

ZAPATA COUNTY WATER CONTROL
& IMPROVEMENT DISTRICT (HIGHWAY 16E)

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023

Zapata County Water Control & Improvement District (Highway 16E)
 Annual Financial Report
 For The Year Ended August 31, 2023

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF ZAPATA }

I, Mr. Jesse A. Porras, Vice-President

of the Zapata County Water Control and Improvement District (Highway 16E)

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 29th day of November, 2023, its annual audit report for the fiscal year ended August 31, 2023 and that copies of the annual audit report have been filed in the District Office, located at:

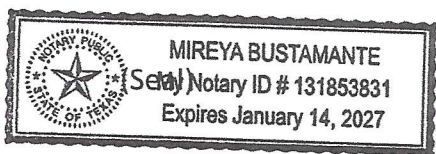
P.O. Box 427, Zapata, Texas 78076

This 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.

Dated 11/29, 2023; Jesse A. Porras
(Signature of District Representative)

Jesse A. Porras, Vice-President
(Typed Name of District Official)

Sworn to and subscribed to before me this 29th day of November, 2023.



Mireya Bustamante
(Signature of Notary)

Mireya Bustamante
(Printed Name of Notary)

My Commission Expires on 01/14/2027
Notary Public in and for the State of Texas.

Financial Section

PATRICK L. MOORE, CPA

Certified Public Accountant

150 E. Main St., Suite 206 • P.O. Box 1819

Fredericksburg, Texas 78624-1902

(830) 992-1888 • Telecopier: (830) 990-9289

e-mail address: plm@plmcpa.com

Independent Auditor's Report

To the Board of Directors
Zapata County Water Control & Improvement District (Highway 16E)
P.O. Box 427
Zapata, Texas 78704

Opinions

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Zapata County Water Control & Improvement District (Highway 16E) ("the District"), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Zapata County Water Control & Improvement District (Highway 16E)'s basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Zapata County Water Control & Improvement District (Highway 16E) as of August 31, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Zapata County Water Control & Improvement District (Highway 16E), and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2023, Zapata County Water Control & Improvement District (Highway 16E) adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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 Zapata County Water Control & Improvement District (Highway 16E)'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

My 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 my 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 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, I:

- 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 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Zapata County Water Control & Improvement District (Highway 16E)'s basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the "Water District Financial Management Guide" are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The supplementary 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 my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Respectfully submitted,



Patrick L. Moore, CPA

Fredericksburg, TX
November 17, 2023

Management's Discussion and Analysis

This section of Zapata County Water Control and Improvement District's ("District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

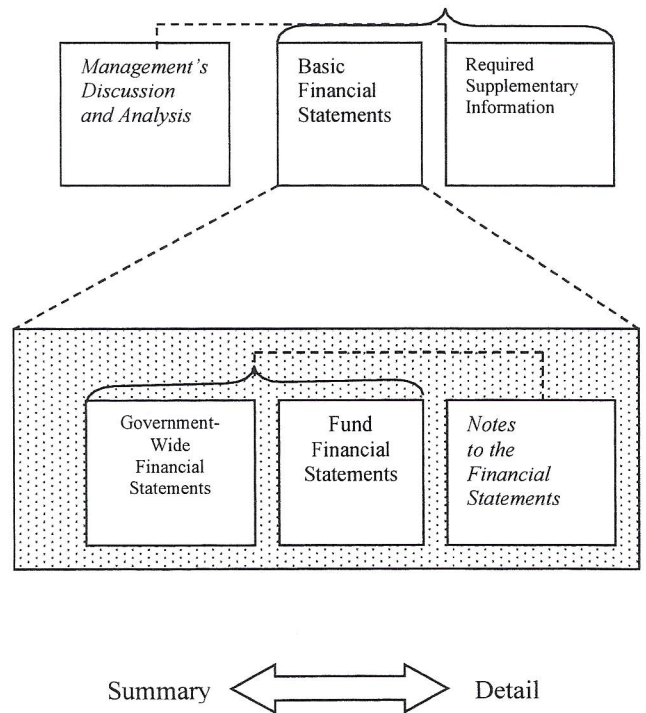
- The District's total net assets were \$ 7,298,414, at August 31, 2023.
- During the year ended August 31, 2023 the District's expenses were \$ 79,027 less than the \$793,098 generated in taxes, water revenues and other revenue from governmental activities.
- The total costs of the District's operations during the year ended August 31, 2023 were \$ 18,565 less than for the year ended August 31, 2022.
- The general fund reported a fund balance of \$4,444,728 at August 31, 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of a government, reporting the District's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

Figure A-1. Required Components of the District's Annual Financial Report



The financial statements also include *notes* that explain some of 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. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets -- 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 assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non financial factors such as changes in the District's tax base

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as its general government activities, as well as its water department operations. Property taxes and water revenue finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes, none of which are employed at the present time.

Figure A-2. Major Features of the District's Government-Wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-Wide	Governmental Funds		
<i>Scope</i>	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary		
<i>Required financial statement</i>	*Statement of net assets	*Balance Sheet		
	*Statement of activities	*Statement of revenues, expenditures & changes in fund balances		
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus		
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included		
<i>Type of inflow/outflow information</i>	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter		

The District, currently, has only one type of fund:

- *Governmental funds*—All of the District’s services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statement, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District’s *combined* net assets were \$ 7,298,414 at August 31, 2023. (See Table A-1).

