



ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2023**

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2023

DISTRICT OFFICIALS

BOARD MEMBER – PRECINCT 1	DR STUART BIRNBAUM
BOARD MEMBER – PRECINCT 2	JOSEPH duMENIL
BOARD MEMBER – PRECINCT 3	STEVEN PETERSON
BOARD MEMBER – PRECINCT 4	JOE SILMAN
BOARD MEMBER – PRECINCT 5	KATRINA WARING CASTILLO
GENERAL MANAGER	AMANDA MALOUKIS
STAFF	GEORGE WISSMANN
ADMINISTRATIVE PROGRAM MANAGER	EMILY GREEN

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 FISCAL YEAR ENDED SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Trinity Glen Rose Groundwater Conservation District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Trinity Glen Rose Groundwater Conservation District, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Trinity Glen Rose Groundwater Conservation District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Trinity Glen Rose Groundwater Conservation District, as of September 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Trinity Glen Rose Groundwater 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

Trinity Glen Rose Groundwater Conservation District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Trinity Glen Rose Groundwater Conservation District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 GAAS 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 GAAS 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 Trinity Glen Rose Groundwater 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 Trinity Glen Rose Groundwater Conservation District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

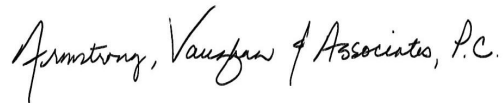
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of employer pension contributions and changes in pension liability and related ratios (as listed in the table of contents), be presented to supplement the basic financial statements. Such information, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Trinity Glen Rose Groundwater Conservation District's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2023 on our consideration of Trinity Glen Rose Groundwater 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 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 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 Glen Rose Groundwater Conservation District's internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.

December 1, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Trinity Glen Rose Groundwater Conservation District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the District's financial statements.

HIGHLIGHTS

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2023 by \$1.75 million.
- Total operating revenues for the year were \$219 thousand: a reduction of \$124 thousand. Revenues fluctuate based on water pumped by producers in the District which can be limited in drought conditions.
- The operating expense of the District activities were \$393 thousand: a decrease of 3%. The decrease was attributable to redistricting and rules revisions in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), *the basic financial statements, required supplementary information*, and *supplementary information required by the Texas Commission on Environmental Quality*. The basic financial statements consist of the following statements:

- The *Statement of Net Position* shows the financial standing of the District as of the end of the year, including all assets and liabilities.
- The *Statement of Revenues, Expenses and Changes in Net Position* provides information about the activity of the District during the fiscal year. It reports revenues when incurred, regardless of when they are received, and expenses when incurred, regardless of when they are paid.
- The *Statement of Cash Flows* reports the sources and uses of cash during the fiscal year.

The financial statements also include notes that explain the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*. Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

The District's combined net position was \$1.75 million at September 30, 2023. (See Table 1).

Table 1
Trinity Glen Rose Groundwater Conservation District

	2023	2022	2021
Cash	\$ 136,801	\$ 115,135	\$ 237,907
Investments	1,525,000	1,697,000	1,596,000
Receivables	49,906	26,918	60,479
Prepaid Expenses	8,200	8,000	8,000
Computers and Equipment (net)	10,225	6,014	10,760
Net Pension Asset	-	10,789	-
TOTAL ASSETS	<u>1,730,132</u>	<u>1,863,856</u>	<u>1,913,146</u>
DEFERRED OUTFLOWS	<u>46,307</u>	<u>35,041</u>	<u>30,904</u>
Accounts Payable	13,546	6,582	4,970
Payroll Withholdings	3,422	3,349	2,713
Net Pension Liability	4,172	-	1,952
TOTAL LIABILITIES	<u>21,140</u>	<u>9,931</u>	<u>9,635</u>
DEFERRED INFLOWS	<u>1,080</u>	<u>12,424</u>	<u>1,130</u>
TOTAL NET POSITION	<u>\$ 1,754,219</u>	<u>\$ 1,876,542</u>	<u>\$ 1,933,285</u>

The District's total operating revenues were \$219 thousand, a decrease of \$124 thousand from the year ending September 30, 2022. The operating expenses were \$393 thousand, compared to \$405 thousand in the prior year (See Table 2).

