due From Other Funds	2,579
Decrease (Increase) in Prepaid Expenses	(39,907)
Decrease (Increase) in Inventories	(26,160)
Increase (Decrease) in Accounts Payable	59,857
Increase (Decrease) in Wages Payable	8,314
Increase (Decrease) in Compensated Absences Payable	11,663
Increase (Decrease) in Intergovernmental Payable	2,263
Increase (Decrease) in Pension Accounts	(114,975)
Net Cash Provided by Operating Activities	\$ 825,132
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents	\$ 658,188
Restricted Cash and Cash Equivalents	1,988,673
Total Cash and Cash Equivalents	\$ 2,646,861

During the fiscal year ended September 30, 2023, the water and wastewater infrastructure additions included \$1,167,698 in noncash developer contributions. The water and wastewater fund also had \$182,454 of noncash equipment and leases financed during the fiscal year ended September 30, 2023. SBITA's of \$54,853 were also financed during the year.

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, 2023

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, 2023

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, 2023

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 \$479,954 at September 30, 2023. The increase in the allowance of \$24,772 is included in Other Operating Costs.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

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, 2023

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

Leases

The District is a lessee for noncancellable leases of office 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, 2023

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”.

Subscription-Based Information Technology Arrangements (SBITA)

The District entered into a contract that conveys control of the right to use another party's information technology (IT) software. The District recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The SBITA liability is initially measured at the present value of payments expected to be made during the lease term. Subsequently, the SBITA liability is reduced by the principal portion of payments made. The SBITA asset is measured as the initial amount of the SBITA liability, adjusted for payments made at or before the subscription term, plus capitalizable implementation costs, less any incentives received. The SBITA asset is amortized on a straight-line basis over its useful life.

The District used its estimated incremental borrowing rate as the discount rate. The SBITA term includes the noncancellable period of the lease. Lease payments included in the measurement of the SBITA 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 SBITAs and will remeasure the SBITA assets and liabilities if certain changes occur that are expected to significantly affect the amount of the SBITA liabilities. SBITA assets are reported with non-current assets and SBITA liabilities are reported with long-term liabilities on the statement of net position.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

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

Change in Accounting Principle

GASB statement No. 96, *Subscription-Based Information Technology Arrangements* was adopted effective October 1, 2022. GASB Statement No. 96 establishes uniform accounting and financial reporting requirement for SBITAs; improves the comparability of government's financial statements; and enhances the understandability, reliability, relevance, and consistency of information about SBITAs.

Subsequent Events

In accordance with ASC 855, the management of Trinity Bay Conservation District has evaluated subsequent events through March 12, 2024, 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, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,239,239 and the bank balance was \$6,487,381. The District's cash deposits at September 30, 2023, and during the year ended September 30, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

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

Investments (Continued)

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, 2023 consisted solely of certificate of deposits in the amount of \$4,446,692. Cash and investments are reported as Cash and Cash Equivalents in the financial statements as follows:

	Cash	Investments	Total
Governmental activities - unrestricted	\$ 1,124,716	\$ 2,467,662	\$ 3,592,378
Business-type Activities - unrestricted	657,459	729	658,188
Business-type Activities - restricted			
Interest and Sinking Fund	7,134	176,768	183,902
Bond Reserve Fund	3,238	982,300	985,538
Customer Meter Deposits	-	819,233	819,233
	\$ 1,792,547	\$ 4,446,692	\$ 6,239,239

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, 2023, 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, 2023, 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, 2023

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

Analysis of Specific Deposit and Investment Risks (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, 2023, was \$0.36447 per \$100 assessed valuation based on the total net assessed value of \$1,185,772,669.

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 \$133,435 at September 30, 2023, 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, 2023

5) **DUE FROM OTHER GOVERNMENTS**

As of September 30, 2023, amounts due from other governments consisted of the following:

	Amount	Purpose
Governmental Activities:		
Due from Chambers County	\$ 10,334	Tax Collection Proceeds
Due from Jefferson County	-	Tax Collection Proceeds
Total -- governmental activities	10,334	
Total - all funds	\$ 10,334	

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	-	81,993
	31,423	81,993
Capital Projects		
General Fund	-	31,423
Water and Wastewater		
General Fund	81,993	-
Total	\$ 113,416	\$ 113,416

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, 2023.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

7) **PROPERTY, PLANT AND EQUIPMENT**

Capital asset activity for the governmental activities for the year ended September 30, 2023, is described in the table below:

Governmental Activities	Balance October 1, 2022	Increases	Transfers and Retirements	Balance September 30, 2023
Capital assets, not being depreciated				
Easements	\$ 681,333	\$ -	\$ -	\$ 681,333
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>681,333</u>	<u>-</u>	<u>-</u>	<u>681,333</u>
Capital assets, being depreciated				
Office furniture, fixtures and equipment	159,086	18,050	-	177,136
Vehicles	483,993	483,833	(71,355)	896,471
Machinery and equipment	5,307,705	1,318,378	(741,513)	5,884,570
Infrastructure - Drainage	13,101,300	-	-	13,101,300
Right to use - leased equipment	-	18,138	-	18,138
Total capital assets, being depreciated	<u>19,052,084</u>	<u>1,838,399</u>	<u>(812,868)</u>	<u>20,077,615</u>
Less accumulated depreciation				
Office furniture, fixtures and equipment	(158,186)	(1,502)	-	(159,688)
Vehicles	(456,847)	(68,148)	71,355	(453,640)
Machinery and equipment	(4,472,620)	(322,083)	741,513	(4,053,190)
Infrastructure - Drainage	(5,291,024)	(395,574)	-	(5,686,598)
Right to use - leased equipment	-	(2,990)	-	(2,990)
Total accumulated depreciation	<u>(10,378,677)</u>	<u>(790,297)</u>	<u>812,868</u>	<u>(10,356,106)</u>
Total capital assets, being depreciation, net	<u>8,673,407</u>	<u>1,048,102</u>	<u>-</u>	<u>9,721,509</u>
Capital assets, net	<u>\$ 9,354,740</u>	<u>\$ 1,048,102</u>	<u>\$ -</u>	<u>\$ 10,402,842</u>