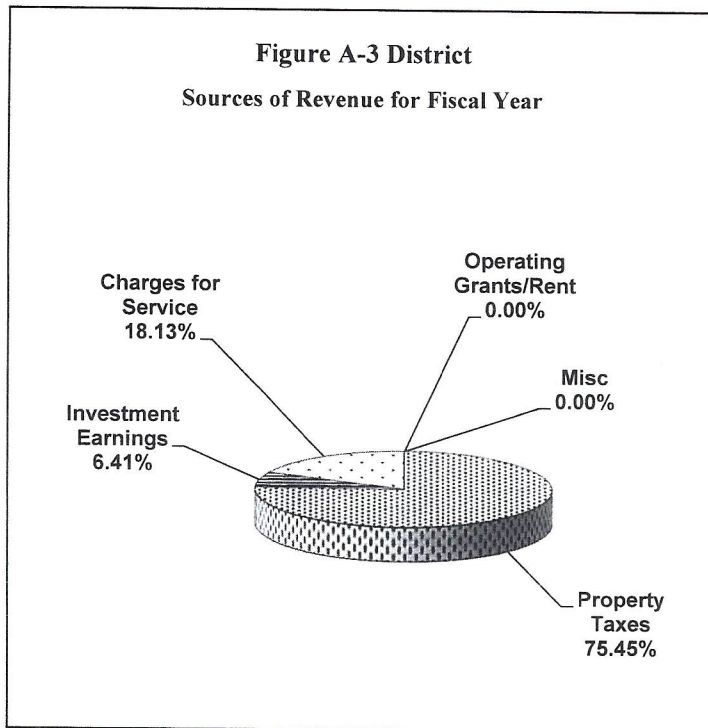
**Table A-1
The District’s Net Assets**

	Governmental Activities		% Change
	2023	2022	
Current and other assets	\$ 4,444,728	\$ 4,231,925	5.03%
Capital and non-current assets	2,884,672	3,038,226	-5.05%
Total Assets	7,329,400	7,270,151	0.81%
Current liabilities	30,986	50,764	-38.96%
Long term liabilities & other credits	0	0	0
Total Liabilities	30,986	50,764	-38.96%
Net assets			
Invested in capital assets net of related debt	2,884,672	3,038,226	-5.05%
Restricted	0	0	0
Unrestricted	4,413,742	4,181,161	5.56%
Total Net Assets	\$ 7,298,414	7,219,387	1.09%

Current and other assets decreased \$213 thousand, mostly due to cash and investments decreasing by \$ 201 thousand. This was the result, primarily, of the cash net effect (expenses not including the non-cash depreciation expense of \$154 thousand) of the excess of revenues over expenses, during the current year ended in 2023. Capital assets decreased from the previous year because there were no current year capital outlays and depreciation expense was \$153,554; for further details, see Note E in the notes to the financial statements.

The \$4,413,742 of unrestricted net assets represents resources available to fund the programs of the District next year.

Changes in net assets. The District's total revenues were \$ 793,098. A significant portion, 75 percent, of the District's revenues comes from taxes (see Figure A-3), while 18 percent comes from water sales and nonrefundable meter deposits and tap fees, and the remaining 7 percent relates to investment earnings



The total cost of all operations and services was \$ 714,071, of which 74% of these costs are for water department operations.

Governmental Activities

- Property tax rates were decreased by \$0.01, per \$100 of valuation, to \$0.38. Although, when coupled with an increase in property valuations of 11%, an increase in tax revenues still occurred of \$43,047, or 8%, to \$555,374.

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Table A-2
The District's Revenues and Expenses

	<u>Governmental Activities</u>		<u>Total % Changes</u>
	<u>2023</u>	<u>2022</u>	
Revenues:			
Program revenues:			
Charges for water service	\$ 143,813	\$ 125,076	14.98%
Tap fees & nonrefundable meter deposits	0	11,193	-100.00%
General Revenues:			
Maintenance and operations taxes	598,421	555,374	7.75%
Grants and contributions not restricted to specific functions	0	0	N/A
Investment earnings	50,864	15,119	236.42%
Miscellaneous	0	0	N/A
Total Revenue	<u>793,098</u>	<u>706,762</u>	12.22%
Expenses:			
General government	187,654	194,837	-3.69%
Water utilities department	<u>526,417</u>	<u>537,799</u>	-2.12%
Total Expenses	714,071	732,636	-2.53%
Increase (decrease) in net assets	79,027	(25,874)	405.43%
Net assets at beginning of year	<u>7,219,387</u>	<u>7,245,261</u>	-0.36%
Net assets at end of year	<u>\$ 7,298,414</u>	<u>\$ 7,219,387</u>	1.09%

Table A-3 presents the cost of each of the District's functions, as well as each function's *net cost* (total cost less fees generated by the activities). The net cost reflects what was funded by water revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$ 714,071.
- The amount that our taxpayers paid for these activities through property taxes was \$ 598,421.
- Some of the cost was paid by those who directly benefited from the programs, i.e., water sales and nonrefundable meter deposits and tap fees of \$143,813.