Table 2
Trinity Glen Rose Groundwater Conservation District
Change in Net Position

	2023	2022	2021
Operating Revenues	\$ 218,729	\$ 342,449	\$ 324,857
Operating Expenses	<u>(392,703)</u>	<u>(405,039)</u>	<u>(397,567)</u>
Operating Income	(173,974)	(62,590)	(72,710)
Nonoperating Revenue (Expense)	<u>51,651</u>	<u>5,847</u>	<u>3,673</u>
Change in Net Position	(122,323)	(56,743)	(69,037)
Beginning Net Position	<u>1,876,542</u>	<u>1,933,285</u>	<u>2,002,322</u>
Ending Net Position	<u>\$ 1,754,219</u>	<u>\$ 1,876,542</u>	<u>\$ 1,933,285</u>

The District designates portions of its unrestricted net position each year for specific purposes. These designations as of September 30 were as follows:

Table 3
Trinity Glen Rose Groundwater Conservation District
Net Position Designations

	2023	2022	2021
Elections	\$ 40,000	\$ 40,000	\$ 40,000
Operations	600,000	600,000	600,000
Conservation	300,000	400,000	400,000
Aquifer Studies	300,000	300,000	300,000
Legal	300,000	300,000	300,000
Redistricting	60,000	60,000	60,000
Total Designations	\$ 1,600,000	\$ 1,700,000	\$ 1,700,000

BUDGETARY HIGHLIGHTS

District revenues were below expectations in the budget by \$144 thousand as production waned. However, operating expenses were also under budget by \$59 thousand. Net position decreased \$3 thousand more than was anticipated in the budget.

CAPITAL ASSETS

As of September 30, 2023, the District had invested \$35 thousand in capital assets, including office and field equipment. More detailed information about the District’s capital assets is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The production rate will increase from \$30 to \$40 per acre foot January 1, 2024. The District intends to adopt new rules December 14th and will have new administrative and operation processes along with a change in application processing fees.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, please review the website at www.trinityglenrose.com or contact the Trinity Glen Rose Groundwater Conservation District at 12790 FM 1560 N Box 1589, Helotes, TX 78023.

BASIC FINANCIAL STATEMENTS

The basic financial statements include:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 STATEMENTS OF NET POSITION
 SEPTEMBER 30, 2023 AND 2022

	2023	2022
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 136,801	\$ 115,135
Investments	1,525,000	1,697,000
Accounts Receivable	23,786	22,212
Interest Receivable	26,120	4,706
Prepaid Expenses	8,200	8,000
<i>Total Current Assets</i>	1,719,907	1,847,053
<i>Other Assets:</i>		
Property and Equipment (net)	10,225	6,014
Net Pension Asset	-	10,789
<i>Total Other Assets</i>	10,225	16,803
TOTAL ASSETS	1,730,132	1,863,856
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Related Outflows	46,307	35,041
 LIABILITIES		
Accounts Payable	13,546	6,582
Payroll Withholdings	3,422	3,349
Net Pension Liability	4,172	-
TOTAL LIABILITIES	21,140	9,931
 DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Related Inflows	1,080	12,424
 NET POSITION		
Net Investment in Capital Assets	10,225	6,014
Unrestricted	1,743,994	1,870,528
TOTAL NET POSITION	\$ 1,754,219	\$ 1,876,542