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

General Administration	\$ 1,502
Drainage	<u>788,795</u>
Total	<u>\$ 790,297</u>

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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

Capital asset activity for the business-type activities for the year ended September 30, 2023, is described in the table below:

Business-type Activities	Balance October 1, 2022	Increases	Transfers and Retirements	Balance September 30, 2023
Capital assets, not being depreciated				
Land	\$ 1,107,128	\$ -	\$ -	\$ 1,107,128
Construction in progress	362,000	-	-	362,000
Total capital assets, not being depreciated	<u>1,469,128</u>	<u>-</u>	<u>-</u>	<u>1,469,128</u>
Capital assets, being depreciated				
Buildings and improvements	3,776,265	18,050	-	3,794,315
Office furniture, fixtures and equipment	113,352	-	-	113,352
Vehicles	516,988	146,574	(45,820)	617,742
Machinery and equipment	1,105,359	367,755	(103,556)	1,369,558
Right to use - leased equipment	-	18,138	-	18,138
Infrastructure - Water and Wastewater	45,099,114	1,167,699	-	46,266,813
Total capital assets, being depreciated	<u>50,611,078</u>	<u>1,718,216</u>	<u>(149,376)</u>	<u>52,179,918</u>
Less accumulated depreciation				
Buildings and improvements	(582,270)	(94,553)	-	(676,823)
Office furniture, fixtures and equipment	(86,922)	(6,749)	-	(93,671)
Vehicles	(495,257)	(27,097)	45,820	(476,534)
Machinery and equipment	(1,040,007)	(47,077)	103,556	(983,528)
Right to use - leased equipment	-	(2,990)	-	(2,990)
Infrastructure - Water and Wastewater	(23,412,528)	(1,360,000)	-	(24,772,528)
Total accumulated depreciation	<u>(25,616,984)</u>	<u>(1,538,466)</u>	<u>149,376</u>	<u>(27,006,074)</u>
Total capital assets, being depreciation, net	<u>24,994,094</u>	<u>179,750</u>	<u>-</u>	<u>25,173,844</u>
Capital assets, net	<u>\$ 26,463,222</u>	<u>\$ 179,750</u>	<u>\$ -</u>	<u>\$ 26,642,972</u>
			<u>\$ 1,538,466</u>	

Construction in progress consisted of the Hankamer Wastewater Treatment Plant.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

8) **DUE TO OTHER GOVERNMENTS**

The District's obligations to other governments as of September 30, 2023, consisted of TCEQ fees in the amount of \$21,713.

9) **BONDED INDEBTEDNESS**

Bonded indebtedness activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue refunding bonds,					
Series 2012	\$ 2,880,000	\$ -	\$ (685,000)	\$ 2,195,000	\$ 705,000
Revenue bonds, Series 2014	2,460,000	-	(100,000)	2,360,000	90,000
Bond premiums	245,015	-	(46,657)	198,358	46,657
Total bonded debt	<u>\$ 5,585,015</u>	<u>\$ -</u>	<u>\$ (831,657)</u>	<u>\$ 4,753,358</u>	<u>\$ 841,657</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, 2023

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, 2023, including total principal of \$4,555,000 and total interest of \$808,976.

Due During Fiscal Years Ending September 30,	Total Principal Due	Total Interest Due	Total Principal and Interest
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
2029-2033	1,305,000	220,000	1,525,000
2034	295,000	11,800	306,800
	\$ 4,555,000	\$ 808,976	\$ 5,363,976

The amount available in the Water and Sewer Enterprise Fund debt service accounts as of September 30, 2023, is \$1,169,440 to service the above bonded indebtedness. This consists of \$183,902 in interest and sinking funds and \$985,538 in reserve funds.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

10) **OTHER LONG-TERM LIABILITIES**

From time to time the District will enter into financing agreements for the acquisition of capital assets. Interest rates for current agreements range from 3.75% to 6.75%. Finance agreements as of September 30, 2023 consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Finance agreements	\$ 615,062	\$ 1,084,066	\$ (204,521)	\$ 1,494,607	\$ 325,046
Total long-term liabilities	<u>\$ 615,062</u>	<u>\$ 1,084,066</u>	<u>\$ (204,521)</u>	<u>\$ 1,494,607</u>	<u>\$ 325,046</u>
Business-type activities:					
Finance agreements	\$ -	\$ 164,316	\$ (12,118)	\$ 152,198	\$ 30,199
Total long-term liabilities	<u>\$ -</u>	<u>\$ 164,316</u>	<u>\$ (12,118)</u>	<u>\$ 152,198</u>	<u>\$ 30,199</u>

The annual principal and interest requirements 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>	
2024	\$ 325,046	\$ 75,123	\$ 30,199	\$ 7,163	\$ 437,531
2025	342,988	57,180	30,814	5,547	436,529
2026	361,973	38,196	33,496	3,866	437,531
2027	320,753	18,470	35,265	2,097	376,585
2028	143,847	3,328	21,424	371	168,970
	<u>\$ 1,494,607</u>	<u>\$ 192,297</u>	<u>\$ 151,198</u>	<u>\$ 19,044</u>	<u>\$ 1,857,146</u>

11) **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.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

11) **COMPENSATED ABSENCES PAYABLE (CONTINUED)**

The liability for accumulated vacation benefits is reflected on the Statement of Net Position as follows:

	Governmental Activities	Business- Type Activities	Remaining Value
Compensated Absences:			
Current Portion	\$ 34,370	\$ 52,542	\$ 86,912
Long-term Portion	51,555	78,814	130,369
Total	\$ 85,925	\$ 131,356	\$ 217,281

12) **LEASES**

The District has two lease agreements as the lessee for equipment. The leases allow the right-to-use copiers and postage equipment over the term of the leases. The District is required to make monthly payments on all leases at its incremental borrowing rate or the interest rate stated within the lease. The District has evaluated the lease term and periods covered and it includes the noncancellable period, and if reasonably certain they will exercise options to extend. In addition, the District has considered the economic impact of not exercising options for the leases, as well as actions taken in the past. The District evaluated its lease portfolio and did not identify any residual value guarantees or variable payments.

