

MIDLAND COUNTY UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2024



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

MIDLAND COUNTY UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }
COUNTY OF TRAVIS }

I, John Carlton of the

Midland County Utility District
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 20th day of February, 2025, its annual audit report for the fiscal period ended September 30, 2024 and that copies of the annual audit report have been filed in the District's office, located at

415 W. Wall St., Suite 1815, Midland, Texas 79701
(Address of the District's Office)

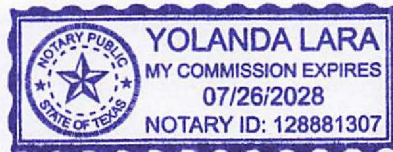
This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: February 26, 2025 By: [Signature]
(Signature of District Representative)

(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 26th day of February, 2025

(SEAL)



[Signature]
(Signature of Notary)

My Commission Expires On: 07/26/2028
Notary Public in the State of Texas.

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Midland County Utility District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Midland County Utility District (the "District"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2024, and the respective changes in financial position, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 section which precedes the basic financial statements and the respective budgetary comparison for the General Fund for the year then ended on page 43 following the notes to the financial statements be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The Texas Supplementary Information listed in the table of contents is required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management. The accompanying supplementary information, excluding the portion marked "Unaudited," for which we express no opinion, has been 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 supplementary information (other than information marked as "Unaudited"), 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 January 24, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Midland County Utility District's internal control over financial reporting and compliance.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Alpine, Texas

January 24, 2025

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MIDLAND COUNTY UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Management’s Discussion and Analysis

The Management’s Discussion and Analysis section of the Midland County Utility District’s (hereafter the “District”) Annual Financial Report offers readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2024. Please read it in conjunction with the independent auditor’s report beginning on page 5 of this report and the District’s basic financial statements which follow this section.

Financial Highlights

- The District’s net position for governmental activities increased by \$8,992,930 from current year operations to end at \$14,501,580.
- The District’s fund balance in the General Fund increased by \$819,432 from current year operations to end at \$5,628,470.
- The District’s fund balance in the Interlocal Fund, a new fund in the current year, was \$5,966,243. This fund was created to account for an interlocal agreement with Midland County.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements consist of three components: government-wide financial statements, fund financial statements, and the notes to financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements.

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

The *statement of net position* presents financial information on all of the District’s assets, liabilities, and deferred inflows/outflows of resources, with the difference between assets and liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include the planning and development of infrastructure to process and provide water to the District.

MIDLAND COUNTY UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

The District has adopted GASB Statements No. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations Are Component Units*, and No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. In accordance with these statements, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units that are legally separate for which the District is considered financially accountable.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds as applicable.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Interlocal Fund, a new fund in the current year.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds. The District has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a district's functions. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water/wastewater utility, both of which are considered to be major funds of the District. Conversely, when internal service funds are utilized, they are combined into a single, aggregated presentation in the proprietary fund financial statements.

MIDLAND COUNTY UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Individual fund data for the internal service funds are then provided in the form of combining statements in the combining and individual fund statements and schedules section of this report. The District is not currently utilizing any proprietary funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District is not currently utilizing any fiduciary funds.

Basis of Reporting. The government-wide statements and the fund-level proprietary statements are reported using the full accrual basis of accounting. The governmental funds are reported using the modified accrual basis of accounting.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$14,501,580 at the close of the most recent fiscal year.

**Condensed Statement of Net Position
As of September 30,**

	Governmental Activities	
	2024	2023
Current assets	\$ 12,094,818	\$ 5,149,095
Capital assets, net	2,833,620	638,118
Total assets	14,928,438	5,787,213
Current liabilities	426,858	278,563
Total liabilities	426,858	278,563
Net position:		
Net investment in capital assets	2,833,620	638,118
Restricted	5,966,243	-
Unrestricted	5,701,717	4,870,532
Total net position	\$ 14,501,580	\$ 5,508,650

MIDLAND COUNTY UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

A portion of the District's net position, \$2,833,620 (20%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The District uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, \$5,966,243 (41%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,701,717 (39%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the District is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental Activities. During the current fiscal year, net position for governmental activities increased by \$8,992,930 from current year operations for an ending balance of \$14,501,580. The increase in the overall net position of governmental activities is primarily the result of the new revenue from an interlocal agreement.