**Table A-3
Net Cost of Selected District Functions**

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2023	2022		2023	2022	
General government	187,654	194,837	-3.69%	187,654	194,837	-3.69%
Water utilities dept	526,417	537,799	-2.12%	382,604	401,530	-4.71%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 783,876, an increase of 11% compared to the preceding year ended August 31, 2021. This increase in total revenues is, primarily, the result of a 6% increase in property tax revenue and a substantial 236% increase in interest income (due to substantial increases in certificate of deposit interest rates from 0.45% to as much as 3.75% throughout the current year).

General Fund Budgetary Highlights

Over the course of the year, the District did not revise its budget for total expenditures or revenues. Without any adjustments, actual expenditures were \$ 177,979 less than budgeted amounts. The most significant positive variances occurred in the budget line items for capital outlays and repairs and maintenance expenses.

Additionally, resources available were \$ 14,266 more the budgeted amount. As further analysis:

- Property tax collections were \$ 21,911 less than expected.
- Water sales were \$ 25,513 more than budgeted, and interest income was \$ 15,864 more than budgeted.
- The District has maintained its significant surplus in its fund balance; during the year ended August 31, 2023; the fund balance increased by \$223,359 to \$4,351,147, due significantly to the substantially less capital outlays than budgeted for the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2023, the District had invested \$5,161,239 in a broad range of capital assets, including land, buildings, the water utility system, equipment and vehicles. (See Table A-4.) This amount represents no increase from the previous year, since there were no capital assets that were acquired during the current year.

**Table A-4
District's Capital Assets**

	<u>Governmental Activities</u>		<u>Total % Change</u>
	<u>2023</u>	<u>2022</u>	
Water rights and land	\$ 1,032,970	\$ 1,032,970	0.00%
Buildings and improvements	262,681	262,681	0.00%
Water system infrastructure	3,653,801	3,653,801	0.00%
Equipment	91,015	91,015	0.00%
Vehicles	120,772	120,772	0.00%
Totals at historical cost	<u>5,161,239</u>	<u>5,161,239</u>	<u>0.00%</u>
Total accumulated depreciation	<u>2,276,567</u>	<u>2,123,013</u>	<u>7.23%</u>
Net capital assets	<u>\$ 2,884,672</u>	<u>\$ 3,038,226</u>	<u>-5.05%</u>

Long -Term Debt

The District had no debt at August 31, 2023:

**Table A-5
The District's Long-Term Debt**

	<u>2023</u>	<u>2022</u>
Bonds	\$ 0	\$ 0
Capital leases	0	0
Notes	0	0
Compensated absences	0	0
	<u>\$ 0</u>	<u>\$ 0</u>

The District doesn't anticipate issuing any new debt of any kind during the next year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2023 tax year property tax assessments will increase by approximately \$51 million, or 31% above the 2022 tax year, but the tax rate has been kept the same at \$0.38 per \$100 valuation. Thus, budgeted property tax revenue is expected to increase by \$195 thousand, or 32% for the 2024 budget year.
- General operating fund spending will increase \$ 262,4123, or 47%, for the fiscal year ended in 2024, when compared to actual expenditures for the year ended August 31, 2023. Capital outlays are budgeted to increase significantly, by \$159,000 in the year ended in 2024, compared to actual expenditures for the current year ended in 2023, as there were no actual capital outlays in the current year.

These indicators were taken into account when adopting the general fund budget for the fiscal year ended August 31, 2024. Amounts available for appropriation in the general fund budget are \$976,260, which is up by \$207 thousand, or 27% from the 2023 budget. Property taxes are budgeted to increase by 32%, due to the previously mentioned 31% increase in property valuations, while the property tax rate has been kept the same at \$0.38 per \$100 valuation.

Expenditures are budgeted at \$822,640, which is \$84,144 higher, or 11% more than the budget for the year ended August 31, 2023, as capital outlays are expected to be significantly higher than the 2023 year, as well as salaries and wage expenses, which will be 16% higher.

If these estimates are realized, the District's budgetary general fund balance is expected to increase by about \$154 thousand by the close of the 2024 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)
 STATEMENT OF NET POSITION
 AUGUST 31, 2023

	Governmental Activities
ASSETS	
Assets:	
Cash and cash equivalents -- Note C	\$ 1,367,626
Investments, at cost	3,000,000
Receivables:	
Property taxes receivable	103,692
Less allowance for uncollectible taxes	(41,098)
Accounts receivable - water sales	14,314
Due from other governments	194
Capital assets	2,884,672
TOTAL ASSETS	<u>7,329,400</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Liabilities:	
Accounts payable	18,749
Other accrued expenses payable	6,772
Customer deposits	5,465
Total Liabilities	<u>30,986</u>
Deferred Inflows of Resources:	
Deferred Revenue	--
Total Deferred Inflows of Resources	<u>--</u>
NET POSITION:	
Net Investment in Capital Assets	2,884,672
Unrestricted	4,413,742
Total Net Position	<u>\$ 7,298,414</u>

The accompanying notes are an integral part of this statement.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2023