Changes in right-to-use lease liability

Right to use lease liability activity for the year ended September 30, 2023, was as follows:

	Interest Rate	Lease Term In Years	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Copiers	6.50%	3	\$ -	\$ 5,564	\$ (2,403)	\$ 3,161	\$ 2,495
Postage equipment	3.75%	4	-	30,822	(1,131)	29,691	7,049
			\$ -	\$ 36,386	\$ (3,534)	\$ 32,852	\$ 9,544

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

12) **LEASES (CONTINUED)**

Annual principal and interest requirements to maturity for the right-to-use lease liability is as follows:

Year Ended September 30	Principal	Interest	Total
2024	\$ 9,544	\$ 1,751	\$ 11,295
2025	8,187	1,207	9,394
2026	8,025	699	8,724
2027	7,096	174	7,270
	<u>\$ 32,852</u>	<u>\$ 3,831</u>	<u>\$ 36,683</u>

The right-to-use lease liability is reflected on the Statement of Net Position as follows:

	Governmental Activities	Business- Type Activities	Total
Current Portion	\$ 4,772	\$ 4,772	\$ 9,544
Long-term Portion	<u>11,654</u>	<u>11,654</u>	<u>23,308</u>
Total	<u>\$ 16,426</u>	<u>\$ 16,426</u>	<u>\$ 32,852</u>

13) **SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

The District has one contract subject to the requirements of GASB Statement No. 96 Subscription-Based Information Technology Arrangements (SBITA's). This arrangement is for technology services. The SBITA liability is the present value of the required payments using the district's incremental borrowing rate of 5.16%. The liability is amortized providing the principal and interest components of the payments over the SBITA term. The SBITA asset is measured as the SBITA liability plus any capitalized expenditures incurred in the initial implementation stage. The SBITA asset is depreciated (amortized) using a straight-line depreciation method over the term of the SBITA arrangement. There were no additional commitments made before the commencement of the SBITA terms. There were no impairments or modifications to be reported during the fiscal year.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

13) **SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)**

The SBITA asset and accumulated amortization at September 30, 2023, was as follows:

	Term In Years	Total Asset Amount	Accumulated Amortization	Remaining Value
Technology	3	<u>\$ 109,706</u>	<u>\$ (24,380)</u>	<u>\$ 85,326</u>

SBITA liability activity for the year ended September 30, 2023, was as follows:

	Interest Rate	Lease Term In Years	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Technology	5.16%	3	<u>\$ -</u>	<u>\$ 109,706</u>	<u>\$ (21,916)</u>	<u>\$ 87,790</u>	<u>\$ 36,336</u>

Annual principal and interest requirements to maturity for the SBITA liability are as follows:

Year Ended September 30	Principal	Interest	Total
2024	\$ 36,336	\$ 3,508	\$ 39,844
2025	38,257	1,587	39,844
2026	13,197	85	13,282
	<u>\$ 87,790</u>	<u>\$ 5,180</u>	<u>\$ 92,970</u>

The subscription based information technology arrangements are reflected on the Statement of Net Position as follows:

	Governmental Activities	Business- Type Activities	Total
SBITA Asset	<u>\$ 42,663</u>	<u>\$ 42,663</u>	<u>\$ 85,326</u>
SBITA Liability			
Current Portion	\$ 18,168	\$ 18,168	\$ 36,336
Long-term Portion	<u>25,727</u>	<u>25,727</u>	<u>51,454</u>
Total	<u>\$ 43,895</u>	<u>\$ 43,895</u>	<u>\$ 87,790</u>

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

14) **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, 2023:

	<u>General Fund</u>	<u>Enterprise Fund</u>
Personnel	\$ -	\$ 270,165
Supplies	26,093	-
Repairs and maintenance	83,279	-
Contract and outside services	-	501
Capital expenditures/improvement projects	1,246,006	587,372

15) **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, 2023

15) **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, 2022, the following employees were covered by the benefit terms:

Current active members	42
Current inactive members	21
Current retirees and beneficiaries	<u>26</u>
	<u><u>89</u></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 2022 and 15.44% for the months of the accounting year in 2023. The contribution rate payable by the employee members for calendar years 2022 and 2023 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, 2023, the annual pension cost for the TCDRS plan for its employees was \$484,529 and the actual contribution was \$484,529.

The required contribution was determined as part of the December 31, 2022 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2022 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, 2023

15) **PENSION PLAN (CONTINUED)**

Net Pension Liability / (Asset)

	December 31, 2021	December 31, 2022
Total pension liability	\$ 13,101,955	\$ 13,596,585
Fiduciary net position	13,386,822	12,512,214
Net pension liability / (asset)	\$ (284,867)	\$ 1,084,371
Fiduciary net position as a % of total pension liability	102.17%	92.02%
Pensionable covered payroll ⁽¹⁾	\$ 2,538,242	\$ 2,692,914
Net pension liability as a % of covered payroll	-11.22%	40.27%

⁽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, 2021	December 31, 2022
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, 2022. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

	Beginning Date	Ending Date
Valuation date	December 31, 2021	December 31, 2022
Measurement date	December 31, 2021	December 31, 2022
Employer's fiscal year	October 1, 2022	September 30, 2023

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

15) **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. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions(*)	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule 2019: No changes in plan provisions were reflected in the Schedule 2020: No changes in plan provisions were reflected in the Schedule 2021: No changes in plan provisions were reflected in the Schedule 2022: No changes in plan provisions were reflected in the Schedule

⁽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, 2023

15) **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 2023 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, 2023

15) **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%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) index	5.00%	4.95%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment - Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Assoc. Distressed Securities Index ⁽³⁾	4.00%	7.60%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%

⁽¹⁾ Target asset allocation adopted at the March 2023 TCDRS Board Meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.3%, per Cliffwater's 2023 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.