**Condensed Statement of Activities
For the Years Ended September 30,**

	Governmental Activities	
	2024	2023
Program Revenues:		
Operating grants & contributions	\$ 7,750,000	\$ -
General Revenues:		
Property taxes	1,760,258	1,583,830
Investment Earnings	461,137	135,899
Total revenue	9,987,797	1,719,729
Expenses:		
General Government	326,903	161,667
Water fees	667,964	-
Total expenses	994,867	161,667
Increase (decrease) in net position	8,992,930	1,558,062
Net position - beginning	5,508,650	4,390,232
Prior period adjustment	-	(439,644)
Net position - ending	\$ 14,501,580	\$ 5,508,650

MIDLAND COUNTY UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Council.

At September 30, 2024, the District's General Fund reported a fund balance of \$5,628,470, an increase of \$819,432 from current year operations in comparison with the prior year. This increase is due to lower than appropriated expenditures (partly due to expenditures being reclassified to another fund related to a new interlocal agreement). All of this amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form \$-0- 2) legally required to be maintained intact \$-0- 3) restricted for particular purposes \$ -0- 4) committed for particular purposes \$-0- or 5) assigned for particular purposes \$-0-.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,628,470, while total fund balance increased to \$6,128,575. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Both unassigned fund balance and total fund balance exceeded current General Fund expenditures.

At September 30, 2024, the District's new special revenue fund, the Interlocal Fund, reported a restricted fund balance of \$5,966,243. The District entered into an interlocal agreement with Midland County related to its ongoing water project.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year ended September 30, 2024, there was a significant amendment made to the General Fund budget to increase the General Government, Water Project and Capital Outlay line items of the budget.

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MIDLAND COUNTY UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Capital Assets

Capital assets. The District’s investment in capital assets for its governmental activities as of September 30, 2024, amounts to \$2,833,620. This investment in capital assets consists of construction in progress related to the District’s development of the infrastructure for water processing and delivery. The total increase in capital assets for the current fiscal year was approximately 344%.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities 2024	Governmental Activities 2023	Change
Construction in progress	\$ 2,833,620	\$ 638,118	\$ 2,195,502
Total	2,833,620	638,118	2,195,502
Less accumulated depreciation	-	-	-
Capital assets, net of depreciation	\$ 2,833,620	\$ 638,118	\$ 2,195,502

Additional information on the District’s capital assets can be found in Note III.E on page 37 of this report.

Economic Factors and Next Year’s Budgets and Rates

The District considered many factors when setting the fiscal year 2025 budget. The District’s combined budget for fiscal year 2025 includes General Government line item expenditures of \$628,375 which is an increase of \$325,000 from the fiscal year 2024 final adopted General Government expenditures. In addition, approximately \$7,600,000 in project development and professional services for the development of the water system infrastructure are budgeted for fiscal year 2025. The District increased the tax rate for 2024-2025 to \$0.03 per \$100 valuation.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances for all those interested in the District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District’s business office at the Midland County Utility District, 415 W. Wall St., Suite 1815, Midland, Texas 79701, or by calling (432) 423-3924.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

MIDLAND COUNTY UTILITY DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 296,143
Investments - current	11,708,146
Taxes receivable - delinquent	119,615
Allowance for uncollectible taxes	(46,368)
Accounts receivable	17,282
Capital assets, not being depreciated:	
Construction in progress	2,833,620
Total assets	14,928,438
LIABILITIES	
Accounts payable	271,033
Retainage payable	1,301
Advance from related party	154,524
Total liabilities	426,858.00
NET POSITION	
Net investment in capital assets	2,833,620
Restricted for water project	5,966,243
Unrestricted	5,701,717
Total net position	\$ 14,501,580

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

MIDLAND COUNTY UTILITY DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
Governmental activities:				
General government	\$ 326,903	\$ -	\$ -	\$ (326,903)
Water project	667,964	-	7,750,000	7,082,036
Total governmental activities:	\$ 994,867	\$ -	\$ 7,750,000	6,755,133
General revenues:				
Property taxes				1,760,258
Franchise fees				16,402
Investment earnings				461,137
Total general revenues				2,237,797
Change in net position				8,992,930
Net position - beginning				5,508,650
Net position - ending				\$ 14,501,580