Functions/Programs	Expenses	Program Revenues	Charges for Services	Net (Expense) Revenue and Changes in Net Position
Expenditures:				Governmental Activities
Governmental Activities:				
General government	\$ 187,654	\$ --		\$ (187,654)
Water utilities	<u>526,417</u>	<u>143,813</u>		<u>(382,604)</u>
Total governmental activities	714,071	143,813		(570,258)
Total Primary Government	<u>\$ 714,071</u>	<u>\$ 143,813</u>		<u>(570,258)</u>
General Revenues:				
Property Taxes				598,421
Unrestricted Investment Earnings				50,864
Transfers				--
Total General Revenues and Transfers				<u>649,285</u>
Change in Net Assets				79,027
Net Assets - Beginning				<u>7,219,387</u>
Net Assets - Ending				<u>\$ 7,298,414</u>

The accompanying notes are an integral part of this statement.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2023

	<u>General Fund</u>
ASSETS	
Assets:	
Cash and cash equivalents -- Note C	\$ 1,367,626
Investments, at cost	3,000,000
Receivables:	
Property taxes receivable	103,692
Less allowance for uncollectible taxes	(41,098)
Accounts receivable - water sales	14,314
Due from other governments	194
TOTAL ASSETS	<u>\$ 4,444,728</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY	
Liabilities:	
Accounts payable	\$ 18,749
Other accrued expenses payable	6,772
Customer deposits	5,465
Total Liabilities	<u>30,986</u>
Deferred Inflows of Resources:	
Deferred Revenue	62,594
Total Deferred Inflows of Resources	<u>62,594</u>
Fund Equity:	
Unassigned	4,351,148
Total Fund Equity	<u>4,351,148</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 4,444,728</u>

The accompanying notes are an integral part of this statement.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2023

Total fund balances - governmental funds balance sheet	\$ 4,351,148
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	2,884,672
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>62,594</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 7,298,414</u>

The accompanying notes are an integral part of this statement.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2023

	General Fund
Revenue:	
Water sales	\$ 137,513
Property tax revenue	589,199
Lease of water rights	6,300
Interest Income	50,864
Total revenues	<u>783,876</u>
Expenditures:	
Purchased water costs	113,565
Other direct water system costs	19,948
Professional fees	22,942
Contract services	69,792
Payroll and related costs	256,994
Utilities	16,153
Materials and supplies	21,105
Repairs and maintenance	10,602
Other administrative expenses	29,416
Total expenditures	<u>560,517</u>
Excess (deficiency) of revenues (under) expenditures	223,359
Fund balances/equity, October 1	4,127,789
Fund balances/equity, September 30	<u>\$ 4,351,148</u>

The accompanying notes are an integral part of this statement.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Net change in fund balances - total governmental funds	\$ 223,359
Amounts reported for governmental activities in the Statement of Activities are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(153,554)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	<u>9,222</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 79,027</u>

The accompanying notes are an integral part of this statement.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

A. Background

Zapata County Water Control and Improvement District (Highway 16E), ("the District") was created by the Zapata County Commissioners Court on September 12, 1988, and confirmed by an election held on November 5, 1988, in accordance with the provisions of the Texas Water Code Chapter 51. Bonds were issued on June 1, 1990, and were purchased in their entirety by the Texas Water Development Board through its Water Supply Account. The five member Board of Directors is elected by the citizens who are registered voters in Zapata County and own land within the boundaries of the Water District. The District was enacted to construct facilities necessary to obtain potable water from the Zapata County Water Works and deliver it to customers within the Water District. At a Board meeting during April, 2008, it elected to change the District's year end to August 31st.

B. Summary of Significant Accounting Policies

The combined financial statements of Zapata County Water Control & Improvement District (Highway 16E) (the "District") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- the exclusion of the organization would result in misleading or incomplete financial statements

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Property tax revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of net position, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon 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.

c. Inventories and Prepaid Items

Inventories on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditures when they are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	40
Buildings	40
Building Improvements & Some Water Line Extensions	25
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner of duration or use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal year 2023.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Deferred Outflows and Inflows of Resources

In addition to liabilities, the statements of financial position and balance sheet - governmental funds will sometimes report a separate section for deferred inflows or deferred outflows of resources. The separate financial statement element reflected in these financial statements, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as inflow of resources (revenue) until that time.

g. Pensions

The District does not participate in a public retirement system, but the District's employees are covered by Social Security. Social Security coverage is required to be provided by government employers for political subdivision employees who are not participating in a public retirement system.

h. Compensated Absences

Water District employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for any unused accumulated leave. However, the District has no liability for accumulated vacation or sick leave beyond that incurred in the current year, as all vacation or sick leave is either used or lost if not taken each year.

g. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Directors. Committed amounts cannot be used for any other purpose unless the Board of Directors removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Directors. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

4. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board of Directors is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Board of Directors.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Board of Directors. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board of Directors and are not made after fiscal year end. During the year, the budget was not amended. All budget appropriations lapse at year end.

5. Encumbrance Accounting

The District does not employ encumbrance accounting whereby purchase orders, contracts, or other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable budgeted appropriation. Under the District's budgetary process, budgeted data are compared with actual expenditures incurred during the year.

6. Future Implementation of New Standards

The District has adopted all current GASB Pronouncement that are applicable to its operations and activities. The District adopted GASB Statement No. 96, "Subscription-Based Information Technology Agreements (SBITAs)," in the current year. However, the District had no contracts that qualify as a SBITA, and therefore the financial statements were not affected by this Statement.