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

15) **PENSION PLAN (CONTINUED)**

Discount Rate (Continued)

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

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. 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, 2023

15) **PENSION PLAN (CONTINUED)**

Changes in Net Pension Liability

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of December 31, 2021	\$ 13,101,955	\$ 13,386,822	\$ (284,867)
Changes for the year:			
Service Cost	336,559	-	336,559
Interest on total pension liability ⁽¹⁾	995,472	-	995,472
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(144,322)	-	(144,322)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(114,532)	(114,532)	-
Benefit payments	(578,547)	(578,547)	-
Administrative expenses	-	(7,332)	7,332
Member contributions	-	188,504	(188,504)
Net Investment income	-	(777,185)	777,185
Employer contributions	-	415,796	(415,796)
Other ⁽³⁾	-	(1,312)	1,312
	\$ 13,596,585	\$ 12,512,214	\$ 1,084,371
Balances as of December 31, 2022	\$ 13,596,585	\$ 12,512,214	\$ 1,084,371

⁽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	\$ 15,397,122	\$ 13,596,585	\$ 12,090,551
Fiduciary net position	12,512,214	12,512,214	12,512,214
Net pension liability / (asset)	\$ 2,884,908	\$ 1,084,371	\$ (421,663)

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2023

15) **PENSION PLAN (CONTINUED)**

Pension Expense / (Income)

	January 1, 2022 to December 31, 2022
Service cost	\$ 336,559
Interest on total pension liability ⁽¹⁾	995,472
Effect on plan changes	-
Administrative expenses	7,332
Member contributions	(188,504)
Expected investment return net of investment expenses	(1,013,764)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(40,368)
Recognition of assumption changes or inputs	127,281
Recognition of investment gains or losses	29,259
Other ⁽²⁾	1,313
 Pension expense / (income)	 \$ 254,580

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCERS 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, 2022:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 221,388	\$ 35,274
Changes of assumption	-	373,229
Net difference between projected and actual earnings	-	267,689
	221,388	676,192
Contributions made subsequent to measurement date	n/a	361,667
	\$ 221,388	\$1,037,859

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:	
2023	\$ (50,968)
2024	73,612
2025	102,837
2026	329,323
2027	-
Thereafter	-

TRINITY BAY CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

15) **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, 2023, management elected to allocate the accounting and reporting of pension-related activity between the General Fund and the Proprietary Fund.

16) **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.

17) **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, 2023, there were no tax abatements.

18) **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, 2023

	<u>Year Ended December 31, 2022</u>	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Total Pension Liability			
Service cost	\$ 336,559	\$ 341,293	\$ 363,225
Interest on total pension liability	995,472	956,380	903,634
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	-	1,782	744,321
Effect of economic/demographic (gains) or losses	(144,322)	(145,048)	(37,802)
Benefit payments/refunds of contributions	<u>(693,079)</u>	<u>(579,596)</u>	<u>(468,844)</u>
 Net change in total pension liability	 494,630	 574,811	 1,504,534
Total pension liability, beginning	<u>13,101,955</u>	<u>12,527,144</u>	<u>11,022,610</u>
Total pension liability, ending (a)	<u>13,596,585</u>	<u>13,101,955</u>	<u>12,527,144</u>
 Fiduciary Net Position			
Employer contributions	415,796	391,905	430,524
Member contributions	188,504	177,677	195,186
Investment income net of investment expenses	(777,185)	2,412,546	1,014,751
Benefit payments/refunds of contributions	(693,079)	(579,596)	(468,844)
Administrative expenses	(7,332)	(7,242)	(8,041)
Other	<u>(1,312)</u>	<u>2,742</u>	<u>5,614</u>
 Net change in fiduciary net position	 (874,608)	 2,398,032	 1,169,190
Fiduciary net position, beginning	<u>13,386,822</u>	<u>10,988,790</u>	<u>9,819,600</u>
Fiduciary net position, ending (b)	<u>12,512,214</u>	<u>13,386,822</u>	<u>10,988,790</u>
 Net pension liability / (asset), ending = (a) - (b)	 <u>\$ 1,084,371</u>	 <u>\$ (284,867)</u>	 <u>\$ 1,538,354</u>
 Fiduciary net position as a % of total pension liability	 92.02%	 102.17%	 87.72%
 Pensionable covered payroll	 \$ 2,692,914	 \$ 2,538,242	 \$ 2,788,366
 Net pension liability as a % of covered payroll	 40.27%	 -11.22%	 55.17%

See Independent Auditor's Report on Supplementary Information.

<u>Year Ended December 31, 2019</u>	<u>Year Ended December 31, 2018</u>	<u>Year Ended December 31, 2017</u>	<u>Year Ended December 31, 2016</u>	<u>Year Ended December 31, 2015</u>	<u>Year Ended December 31, 2014</u>
\$ 318,356	\$ 300,678	\$ 282,338	\$ 292,558	\$ 239,916	\$ 233,778
832,415	767,222	705,447	642,780	599,247	551,401
-	-	-	-	(56,493)	-
-	-	17,221	-	56,442	-
80,530	50,582	43,379	(36,913)	(82,650)	27,659
<u>(327,736)</u>	<u>(334,751)</u>	<u>(274,569)</u>	<u>(253,170)</u>	<u>(236,857)</u>	<u>(213,843)</u>
903,565	783,731	773,816	645,255	519,605	598,995
<u>10,119,045</u>	<u>9,335,314</u>	<u>8,561,498</u>	<u>7,916,243</u>	<u>7,396,638</u>	<u>6,797,643</u>
<u>11,022,610</u>	<u>10,119,045</u>	<u>9,335,314</u>	<u>8,561,498</u>	<u>7,916,243</u>	<u>7,396,638</u>
448,206	378,993	361,041	335,565	324,450	305,717
203,202	171,823	163,685	152,134	147,095	138,602
1,338,472	(148,188)	1,001,585	454,562	(116,686)	366,990
(327,736)	(334,751)	(274,569)	(253,170)	(236,857)	(213,843)
(7,483)	(6,548)	(5,376)	(4,940)	(4,380)	(4,419)
<u>12,450</u>	<u>7,250</u>	<u>3,301</u>	<u>21,913</u>	<u>(5,416)</u>	<u>(9,035)</u>
1,667,111	68,579	1,249,667	706,064	108,206	584,012
<u>8,152,489</u>	<u>8,083,910</u>	<u>6,834,243</u>	<u>6,128,179</u>	<u>6,019,973</u>	<u>5,435,961</u>
<u>9,819,600</u>	<u>8,152,489</u>	<u>8,083,910</u>	<u>6,834,243</u>	<u>6,128,179</u>	<u>6,019,973</u>
<u>\$ 1,203,010</u>	<u>\$ 1,966,556</u>	<u>\$ 1,251,404</u>	<u>\$ 1,727,255</u>	<u>\$ 1,788,064</u>	<u>\$ 1,376,665</u>
89.09%	80.57%	86.59%	79.83%	77.41%	81.39%
\$ 2,902,886	\$ 2,454,618	\$ 2,338,352	\$ 2,173,347	\$ 2,101,363	\$ 1,980,030
41.44%	80.12%	53.52%	79.47%	85.09%	69.53%