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

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FUND BASIS FINANCIAL STATEMENTS

MIDLAND COUNTY UTILITY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	General Fund	Interlocal Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 296,143	\$ -	\$ 296,143
Investments - current	5,741,903	5,966,243	11,708,146
Taxes receivable - delinquent	119,615	-	119,615
Allowance for uncollectible delinquent taxes	(46,368)	-	(46,368)
Accounts receivable	17,282	-	17,282
Total assets	<u>\$ 6,128,575</u>	<u>\$ 5,966,243</u>	<u>\$ 12,094,818</u>
LIABILITIES			
Accounts payable	\$ 271,033	\$ -	\$ 271,033
Retainage payable	1,301	-	1,301
Advance from related party	154,524	-	154,524
Total liabilities	<u>426,858</u>	<u>-</u>	<u>426,858</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - property taxes	73,247	-	73,247
Total deferred inflows of resources	<u>73,247</u>	<u>-</u>	<u>73,247</u>
FUND BALANCES			
Restricted:			
Water project	-	5,966,243	5,966,243
Unassigned	5,628,470	-	5,628,470
Total fund balances	<u>5,628,470</u>	<u>5,966,243</u>	<u>11,594,713</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 6,128,575</u>	<u>\$ 5,966,243</u>	<u>\$ 12,094,818</u>

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

MIDLAND COUNTY UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance of all governmental funds	\$ 11,594,713
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,833,620
Other long-term assets, such as uncollected property taxes, are not available to pay for and, therefore, are reported as unavailable revenue in the funds.	<u>73,247</u>
Net position of governmental activities	<u><u>\$ 14,501,580</u></u>

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

MIDLAND COUNTY UTILITY DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Interlocal Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 1,748,505	\$ -	\$ 1,748,505
Franchise fees	16,402	-	16,402
Intergovernmental revenues	-	7,750,000	7,750,000
Investment earnings	461,137	-	461,137
Total revenues	2,226,044	7,750,000	9,976,044
EXPENDITURES			
Current:			
General government	326,903	-	326,903
Water project	667,964	-	667,964
Capital outlay	411,745	1,783,757	2,195,502
Total expenditures	1,406,612	1,783,757	3,190,369
Net change in fund balance	819,432	5,966,243	6,785,675
Fund balance - beginning	4,809,038	-	4,809,038
Fund balance - ending	\$ 5,628,470	\$ 5,966,243	\$ 11,594,713

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

MIDLAND COUNTY UTILITY DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances for total governmental funds	\$ 6,785,675
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	2,195,502
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11,753
Change in net position for governmental activities	<u style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 8,992,930</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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MIDLAND COUNTY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

I. Summary of Significant Accounting Policies

The financial statements of the Midland County Utility District (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District’s significant accounting policies are described below.

A. Reporting Entity

Midland County Utility District (the “District”) was created in June 17, 2011 by House Bill No. 3111 under Subtitle I, title 6 by Special District Local Law Code, Section 59 of the Constitution of the State of Texas and the Texas Water Code Chapters 49 and 53. The District operates under the Statutes of Texas. The District was created for the purpose of supplying water for municipal, domestic, commercial and other beneficial uses, the collection, transportation, treatment and disposal of waste, and the gathering within the District.

The District has adopted GASB Statements No. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations Are Component Units*, and No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. In accordance with these statements, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. There are no component units that are legally separate for which the District is considered financially accountable.

The District is governed by a Board of Directors consisting of five voting members, which has the authority to make decisions, appoint administrators and managers, and significantly influence operations. As required by GAAP, these financial statements present the activities of the District, which is considered to be the primary government as well as the reporting entity.

B. Financial Statement Presentation

The District is considered a special-purpose government engaged in a single governmental program. In accordance with GASB 34, the District has elected to present its government-wide and fund financial statements in two sets of financial statements with a summary reconciliation in an accompanying schedule. While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities, where applicable, incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, where applicable, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statement columns are labeled “Statement of Net Position” and “Statement of Activities”. They report financial information for the District as a whole.