New pronouncements not yet in effect as of August 31, 2023, are not expected to have a significant impact on the District's financial position or results of operations. The District is currently studying these new pronouncements and will adopt them, as applicable, in subsequent fiscal years.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

C. Compliance and Accountability

1. 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, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

D. 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 August 31, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,367,626 and the bank balance was \$4,384,909. The District's cash deposits at August 31, 2023 and during the year ended August 31, 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 be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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 general purpose 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 which 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) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2023

The District's investments at August 31, 2023 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Book Value</u>	<u>Fair Value</u>
Certificate of Deposit	1 Year	\$ 3,000,000	\$ 3,000,000
Total Investments		<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

The Certificates of Deposit are included in the Cash and Cash Equivalents amounts above.

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

E. Capital Assets

Capital asset activity for the year ended August 31, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 29,517	\$ --	\$ --	\$ 29,517
Water Rights and Easements	1,003,453	--	--	1,003,453
Total capital assets not being depreciated	<u>1,032,970</u>	<u>--</u>	<u>--</u>	<u>1,032,970</u>
Capital assets being depreciated:				
Buildings and improvements	262,681	--	--	262,681
Water System Infrastructure	3,653,801	--	--	3,653,801
Field Equipment	64,656	--	--	64,656
Vehicles	120,772	--	--	120,772
Office Furniture & Equipment	26,359	--	--	26,359
Total capital assets being depreciated	<u>4,128,269</u>	<u>--</u>	<u>--</u>	<u>4,128,269</u>
Less accumulated depreciation for:				
Buildings and improvements	(181,219)	(8,305)	--	(189,524)
Water System Infrastructure	(1,738,929)	(137,287)	--	(1,876,216)
Field Equipment	(64,656)	--	--	(64,656)
Vehicles	(113,450)	(7,322)	--	(120,772)
Office Furniture & Equipment	(24,759)	(640)	--	(25,399)
Total accumulated depreciation	<u>(2,123,013)</u>	<u>(153,554)</u>	<u>--</u>	<u>(2,276,567)</u>
Total capital assets being depreciated, net	<u>2,005,256</u>	<u>(153,554)</u>	<u>--</u>	<u>1,851,702</u>
Governmental activities capital assets, net	<u>\$ 3,038,226</u>	<u>\$ (153,554)</u>	<u>\$ --</u>	<u>\$ 2,884,672</u>

Depreciation was charged to functions as follows:

General Government	\$ 8,945
Water Department	144,609
	<u>\$ 153,554</u>

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2023, the District obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The District pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The District continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

G. Health Care Coverage

During the year ended August 31, 2023, the District paid \$200 per month to each employee in order for the employee to obtain health insurance. The District does not provide group health insurance to its employees.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

H. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at August 31, 2023.

I. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through November 17, 2023 (the date of the Audit Report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure:

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HI)

EXHIBIT B-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Water sales	\$ 112,000	\$ 112,000	\$ 137,513	\$ 25,513
Property tax revenue	611,110	611,110	589,199	(21,911)
Tap fees & nonrefundable meter deposits	2,500	2,500	--	(2,500)
Lease of water rights	9,000	9,000	6,300	(2,700)
Interest Income	35,000	35,000	50,864	15,864
Total revenues	<u>769,610</u>	<u>769,610</u>	<u>783,876</u>	<u>14,266</u>
Expenditures:				
Purchased water costs	114,000	114,000	113,565	435
Other direct water system costs	20,000	20,000	19,948	52
Professional fees	30,000	30,000	22,942	7,058
Contract services	68,956	68,956	69,792	(836)
Payroll and related costs	245,100	245,100	256,994	(11,894)
Utilities	18,240	18,240	16,153	2,087
Materials and supplies	43,000	43,000	21,105	21,895
Repairs and maintenance	41,800	41,800	10,602	31,198
Other administrative expenses	38,400	38,400	29,416	8,984
Capital outlays	119,000	119,000	--	119,000
Total expenditures	<u>738,496</u>	<u>738,496</u>	<u>560,517</u>	<u>177,979</u>
Excess (deficiency) of revenues (under) expenditures	31,114	31,114	223,359	192,245
Fund balances/equity, October 1	4,127,788	4,127,788	4,127,788	--
Fund balances/equity, September 30	<u>\$ 4,158,902</u>	<u>\$ 4,158,902</u>	<u>\$ 4,351,147</u>	<u>\$ 192,245</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

INDEX OF SUPPLEMENTAL SCHEDULES
ZAPATA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT
(HIGHWAY 16E)
August 31, 2023

- [X] D. Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 17-25
- [X] E. Schedule of Services and Rates
- [X] F. Schedule of General Fund Expenditures
- [X] G. Schedule of Temporary Investments
- [X] H. Analysis of Taxes Levied and Receivable
- [X] I. Analysis of Changes in General Fixed Assets
- [] J. General Long-Term Debt Service Requirements by Years
- [] K. Analysis of Changes in General Long-Term Debt
- [X] L. Comparative Statements of Revenues and Expenditures - General Fund
- Five Years
- [X] M. Insurance Coverage
- [X] N. Board Members, Key Personnel and Consultants

**SCHEDULE OF SERVICES AND RATES
 ZAPATA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT
 (HIGHWAY 16E)
 August 31, 2023**

1. Services provided by the District:

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

2 Total water consumption (rounded to the nearest 1,000 gallons) during the year ended August 31, 2022:

Gallons pumped into system	<u>62,229,000</u>
Gallons billed to customers	<u>32,402,000</u>

3. Retail Rates Based on 5/8ths" Meter Retail Rates Not Applicable

Based on Rate Order Dated: Nov. 1, 2022

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
WATER	<u>\$ 20.00</u>	<u>-0-</u>	<u>Y</u>	<u>\$ 2.50</u>	<u>-0- gal.plus</u>

SEWER \$ N/A

SUR-CHARGE \$ N/A

Sewer usage employs winter averaging Yes No

Total water and sewer charges per 10,000 gallons usage (including surcharges) \$ 45.00

See accompanying auditor's report.