TRINITY BAY CONSERVATION DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2023

<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>
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%
2022	400,167	415,796	(15,629)	2,692,914	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 ENDED SEPTEMBER 30, 2023

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
REVENUES				
General property taxes	\$ 4,321,750	\$ 4,321,750	\$ 4,242,381	\$ (79,369)
Other tax revenue	100	100	2,814	2,714
Penalties and interest	75,000	75,000	73,873	(1,127)
Intergovernmental revenue	55,000	55,000	-	(55,000)
Investment earnings	10,000	10,000	14,028	4,028
Other revenue	46,850	151,850	271,688	119,838
Total revenues	<u>4,508,700</u>	<u>4,613,700</u>	<u>4,604,784</u>	<u>(8,916)</u>
EXPENDITURES				
Personnel costs	2,363,600	2,363,600	2,200,240	163,360
Supplies	419,500	419,500	445,593	(26,093)
Repairs and maintenance	331,300	411,300	494,579	(83,279)
Professional fees	111,500	136,500	103,494	33,006
Utilities	35,000	35,000	29,767	5,233
Contract and outside services	765,600	765,600	544,901	220,699
Sundry	20,000	20,000	18,720	1,280
Capital expenditures	363,500	363,500	1,609,506	(1,246,006)
Total expenditures	<u>4,410,000</u>	<u>4,515,000</u>	<u>5,446,800</u>	<u>(931,800)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>98,700</u>	<u>98,700</u>	<u>(842,016)</u>	<u>(940,716)</u>
OTHER FINANCING SOURCES (USES)				
Other Financing Sources-Leases and SBITA's	-	-	1,157,057	1,157,057
Transfers in (out)	(98,700)	(98,700)	(98,700)	-
Total Other Financing Sources (Uses)	<u>(98,700)</u>	<u>(98,700)</u>	<u>1,058,357</u>	<u>1,157,057</u>
NET CHANGE IN FUND BALANCE	-	-	216,341	216,341
FUND BALANCE, beginning of period	<u>3,444,675</u>	<u>3,444,675</u>	<u>3,444,675</u>	<u>-</u>
FUND BALANCE, end of period	<u>\$ 3,444,675</u>	<u>\$ 3,444,675</u>	<u>\$ 3,661,016</u>	<u>\$ 216,341</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, 2023

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
REVENUES				
Water sales	\$ 2,070,000	\$ 2,070,000	\$ 2,306,278	\$ 236,278
Sewer sales	600,000	600,000	687,272	87,272
Penalty income	57,000	57,000	170,584	113,584
Tap connection fees	679,400	679,400	785,046	105,646
Capital improvement fee	3,000,000	3,000,000	3,031,204	31,204
Materials and engineering	150,000	150,000	100,217	(49,783)
Miscellaneous	170,000	170,000	33,159	(136,841)
Total operating revenues	<u>6,726,400</u>	<u>6,726,400</u>	<u>7,113,760</u>	<u>387,360</u>
EXPENSES				
Personnel	2,410,000	2,410,000	2,680,165	(270,165)
Supplies	1,079,000	1,079,000	831,547	247,453
Repairs & maintenance	107,000	107,000	102,930	4,070
Maintenance of plants/buildings	251,500	251,500	129,999	121,501
Professional fees	133,000	133,000	92,827	40,173
Utilities	285,000	285,000	266,421	18,579
Contract and outside services	723,000	723,000	723,501	(501)
Sundry	258,900	258,900	42,213	216,687
Capital improvement projects	600,400	864,400	1,451,772	(587,372)
Total operating expenses	<u>5,847,800</u>	<u>6,111,800</u>	<u>6,321,375</u>	<u>(209,575)</u>
OPERATING INCOME (LOSS) - BUDGET BASIS	<u>878,600</u>	<u>614,600</u>	<u>792,385</u>	<u>177,785</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income from investments	4,000	4,000	9,530	5,530
Gain (loss) from disposal of capital assets	-	-	60,651	60,651
Developer contributions	-	-	1,167,698	1,167,698
Bond principal payments	(785,000)	(785,000)	(785,000)	-
Interest and amortization	(196,300)	(196,300)	(151,788)	44,512
Transfers in (out)	98,700	98,700	98,700	-
Total non-operating revenues (expenses)	<u>(878,600)</u>	<u>(878,600)</u>	<u>399,791</u>	<u>1,278,391</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES	<u>\$ -</u>	<u>\$ (264,000)</u>	1,192,176	<u>\$ 1,456,176</u>
Capitalized expenses			298,940	
Depreciation and Amortization			(1,550,655)	
Debt payments applied to principal			<u>785,000</u>	
CHANGE IN NET POSITION			<u>\$ 725,461</u>	

See Independent Auditor's Report on Supplementary Information.