See accompanying notes to basic financial statements.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Operating Revenues:		
Groundwater Production Fees	\$ 205,264	\$ 324,478
Other Fees	13,465	17,971
Total Operating Revenues	218,729	342,449
Operating Expenses:		
Staff and Benefits	264,298	248,610
Operations	79,961	107,695
Outreach and Conservation	42,008	40,939
Research	148	-
Depreciation Expense	3,157	4,746
Insurance	3,131	3,049
Total Operating Expenses	392,703	405,039
Income (Loss) from Operations	(173,974)	(62,590)
Nonoperating Revenues (Expenses):		
Investment Income	51,651	5,847
Total Nonoperating Revenues (Expenses)	51,651	5,847
Change in Net Position	(122,323)	(56,743)
Net Position at Beginning of Year	1,876,542	1,933,285
Net Position at End of Year	\$ 1,754,219	\$ 1,876,542

See accompanying notes to basic financial statements.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 217,155	\$ 380,396
Cash Paid to Employees for Services	(271,874)	(253,558)
Cash Paid to Suppliers for Goods and Services	(118,484)	(150,071)
Net Cash Provided (Used) by Operating Activities	(173,203)	(23,233)
Cash Flows from Capital Financing Activities:		
Purchase of Property and Equipment	(7,368)	-
Net Cash Provided (Used) by Capital Financing Activities	(7,368)	-
Cash Flows from Investing Activities:		
Purchase of Certificates of Deposit	(1,516,000)	(1,697,000)
Maturity of Certificates of Deposit	1,688,000	1,596,000
Investment Income	30,237	1,461
Net Cash Provided (Used) by Investing Activities	202,237	(99,539)
Net Increase (Decrease) in Cash and Cash Equivalents	21,666	(122,772)
Cash and Cash Equivalents, October 1	115,135	237,907
Cash and Cash Equivalents, September 30	\$ 136,801	\$ 115,135
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (173,974)	\$ (62,590)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	3,157	4,746
(Increase) Decrease in Accounts Receivable	(1,574)	37,947
(Increase) Decrease in Prepaid Expenses	(200)	-
(Increase) Decrease in Deferred Outflows	(11,266)	(4,137)
(Increase) Decrease in Net Pension Asset	14,961	(12,741)
Increase (Decrease) in Accounts Payable	6,964	1,612
Increase (Decrease) in Payroll Withholdings	73	636
Increase (Decrease) in Deferred Inflows	(11,344)	11,294
Total Adjustments	771	39,357
Net Cash Provided (Used) by Operating Activities	\$ (173,203)	\$ (23,233)

See accompanying notes to basic financial statements.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

The Trinity Glen Rose Groundwater Conservation District (the "District") was created to conserve and protect the Trinity Group of Aquifers in northern Bexar County in response to the Texas Natural Resources Conservation Commission designating a portion of the Trinity Aquifer as a Priority Groundwater Management Area. The District was created during the 2001 77th Texas Legislature with the enrollment of House Bill 2005 and became effective September 1, 2001. House bill 1518 provides the District the authority to increase production fees and allow municipalities to request inclusion of annexed areas into the District as provided by Chapter 36 of the Texas Water Code.

The District is managed by an elected Board of Directors from each of the five district precincts. The purpose of the District is to develop and implement regulatory, conservation, and recharge programs that preserve and protect the Trinity Aquifer within the District.

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. ENTERPRISE FUND

The Corporation is an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public. The activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

3. BASIS OF ACCOUNTING

The statements are presented on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is used whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits in checking, savings, and money market accounts.

5. ACCOUNTS RECEIVABLE

Accounts receivable consists of monthly water production fees that have not yet been received. Accounts receivables are stated at the amount management expects to collect from outstanding balances. No allowance has been established as management estimates all outstanding amounts will be collected.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. INVESTMENTS

State statutes authorize the District to invest in (a) obligations of United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (d); or (e).

The District has adopted an investment policy that further limits the available investment options to obligations of the United States or its agencies and instrumentalities, certificates of deposit, and local government investment pools.

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the Statement of Net Position.

8. PROPERTY AND EQUIPMENT

Capital assets with a useful life in excess of one year and exceeding \$1,000 are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line method. Depreciable lives are generally estimated at 5 years for equipment. Leasehold improvements follow the shorter of the life of the lease or useful life of the improvements. Currently, the leasehold improvements are estimated at 3 years.

9. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

10. PENSIONS

The net pension liability (or asset), deferred inflows, and outflows 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 and deductions from TCDRS' fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. NET POSITION

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

12. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the District, which are permitted production fees. Operating expenses are the necessary costs incurred to provide water conservation.

13. USE OF ESTIMATES

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

NOTE B -- CASH AND INVESTMENTS

1. Cash and Cash Equivalents

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 pledge 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. At September 30, 2023, the District's bank deposits were covered by federal deposit insurance. All of the District's deposits were fully collateralized, including certificates of deposit.

2. Investments

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 the District's investment practices adhered to the requirements of the Act.

As of September 30, 2023, the District's investments consisted of only certificates of deposit that are presented at amortized cost.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE C -- PROPERTY AND EQUIPMENT

Changes in property and equipment were as follows:

	Balance 10/1/22	Additions	Disposals	Balance 9/30/23
Furniture and Equipment	\$ 20,824	\$ -	\$ -	\$ 20,824
Leasehold Improvements	7,153	-	-	7,153
Well Management System	-	7,368	-	7,368
Accumulated Depreciation	(21,963)	(3,157)	-	(25,120)
Property and Equipment, Net	\$ 6,014	\$ 4,211	\$ -	\$ 10,225

	Balance 10/1/21	Additions	Disposals	Balance 9/30/22
Furniture and Equipment	\$ 59,583	\$ -	\$ (38,759)	\$ 20,824
Leasehold Improvements	7,153	-	-	7,153
Accumulated Depreciation	(55,976)	(4,746)	38,759	(21,963)
Property and Equipment, Net	\$ 10,760	\$ (4,746)	\$ -	\$ 6,014

NOTE D -- ECONOMIC DEPENDENCY/CONCENTRATIONS

Funding for the operation of the District is provided through permitted production fees charged for groundwater produced from the Trinity aquifer in Bexar, Comal and Kendall Counties. One producer represented 17% and 48% of production revenues in fiscal years 2023 and 2022, respectively. Another producer represented 38% and 24% of production revenues in fiscal years 2023 and 2022, respectively

NOTE E -- LEASE

The District currently leases office space under a two-year agreement ending January 31, 2025. The lease requires annual payments of \$24,600 paid in advance.

NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Plan Description

The District participates as one of nearly 800 plans in the nontraditional, defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the state of Texas and administered in accordance with the TCDRS Act as an agent multiple-employer retirement system for County and District employees in the State of Texas. The Board of Trustees of TCDRS is responsible for the administration and management of the system. TCDRS in the aggregate issues a annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (CONT.)

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS. Members can retire at age 60 and above with 5 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. A member is vested after 5 years but must leave his accumulated contributions in the plan. Members who withdraw their personal contributions in a partial lump sum are entitled to any amounts contributed by the employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so 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.

Contributions

The District has elected the annually determined contribution rate 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 District is actuarially determined annually. The District contributed using the actuarially determined rate of 12.25% and 12.29% for the calendar years of 2022 and 2023, respectively.

The contribution rate payable by the employee members is 7% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Benefits Provided

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the District-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (CONT.)

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

	12/31/2022
Inactive Employees Receiving Benefits	0
Inactive Employees	0
Active Employees	3
	3

Net Pension Liability

The District's Net Pension Liability (NPL) (or asset) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Real Rate of Return	5.00%
Inflation	2.50%
Long-Term Investment Return	7.50%

The long-term expected rate of return on pension plan investments is 7.5%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

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 GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (CONT.)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return (Geometric)</u>
US Equities	11.50%	4.95%
Private Equity	25.00%	7.95%
Global Equities	2.50%	4.95%
International Equities - Developed	5.00%	4.95%
International Equities - Emerging	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability (or asset) was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability (or asset).