**SCHEDULE OF SERVICES AND RATES
 ZAPATA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT
 (HIGHWAY 16E)
 August 31, 2023**

4. Number of retail water and/or wastewater connections within the District as of the year ended August 31, 2023:

Connections	Active Connections	Inactive Connections
Single Family	223	13

PROVIDE SINGLE FAMILY EQUIVALENTS (SFE'S) FOR THE CONNECTIONS BELOW:

	Active Connections	Inactive Connections
Single Family	215	13
Multi-Family	0	0
Commercial	8	0
Other - recreational centers, government and VFD	0	0
TOTAL	223	13

5. Standby Fees

The District is currently assessing standby fees?
 If yes, state the amount and basis of the assessment.

Yes__ No X

6. Anticipated sources of funds to be used for debt service payments in the District's subsequent fiscal year:

	<u>Amount</u>
a. Debt service tax receipts	\$ -0-
b. Surplus construction funds	-0-
c. Water revenue	-0-
d. Standby fees	-0-
e. Beginning debt service fund balances	<u>-0-</u>
TOTAL ANTICIPATED FUNDS TO BE USED	<u><u>\$ -0-</u></u>

See accompanying auditor's report.

**SCHEDULE OF GENERAL FUND EXPENDITURES
 ZAPATA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT
 (HIGHWAY 16E)
 Year ended August 31, 2023**

CURRENT

Personnel (including benefits)	\$ 256,993
Professional Fees:	
Auditing	17,942
Legal	-0-
Engineering	5,000
Financial Advisor	-0-
Purchased Services For Resale:	
Bulk water and sewer service purchases	113,566
Tap connection expenses	-0-
Contracted Services:	
Bookkeeping	-0-
General Manager	-0-
Appraisal District	-0-
Tax Collector	42,681
Other Contracted Services	27,109
Utilities	16,154
Repairs and Maintenance	51,655
Administrative Expenditures:	
Director's Fees	-0-
Office Supplies	5,705
Insurance	11,152
Other Administrative Expenses	12,560
CAPITAL OUTLAY	
Acquisition of fixed assets	-0-
SOLID WASTE DISPOSAL	-0-
FIRE FIGHTING	-0-
PARKS AND RECREATION	-0-
OTHER EXPENDITURES	-0-
TOTAL EXPENDITURES	<u>\$ 560,517</u>

Number of persons employed by the District: 7 Full Time 0 Part Time

See accompanying auditor's report.

**SCHEDULE OF TEMPORARY INVESTMENTS
 ZAPATA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT
 (HIGHWAY 16E)
 August 31, 2023**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>General Fund</u>					
Zapata National Bank - CD	#27118	3.75%	1-9-24	\$ 500,000	-0-
Zapata National Bank - CD	#27426	3.75%	6-27-24	1,000,000	-0-
Zapata National Bank - CD	#27470	1.75%	11-16-23	<u>1,500,000</u>	<u>-0-</u>
TOTAL				<u>\$ 3,000,000</u>	<u>-0-</u>
<u>TOTAL - ALL FUNDS</u>				<u>\$ 3,000,000</u>	<u>\$ -0-</u>

See accompanying auditor's report.

ANALYSIS OF TAXES RECEIVABLE
ZAPATA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT
(HIGHWAY 16E)
August 31, 2023

	Maintenance <u>Taxes</u>	Debt Service <u>Taxes</u>
TAXES RECEIVABLE AT BEGINNING OF YEAR	\$ 92,633	\$ -0-
2022 ORIGINAL TAX ROLL	<u>612,780</u>	<u>-0-</u>
Total to be accounted for	<u>612,780</u>	<u>-0-</u>
Prior tax year adjustments	16	(-0-)
Tax Collections:		
Current Year	(581,097)	-0-
Current Year Allowed Discounts	(16,104)	
Prior Years	<u>(4,536)</u>	<u>-0-</u>
Total Collections	<u>(601,737)</u>	<u>-0-</u>
TAXES RECEIVABLE, END OF YEAR	<u>\$ 103,692</u>	<u>\$ -0-</u>
TAXES RECEIVABLE BY YEARS		
2022	\$ 15,580	\$ -0-
2021	9,647	-0-
2020	10,807	-0-
2019	8,612	-0-
2018 and prior	<u>59,046</u>	<u>-0-</u>
TAXES RECEIVABLE, END OF YEAR	<u>\$ 103,692</u>	<u>\$ -0-</u>