TEXAS SUPPLEMENTARY INFORMATION

TRINITY BAY CONSERVATION DISTRICT

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2023

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	\$ 56.00	0	Y	\$ 6.00	0	to 10,000
				6.50	10,001	to plus
Wastewater	10.00	2,000	Y	5.00	-	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 \$116.00 Wastewater \$ 60.00

Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered			x 1.0	
< 3/4"	5,786	4,644	x 1.0	4,644
1"	362	318	x 2.5	795
1.5"	56	52	x 5.0	260
2"	78	69	x 8.0	552
3"	13	9	x 15.0	135
4"	8	7	x 25.0	175
6"	2	1	x 50.0	50
8"	-	-	x 80.0	-
10"	-	-	x 115.0	-
Total Water	6,305	5,100		6,611
Total Wastewater	6,377	5,150	x 1.0	5,150

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2023

(CONTINUED)

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

Gallons pumped into system:	<u>626,000,000</u>
Gallons billed to customers:	<u>380,000,000</u>
Water accountability ratio: (Gallons billed/gallons pumped)	61%

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

SCHEDULE OF GENERAL FUND EXPENDITURES FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXPENDITURES

Personnel (including benefits)	<u>\$ 2,200,240</u>
Professional fees	
Auditing & accounting	18,075
Legal	19,450
Other professional fees	<u>65,969</u>
Total professional fees	<u>103,494</u>
Purchased and contracted services	
Appraisal district	33,981
Tax collectors	8,383
Other contracted and outside services	<u>84,664</u>
Total contracted services	<u>127,028</u>
Consumable supplies and materials	
Fuel, chemicals and other	431,498
Repair and maintenance	<u>494,579</u>
Total consumable supplies and materials	<u>926,077</u>
Recurring operating expenses	
Office supplies	14,095
Insurance	164,885
Utilities	29,767
Other administrative expenses	<u>18,720</u>
Total administrative expenses	<u>227,467</u>
Capital outlay	<u>1,609,506</u>
Debt service	
Principal	225,041
Interest	<u>27,947</u>
Total debt service	<u>252,988</u>
TOTAL EXPENDITURES	<u><u>\$ 5,446,800</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

SCHEDULE OF WATER AND WASTEWATER FUND EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2023

OPERATING EXPENSES

Personnel (including benefits)	<u>\$ 2,680,165</u>
Professional fees	
Auditing	18,075
Legal	22,250
Engineering	51,827
Other professional fees	<u>675</u>
Total professional fees	<u>92,827</u>
Purchased and contracted services	
Bulk water and wastewater purchases	269,944
Other contracted and outside services	<u>298,137</u>
Total purchased and contracted services	<u>568,081</u>
Consumable supplies and materials	
Fuel, chemicals and other	604,854
Repair and maintenance	1,385,762
Materials and supplies	<u>208,835</u>
Total consumable supplies and materials	<u>2,199,451</u>
Recurring operating expenses	
Utilities	266,421
Insurance	155,420
Other administrative expenses	<u>60,070</u>
Total administrative expenses	<u>481,911</u>
Depreciation and amortization	<u>1,550,655</u>
TOTAL OPERATING EXPENSES	<u>7,573,090</u>
Interest expense and fiscal charges	<u>151,788</u>
Total non-operating expenses	<u>151,788</u>
TOTAL EXPENSES	<u><u>\$ 7,724,878</u></u>

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

SCHEDULE OF TEMPORARY INVESTMENTS

SEPTEMBER 30, 2023

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	2.00%	01/28/2024	\$ 2,467,662	\$ -
Water and Sewer Fund					
East Chambers County Bank - CD	7080283	2.00%	01/28/2024	729	-
East Chambers County Bank - CD	7080284	2.00%	01/28/2024	-	819,233
East Chambers County Bank - CD	7080285	2.00%	01/28/2024	-	138,757
East Chambers County Bank - CD	7080286	2.00%	09/30/2024	-	786,600
East Chambers County Bank - CD	7080332	2.00%	01/28/2024	-	38,011
East Chambers County Bank - CD	7080356	2.00%	01/28/2024	-	195,700
Total temporary investments				<u>\$ 2,468,391</u>	<u>\$ 1,978,301</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, 2023

	Maintenance Taxes
Taxes receivable, beginning of year	\$ 404,744
2022 original tax levy	4,326,290
Total to be accounted for	4,731,034
Taxes collections	
Current year	4,177,606
Prior year	69,718
Total collections	4,247,324
Adjustments	38,927
	4,286,251
Taxes receivable, end of year	\$ 444,783
Taxes receivable by year	
2022	\$ 120,570
2021	45,023
2020	43,312
2019	20,223
2018	17,163
Before 2018	198,492
Taxes receivable, end of year	\$ 444,783

	2022	2021	2020	2019
Property valuations				
Chambers County	\$ 1,176,182,880	\$ 894,828,115	\$ 851,611,822	\$ 853,844,711
Jefferson County	9,589,789	9,065,955	6,361,753	6,332,431
Total	\$ 1,185,772,669	\$ 903,894,070	\$ 857,973,575	\$ 860,177,142
Tax rates per \$100 valuation				
Maintenance tax rate	\$ 0.36447	\$ 0.39677	\$ 0.39493	\$ 0.40870
Debt Service tax rate	-	-	-	-
Original levy	\$ 4,326,290	\$ 3,588,912	\$ 3,392,524	\$ 3,518,875
Percent of taxes collected to taxes levied	96.6%	97.3%	96.4%	95.9%

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

WATER AND WASTEWATER - ENTERPRISE FUND DEBT SERVICE REQUIREMENTS BY YEARS SEPTEMBER 30, 2023

Due During Fiscal Years Ending September 30,	Revenue Refunding Bonds Series 2012 Issued \$9,220,000			Total Principal and Interest
	February 15, Interest	August 15, Interest Principal		
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
	\$ 77,788	\$ 77,788	\$ 2,195,000	\$ 2,350,576

Due During Fiscal Years Ending September 30,	Revenue Refunding Bonds Series 2014 Issued \$2,910,000			Total Principal and Interest
	February 15, Interest	August 15, Interest Principal		
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
	\$ 326,700	\$ 326,700	\$ 2,360,000	\$ 3,013,400

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

**WATER AND WASTEWATER - ENTERPRISE FUND
DEBT SERVICE REQUIREMENTS BY YEARS
SEPTEMBER 30, 2023
(CONTINUED)**

Due During Fiscal Years Ending September 30,	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest
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>\$ 4,555,000</u>	<u>\$ 808,976</u>	<u>\$ 5,363,976</u>

See Independent Auditor's Report on Supplementary Information.