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

	<u>Discount Rate 6.60%</u>	<u>Discount Rate 7.60%</u>	<u>Discount Rate 8.60%</u>
Net Pension Liability (Asset)	\$ 29,786	\$ 4,172	\$ (17,506)

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (CONT.)

Changes in Net Pension Liability (Asset)

The below schedule presents the changes in the Net Pension Liability (asset) as of December 31, 2022:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance at December 31, 2021	\$ 124,808	\$ 135,597	\$ (10,789)
Changes for the year:			
Service Cost	36,436	-	36,436
Interest	12,255	-	12,255
Plan Changes	-	-	-
Economic/Demographic Gains/Losses	1,457	-	1,457
Assumptions Changes or Inputs	-	-	-
Refund of Contributions	-	-	-
Benefit Payments	-	-	-
Administrative Expenses	-	(100)	100
Member Contributions	-	14,856	(14,856)
Net Investment Income	-	(11,433)	11,433
Employer Contributions	-	25,999	(25,999)
Other	-	5,865	(5,865)
Net Changes	<u>50,148</u>	<u>35,187</u>	<u>14,961</u>
Balance at December 31, 2022	<u>\$ 174,956</u>	<u>\$ 170,784</u>	<u>\$ 4,172</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained at www.tcdrs.com.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (CONT.)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the District recognized pension expense of \$19,651. Also as of September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 12,915	\$ 859
Changes in Assumptions	3,758	221
Difference between Projected and Actual Earnings	10,362	-
Contributions Subsequent to the Measurement Date	19,272	-
	\$ 46,307	\$ 1,080

Deferred outflows of resources in the amount of \$19,272 result from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the plan year ended December 31,	
2023	\$ 3,523
2024	3,661
2025	3,614
2026	6,408
2027	1,711
Thereafter	7,038
	\$ 25,955

NOTE G -- LITIGATION

Management is unaware of any pending litigation that would or could have any material effect on the District's financial position.

NOTE H -- SUBSEQUENT EVENT

In November 2023, the Board elected to include group term life insurance for District employees through the Texas County and District Retirement System beginning January 1, 2024. Participating in the plan can be ended at any time.

REQUIRED SUPPLEMENTARY INFORMATION

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE LAST FIVE CALENDAR YEARS

	Total Pension Liability				
	2018	2019	2020	2021	2022
Service Cost	\$ 18,376	\$ 17,185	\$ 19,412	\$ 33,208	\$ 36,436
Interest (on the Total Pension Liability)	1,488	2,882	4,867	8,639	12,255
Changes of Benefit Terms	-	-	-	-	-
Changes of Assumptions	-	-	5,009	(265)	-
Economic/Demographic gains or losses	(1,474)	2,214	10,501	2,766	1,457
Benefit Payments, Including Refunds of Employee Contributions	-	-	-	-	-
Net Change in Total Pension Liability	18,390	22,281	39,789	44,348	50,148
Total Pension Liability - Beginning	-	18,390	40,671	80,460	124,808
Total Pension Liability - Ending	<u>\$ 18,390</u>	<u>\$ 40,671</u>	<u>\$ 80,460</u>	<u>\$ 124,808</u>	<u>\$ 174,956</u>
	Plan Fiduciary Net Position				
	2018	2019	2020	2021	2022
Contributions - Employer	\$ 10,870	\$ 12,255	\$ 18,217	\$ 20,898	\$ 25,999
Contributions - Employee	7,104	8,040	12,260	13,999	14,856
Net Investment Income	200	3,050	4,474	21,255	(11,433)
Benefit Payments, Including Refunds of Employee Refunds	-	-	-	-	-
Administrative Expense	(15)	(33)	(57)	(73)	(100)
Other	536	701	906	1,010	5,865
Net Change in Plan Fiduciary Net Position	18,695	24,013	35,800	57,089	35,187
Plan Fiduciary Net Position - Beginning	-	18,695	42,708	78,508	135,597
Plan Fiduciary Net Position - Ending	<u>\$ 18,695</u>	<u>\$ 42,708</u>	<u>\$ 78,508</u>	<u>\$ 135,597</u>	<u>\$ 170,784</u>
Net Pension Liability (asset) - Ending	\$ (305)	\$ (2,037)	\$ 1,952	\$ (10,789)	\$ 4,172
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	101.66%	105.01%	97.57%	108.64%	97.62%
Covered Payroll	\$ 101,491	\$ 114,854	\$ 175,138	\$ 199,984	\$ 212,233
Net Pension Liability as a Percentage of Covered Payroll	-0.30%	-1.77%	1.11%	-5.39%	1.97%