PROPERTY VALUATIONS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land and Minerals	<u>\$161,257,987</u>	<u>\$145,758,364</u>	<u>\$141,080,264</u>	<u>\$154,282,226</u>
TOTAL PROPERTY VALUATION	<u>\$161,257,987</u>	<u>\$145,758,364</u>	<u>\$141,080,264</u>	<u>\$154,282,226</u>
TAX RATE PER \$100 VALUATION				
Maintenance Tax Rate	\$ 0.3800	\$ 0.3900	\$ 0.3900	\$ 0.3500
Debt Service Tax Rate	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>
TOTAL TAX RATE	<u>\$ 0.3800</u>	<u>\$ 0.3900</u>	<u>\$ 0.3900</u>	<u>\$ 0.3500</u>
TAX ROLL	<u>\$ 612,780</u>	<u>\$ 568,458</u>	<u>\$ 550,213</u>	<u>\$ 539,988</u>

For the Year Ended August 31, 2023:

Percent of current taxes collected to current taxes levied	<u>All Taxes</u> 97.46%
Percent of current and delinquent taxes collected and prior year adjustments to current taxes levied and delinquent taxes outstanding at the beginning of the year.	83.02%

See accompanying auditor's reports.

**ANALYSIS OF TAXES LEVIED AND RECEIVABLE
 ZAPATA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT
 (HIGHWAY 16E)
 August 31, 2023**

Tax rates for all overlapping jurisdictions. Include any taxing entities which overlap 10% or more of the District.

Taxing Jurisdiction	Tax Rate
a. Zapata County	\$ 0.8936279
b. City of Zapata	0.0000000
c. Zapata Independent School District	0.9896000
d. Special District not shown above: None	-
e. Total Special Districts (from top of page)	-
f. Total District (from previous page)	<u>0.380000</u>
Total Overlapping Tax Rate (Sum of a-f)	<u><u>\$ 2.2632279</u></u>

See Accompanying auditor's report

**ANALYSIS OF CHANGES IN ORGANIZATIONAL COSTS AND
GENERAL FIXED ASSETS
ZAPATA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT
(HIGHWAY 16E)
August 31, 2023**

	Balances at Beginning of Year	<u>Additions</u>	<u>(Deletions)</u>	Balances at End of Year
WATER RIGHTS, FACILITIES AND EASEMENTS				
Construction Costs, Land, Buildings and Equipment:				
Water rights	\$ 991,500	\$ -0-	\$ -0-	\$ 991,500
Water systems	3,004,973	-0-	-0-	3,004,973
Engineering fees	601,101	-0-	-0-	601,101
Land, Buildings & Easements	304,151	-0-	-0-	304,151
Furniture, Fixtures and Equipment	<u>211,787</u>	<u>-0-</u>	<u>-0-</u>	<u>211,787</u>
	5,113,512	-0-	-0-	5,113,512
Organizational, financing and indirect costs:				
Legal fees	13,513			13,513
Financial consultant fees	22,000			22,000
Other costs	<u>12,214</u>			<u>12,214</u>
	<u>47,727</u>	<u>-0-</u>	<u>-0-</u>	<u>47,727</u>
TOTAL GENERAL FIXED ASSETS	<u>\$ 5,161,239</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,161,239</u>
ADDITIONS PROVIDED BY:				
General Fund	\$ 4,367,037	\$ -0-	\$ -0-	\$ 4,367,037
Capital Projects Fund	764,779			764,779
Debt Service Fund (Capitalization of bond interest during construction period)	<u>29,423</u>			<u>29,423</u>
TOTALS	<u>\$ 5,161,239</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,161,239</u>

See accompanying auditor's report.

COMPARATIVE STATEMENT OF REVENUES
 EXPENDITURES - GENERAL FUND
 ZAPATA COUNTY WATER CONTROL AND
 IMPROVEMENT DISTRICT (HIGHWAY 16E)
 August 31, 2023

	AMOUNTS				PERCENT OF FUND TOTAL REVENUES					
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
General Fund Revenues										
Water sales	\$143,813	\$125,076	\$121,845	\$131,631	\$107,595	18.3%	16.0%	15.5%	16.8%	12.5%
Tap fees & nonrefundable deposits	0	11,193	2,350	3,525	4,700	0.0%	1.4%	0.3%	0.4%	0.5%
Property tax revenue	589,199	555,659	529,731	527,651	706,770	75.2%	70.9%	67.6%	67.3%	82.2%
Interest income	50,864	15,119	19,619	43,480	41,175	6.5%	1.9%	2.5%	5.5%	4.8%
Total Revenues	783,876	707,047	673,545	706,287	860,240	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditures										
Purchased water costs	113,565	115,828	128,886	106,753	104,324	14.5%	16.4%	19.1%	15.1%	12.1%
Other direct water system costs	19,948	24,540	14,952	14,196	13,093	2.5%	3.5%	2.2%	2.0%	1.5%
Professional fees	22,942	25,907	20,231	18,162	31,507	2.9%	3.7%	3.0%	2.6%	3.7%
Contracted services	69,792	79,581	67,413	77,443	74,706	8.9%	11.3%	10.0%	11.0%	8.7%
Payroll & related costs	256,994	231,028	220,508	220,109	181,223	32.8%	32.7%	32.7%	31.2%	21.1%
Utilities	16,153	15,678	14,082	16,860	18,206	2.1%	2.2%	2.1%	2.4%	2.1%
Materials & supplies	21,105	39,679	33,361	48,226	48,022	2.7%	5.6%	5.0%	6.8%	5.6%
Repairs & maintenance	10,602	15,354	31,643	44,238	27,180	1.4%	2.2%	4.7%	6.3%	3.2%
Other administrative expenses	29,416	25,534	26,563	27,687	27,470	3.8%	3.6%	3.9%	3.9%	3.2%
Capital outlays	0	15,652	219,027	164,518	81,511	0.0%	2.2%	32.5%	23.3%	9.5%
Total Expenditures	560,517	588,781	776,666	738,192	607,242	71.5%	83.3%	115.3%	104.5%	70.6%
Other Financing Sources (Uses)										
Operating transfers in	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%
Operating transfers out	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%
Total Other Financing Sources (Uses)	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%
Excess Revenues Over (Under) Expenditures	\$223,359	\$118,266	(\$103,121)	(\$31,905)	\$252,998	28.5%	16.7%	-15.3%	-4.5%	29.4%