TRINITY BAY CONSERVATION DISTRICT

ANALYSIS OF CHANGES IN LONG-TERM DEBT SEPTEMBER 30, 2023

	<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	\$ 2,880,000	\$ 2,460,000	\$ 5,340,000
New bond proceeds	-	-	-
Retirements, principal	<u>685,000</u>	<u>100,000</u>	<u>785,000</u>
Bonds outstanding, end of current period	<u>\$ 2,195,000</u>	<u>\$ 2,360,000</u>	<u>\$ 4,555,000</u>
Interest paid during current period	<u>\$ 100,800</u>	<u>\$ 94,400</u>	<u>\$ 195,200</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, 2023			\$ 1,169,440
Average annual debt service payment (principal and interest) for remaining term of all debt			\$ 487,634

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, 2023

	Amounts				
	2023	2022	2021	2020	2019
Operating revenues					
Taxes	\$ 4,245,195	\$ 3,559,424	\$ 3,398,917	\$ 3,455,953	\$ 3,461,457
Penalty and interest	73,873	84,849	74,148	70,122	83,817
Interest income	14,028	7,837	6,387	6,083	8,780
Intergovernmental grants	-	-	-	81,823	77,514
Intergovernmental projects	-	-	-	356,590	812,348
Other revenues	271,688	35,135	79,288	60,928	1,451
Total operating revenues	<u>4,604,784</u>	<u>3,687,245</u>	<u>3,558,740</u>	<u>4,031,499</u>	<u>4,445,367</u>
Expenses					
Personnel	2,200,240	1,980,440	2,014,215	2,391,194	2,406,980
Supplies	445,593	394,065	186,669	251,689	231,426
Repairs and maintenance	494,579	332,807	279,048	248,735	196,132
Utilities	29,767	27,908	26,595	24,953	23,232
Contract services and professional services	395,407	344,499	250,149	285,041	197,840
Sundry	18,720	11,161	3,533	11,010	20,805
Capital expenditures	1,609,506	210,831	88,162	372,457	232,125
Debt service	252,988	95,860	138,267	230,838	365,994
Total operating expenses	<u>5,446,800</u>	<u>3,397,571</u>	<u>2,986,638</u>	<u>3,815,917</u>	<u>3,674,534</u>
Excess (expenses)	<u>(842,016)</u>	<u>289,674</u>	<u>572,102</u>	<u>215,582</u>	<u>770,833</u>
Other financing sources (uses)					
FEMA grant deobligation	-	-	(123,172)	-	-
Other financing sources - leases and SBITA's	1,157,057	-	-	-	-
Transfers (to) from other funds	<u>(98,700)</u>	<u>(98,700)</u>	<u>(68,440)</u>	<u>-</u>	<u>(2,054,964)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 216,341</u>	<u>\$ 190,974</u>	<u>\$ 380,490</u>	<u>\$ 215,582</u>	<u>\$ (1,284,131)</u>

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues				
2023	2022	2021	2020	2019
92.2%	96.5%	95.5%	85.7%	77.9%
1.6%	2.3%	2.1%	1.7%	1.9%
0.3%	0.2%	0.2%	0.2%	0.2%
0.0%	0.0%	0.0%	2.0%	1.7%
0.0%	0.0%	0.0%	8.8%	18.3%
5.9%	1.0%	2.2%	1.5%	0.0%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
47.8%	53.7%	56.6%	59.3%	54.1%
9.7%	10.7%	5.2%	6.2%	5.2%
10.7%	9.0%	7.8%	6.2%	4.4%
0.6%	0.8%	0.7%	0.6%	0.5%
8.6%	9.3%	7.0%	7.1%	4.5%
0.4%	0.3%	0.1%	0.3%	0.5%
35.0%	5.7%	2.5%	9.2%	5.2%
5.5%	2.6%	3.9%	5.7%	8.2%
<u>118.3%</u>	<u>92.1%</u>	<u>83.9%</u>	<u>94.7%</u>	<u>82.7%</u>
<u>-18.3%</u>	<u>7.9%</u>	<u>16.1%</u>	<u>5.3%</u>	<u>17.3%</u>
0.0%	0.0%	-3.5%	0.0%	0.0%
25.1%	0.0%	0.0%	0.0%	0.0%
<u>-2.1%</u>	<u>-2.7%</u>	<u>-1.9%</u>	<u>0.0%</u>	<u>-46.2%</u>
<u>4.7%</u>	<u>5.2%</u>	<u>10.7%</u>	<u>5.3%</u>	<u>-28.9%</u>