The District began participating in the plan in 2018. Information will be accumulated until ten years are presented.

See Independent Auditor's Report.

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
 FOR THE LAST SIX FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions As Percent of Payroll
2023	\$ 27,302	\$ 27,302	\$ -	\$ 220,766	12.37%
2022	24,246	24,246	-	206,752	11.73%
2021	20,293	20,293	-	194,338	10.44%
2020	16,240	16,240	-	155,129	10.47%
2019	11,407	11,407	-	106,510	10.71%
2018	8,078	8,078	-	75,429	10.71%

Changes in Assumptions:

- 2022: New Investment return and inflation assumptions were reflected
- 2019: New inflation, mortality and other assumptions were reflected

Changes in Plan Provisions:

None

The District began participating in the plan in 2018. Information will be accumulated until ten years are presented.

See Independent Auditor's Report

SUPPLEMENTARY INFORMATION

TRINITY GLEN ROSE GROUNDWATER CONSERVATION DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget		2023	Variance
	Original	Final	Actual	
Operating Revenues:				
Groundwater Production Fees	\$ 350,000	\$ 350,000	\$ 205,264	\$ (144,736)
Other Fees	12,500	12,500	13,465	965
Total Operating Revenues	<u>362,500</u>	<u>362,500</u>	<u>218,729</u>	<u>(143,771)</u>
Operating Expenses:				
Staff and Benefits	270,700	270,700	264,298	6,402
Operations	116,185	116,185	79,961	36,224
Outreach and Conservation	50,500	50,500	42,008	8,492
Research	11,500	11,500	148	11,352
Depreciation Expense	-	-	3,157	(3,157)
Insurance	3,300	3,300	3,131	169
Total Operating Expenses	<u>452,185</u>	<u>452,185</u>	<u>392,703</u>	<u>59,482</u>
Income (Loss) from Operations	<u>(89,685)</u>	<u>(89,685)</u>	<u>(173,974)</u>	<u>(84,289)</u>
Nonoperating Revenues:				
Investment Income	20,000	20,000	51,651	31,651
Total Nonoperating Revenues	<u>20,000</u>	<u>20,000</u>	<u>51,651</u>	<u>31,651</u>
Change in Net Position	(69,685)	(69,685)	(122,323)	(52,638)
Net Position at Beginning of Year	<u>1,876,542</u>	<u>1,876,542</u>	<u>1,876,542</u>	<u>-</u>
Net Position at End of Year	<u>\$ 1,806,857</u>	<u>\$ 1,806,857</u>	<u>\$ 1,754,219</u>	<u>\$ (52,638)</u>

See Independent Auditor's Report.



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*

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Trinity Glen Rose Groundwater Conservation District

We have audited, 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, the financial statements of Trinity Glen Rose Groundwater Conservation District as of September 30, 2023 and 2022, and for the years then ended, and the related notes to the financial statements, which collectively comprise Trinity Glen Rose Groundwater Conservation District's basic financial statements, and have issued our report thereon dated December 1, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Trinity Glen Rose Groundwater Conservation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trinity Glen Rose Groundwater Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Trinity Glen Rose Groundwater 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trinity Glen Rose Groundwater 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive, flowing style.

Armstrong, Vaughan & Associates, P.C.

December 1, 2023