See accompanying auditor's report

**INSURANCE COVERAGE
 ZAPATA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT
 (HIGHWAY 16E)
 August 31, 2023**

<u>Type of Coverage</u>	<u>From/To</u>	<u>Amount of Coverage</u>	<u>Insurer Name</u>	<u>Policy Clause Coinsurance</u>
GENERAL LIABILITY				
District	10-1-2022 to 10-1-2023	\$300K/600K	Texas Municipal League Risk Pool	None
ERRORS & OMISSIONS LIABILITY				
Directors & Employees	10-1-2022 to 10-1-2023	\$300K/600K	Texas Municipal League Risk Pool	None
WORKERS COMPENSATION LIABILITY				
Employees	10-1-2022 to 10-1-2023	\$200K/200K	Texas Municipal League Risk Pool	None
VEHICLE & EQUIPMENT INSURANCE				
Listed trucks, & equipment	10-1-2022 to 10-1-2023	\$1,651,122	Tx Municipal League	None

See accompanying auditor's report.

**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
ZAPATA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT
(HIGHWAY 16E)
August 31, 2023**

Complete District Mailing Address: Zapata County Water Control and Improvement District (Highway 16E)
P.O. Box 427
Zapata, Texas 78076

District Business Telephone No: (956) 765-9650

<u>Name and Address</u>	<u>Term of Office Elected and Expires</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at End of Period</u>	<u>Resident of District</u>
Hildegardo E. Flores P.O. Box 697 Zapata, Texas 78076-0697	5/22-5/26	\$ -0-	President	Yes
Jesse A. Porras 8903 Navajo Lane Laredo, Texas 78040	5/20-5/24	\$ -0-	Vice-President	Yes
Ramiro Ramirez 411 Del Mar Blvd. Laredo, Texas 78041	5/22-5/26	\$ -0-	Secretary/Treasurer	Yes
Sergio A. Lozano P.O. Box 696 Zapata, Texas 78076	5/22-5/26	\$ -0-	Director	Yes
Jaime A. Gonzalez P.O. Box 69 Zapata, Texas 78076-0069	5/20-5/24	\$ -0-	Director	Yes

Note: No director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer, or with any of the District's consultants.

See accompanying auditor's report.

BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS (continued)
ZAPATA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT
(HIGHWAY 16E)
August 31, 2023

<u>Consultants</u>	<u>Date Hired</u>	<u>Expense Reimbursement</u>	
Manuel Gonzalez, Jr Premier Civil Engineering 1505 Calle de Norte, #220 Laredo, Texas 78041	9/1/08	\$ 5,000	Engineer
Mireya I. Bustamante P.O. Box 427 Zapata, Texas 78076	1/16/17	\$ -0-	Office Manager
Juan J. Benavidez P.O. Box 427 Zapata, Texas 78076	11/11/08	\$ -0-	Field Supervisor
Zapata County Appraisal District P.O. Box 2315 Zapata, Texas 78076	8/90	\$ -0-	Appraiser
Delia R. Mendoza Zapata County Tax Collector P.O. Box 1008 Zapata, Texas 78076	8/16/90	\$ 42,681	Tax Collector
B.R. Dossett Dossett Law Office P.O. Box 2903 Harlingen, Texas 78551	5/15/08	\$ -0-	Attorney
Patrick L. Moore, CPA P.O. Box 1819 Fredericksburg, Texas 78624	10/9/91	\$17,942	Auditor

See accompanying auditor's report.

BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS (continued)
ZAPATA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT
(HIGHWAY 16E)
August 31, 2023

<u>Consultants</u>	<u>Date Hired</u>	<u>Expense Reimbursement</u>	
Chase Bank of Texas, N.A. Attn: Debt Service Billing, 17 OMP P.O. Box 2320 Dallas, Texas 75221-2320	7/90	\$ -0-	Bond Paying Agent

See accompanying auditor's report.

LOCATION OF DISTRICT
ZAPATA COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT
(HIGHWAY 16E)
August 31, 2023

County in which District is located: Zapata County, Texas

Is the District located entirely in one county? Yes X No

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

City in which District is located. None (Offices located within the City of Zapata)

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

Is the general membership of the Board appointed by an office outside the District?
Yes No X

If Yes, by whom? Not applicable

See accompanying auditor's report.

**Audited Financial Statements
and Other Financial Information**

**ZAPATA COUNTY WATER CONTROL and
IMPROVEMENT DISTRICT (Highway 16E)**

August 31, 2023

**Patrick L. Moore, CPA
Fredericksburg, Texas**