TRINITY BAY CONSERVATION DISTRICT

COMPARATIVE STATEMENT OF REVENUES AND EXPENSES WATER AND WASTEWATER FUND FOR THE FIVE YEARS ENDED SEPTEMBER 30, 2023

	Amounts				
	2023	2022	2021	2020	2019
Operating revenues					
Water service	\$ 5,288,406	\$ 4,541,067	\$ 3,922,326	\$ 3,640,433	\$ 3,448,091
Sewer service	687,272	732,874	715,743	704,220	657,330
Penalty and income	170,584	113,555	62,891	24,037	22,897
Tap and connection fees	834,122	745,390	353,033	363,725	170,791
Line extensions and miscellaneous fees	100,217	110,861	192,676	232,101	246,487
Other	33,159	589,001	80,517	26,490	12,821
Total operating revenues	7,113,760	6,832,748	5,327,186	4,991,006	4,558,417
Expenses					
Personnel	2,680,165	1,999,686	2,049,012	2,136,957	1,903,218
Plant operations, maintenance and supplies	2,114,378	1,641,206	1,140,763	1,124,762	782,550
Contractual and outside services	816,328	754,558	537,177	619,225	516,869
Utilities	266,421	262,656	242,447	245,532	193,399
Repairs and maintenance	102,930	184,680	73,890	34,041	214,286
Sundry	42,213	11,748	8,400	29,506	106,016
Depreciation	1,550,655	1,507,900	1,314,629	1,312,231	1,335,722
Total operating expenses	7,573,090	6,362,434	5,366,318	5,502,254	5,052,060
Excess (expenses)	(459,330)	470,314	(39,132)	(511,248)	(493,643)
Nonoperating Revenues (Expenses)					
Project income	-	-	-	378,948	328,471
Project expenses	-	-	-	(188,564)	(166,094)
Investment income	9,530	5,747	8,313	10,405	10,896
Gain (loss) from disposal of capital assets	60,651	-	-	-	-
Developer contributions	1,167,698	827,924	550,688	259,662	-
Interest expense and fiscal charges	(151,788)	(172,645)	(197,463)	(222,528)	(241,380)
Total nonoperating revenues (expenses)	1,086,091	661,026	361,538	237,923	(68,107)
Net income before capital contributions, and transfers	626,761	1,131,340	322,406	(273,325)	(561,750)
Transfers (to) from other funds	98,700	98,700	68,440	-	2,054,964
Change in net position	\$ 725,461	\$ 1,230,040	\$ 390,846	\$ (273,325)	\$ 1,493,214
Total active retail water and / or wastewater connections	6,611	6,364	6,232	5,905	5,754

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
74.3%	66.5%	73.6%	72.9%	75.6%
9.7%	10.7%	13.4%	14.1%	14.4%
2.4%	1.7%	1.2%	0.5%	0.5%
11.7%	10.9%	6.6%	7.3%	3.7%
1.4%	1.6%	3.6%	4.7%	5.4%
0.5%	8.6%	1.5%	0.5%	0.3%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
37.7%	29.3%	38.5%	42.8%	41.8%
29.7%	24.0%	21.4%	22.5%	17.2%
11.5%	11.0%	10.1%	12.4%	11.3%
3.7%	3.8%	4.6%	4.9%	4.2%
1.4%	2.7%	1.4%	0.7%	4.7%
0.6%	0.2%	0.2%	0.6%	2.3%
21.8%	22.1%	24.7%	26.3%	29.3%
<u>106.5%</u>	<u>93.1%</u>	<u>100.7%</u>	<u>110.2%</u>	<u>110.8%</u>
<u>-6.5%</u>	<u>6.9%</u>	<u>-0.7%</u>	<u>-10.2%</u>	<u>-10.8%</u>
0.0%	0.0%	0.0%	7.6%	7.2%
0.0%	0.0%	0.0%	-3.8%	-3.6%
0.1%	0.1%	0.2%	0.2%	0.2%
0.9%	0.0%	0.0%	0.0%	0.0%
16.4%	12.1%	10.3%	5.2%	0.0%
<u>-2.1%</u>	<u>-2.5%</u>	<u>-3.7%</u>	<u>-4.5%</u>	<u>-5.3%</u>
<u>15.3%</u>	<u>9.7%</u>	<u>6.8%</u>	<u>4.8%</u>	<u>-1.5%</u>
8.8%	16.6%	6.1%	-5.5%	-12.3%
1.4%	1.4%	1.3%	0.0%	45.1%
<u>10.2%</u>	<u>18.0%</u>	<u>7.3%</u>	<u>-5.5%</u>	<u>32.8%</u>

TRINITY BAY CONSERVATION DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2023

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 9/30/2023	Title at Year-End	Resident of District
Board Members				
Lester Hankamer, Precinct #1 P.O. Box 290 Hankamer, TX 77560	7/2021 11/2026	Salary \$ 1,500 Expenses 167	Secretary	Yes
Richard Nicely, Precinct #2 1145 Devillier Road Winnie, TX 77665	11/2018 11/2024	Salary 2,300 Expenses 106	Director	Yes
Victor Caraway, Precinct #3 P.O. Box 1515 Winnie, TX 77665	11/2018 11/2026	Salary 2,450 Expenses 21	President	Yes
Greggory Turner, Precinct #4 P.O. Box 307 Anahuac, TX 77514	11/2020 11/2024	Salary 2,150 Expenses 203	Vice President	Yes
Annette Rayburn, Precinct #5 311 SW 7th. Street Winnie, TX 77665	08/2023 11/2024	Salary - Expenses -	Director	Yes
Scott Kahla, Precinct #5 P.O. Box 506 Stowell, TX 77661	11/2020 06/2023	Salary 1,100 Expenses 72	Former President	Yes

Key Administrative Personnel

Jerry Shadden P.O. Box 342 Winnie, TX 77665	02/2022 Present	Salary 169,708 Expenses 1,977	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, 2023 (CONTINUED)

Name and Address	Term of Office Date Elected or Date Hired	Fees and Expense Reimbursements 09/30/2023	Title at Year-End	Resident of District
Consultants				
Germer PLLC P.O. Box 4915 Beaumont, TX 77704	04/2021	\$ 38,900	Attorney	N/A
LJA Engineering, Inc. 2929 Briarpark Drive Houston, TX 77042	03/2016	88,985	Engineering Consultants	N/A
Chambers County Tax Collector P.O. Box 519 Anahuac, TX 77514	07/1982	7,957	Tax Collector	N/A
Wathen, DeShong & Juncker, LLP 4140 Gladys Ave., Suite 101 Beaumont, TX 77706	09/2019	36,150	Auditor	N/A
Plummer P.O. Box 736753 Dallas, TX 75373-6753	05/01/2022	5,204	Engineering Consultants	N/A
Jeffrey S. Ward & Associates, Inc. 14401 Bookcliff Ct Purcellville, VA 20132	11/30/2022	47,500	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

March 12, 2024

**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, 2023, 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 March 12, 2024.

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