The governmental fund financial statement column are provided separately, with a total column for fund. The financial statements include a summary reconciliation in an accompanying schedule which reconciles the governmental fund financial statements to the government-wide financial statements.

MIDLAND COUNTY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

C. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources, if applicable.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

D. Fund Accounting

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

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

MIDLAND COUNTY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

The District reports the following major governmental funds:

The *General Fund* is used to account for all financial resources of the District except for those required to be accounted for in another fund. The General Fund is the general operating fund of the District.

The *Interlocal Fund* is used to account for revenues received from an interlocal agreement with Midland County. These funds will be used to support the development of the water system delivery infrastructure.

For the year ended September 30, 2024, the District reported the Interlocal Fund as a major fund. In the year ended September 30, 2023, this fund was not reported as a major fund as it is a new fund in the current year. This is considered a change in circumstance.

E. Governmental Fund Balances

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-Spendable fund balance. Assets that will never convert to cash, such as inventory and prepaid items. At September 30, 2024, the District had no non-spendable fund balance at September 30, 2024.

Restricted fund balance. The portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions imposed by parties outside the District at September 30, 2024. The District had restricted fund balance of \$5,966,243 at September 30, 2024.

Committed fund balance. The portion of fund balance that reflects resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. As of September 30, 2024, the District had no committed fund balance.

Assigned fund balance. The portion of fund balance that reflects resources intended for a specific purpose. Intent is expressed or authorized by the Board of Directors. The District had no assigned fund balance as of September 30, 2024.

Unassigned fund balance. The portion of fund balances in excess of non-spendable, restricted, committed, and assigned. This classification includes the amount of \$5,628,470 in residual unassigned governmental fund balance.

Spending Prioritization in Using Available Resources – when restricted (i.e. committed, assigned, and unassigned) resources are available to be used for the same purpose, the District considers the restricted resources to be expended first. When all categories of unrestricted fund balance are available, the flow assumption is as follows: the committed resources get expended first, the assigned resources get expended second, and the unassigned resources get expended last.

F. Cash and Cash Equivalents

The District considers highly liquid investments with maturities of less than three months to be cash and cash equivalents.

MIDLAND COUNTY UTILITY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Infrastructure	15-30
Machinery and equipment	5-20
Vehicles	5-10
Improvements	10-20
Infrastructure	75-100
Water distribution system	75-100

Purchased or constructed capital assets are reported at cost or estimated historical cost based on the corresponding asset class. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method.

H. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, when applicable, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District currently reports no debt.

MIDLAND COUNTY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

I. Revenue Recognition - Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2023, upon which the levy for the 2023-2024 fiscal year was based, was \$5,889,285,623. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2024, to finance General Fund was a total tax rate of \$0.029446 per \$100 valuation. The total tax levy for the General Fund for the 2023-2024 fiscal year was \$1,734,159. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2024, were 99.6% of the year end adjusted tax levy. Allowances for uncollectible taxes within the General Fund are based on historical experience in collecting taxes.

J. Annual Budget

The District prepares an operating budget which includes proposed expenditures and the means of financing them for the upcoming year. Prior to September 30, the budget is adopted by passage by the Board of Directors. The annual operating budget is adopted on a basis consistent with GAAP. Any subsequent amendment to the budget must be approved by the Board of Directors. All unused budget authorizations lapse at year end.

K. Estimates

The District uses estimates and assumptions in preparing the basic financial statements. Those estimates and assumptions affect the reported assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government currently does not have any financial transactions that qualify for reporting in this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government currently has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

MIDLAND COUNTY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

M. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

N. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

O. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily.

In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

P. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

MIDLAND COUNTY UTILITY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

II. Stewardship, Compliance and Accountability

A. Violations of Legal or Contractual Provisions

For the year ended September 30, 2024, there were no violations of legal or contractual provisions.

B. Deficit Fund Equity

For the year ended September 30, 2024, there were no funds reported with deficit fund equity.

III. Detailed Notes on All Activities and Funds

A. Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2024, the government's bank balance was \$565,986 and \$-0- of that amount was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging or financial institution's trust department or agent, but not in the District's name.

B. Investments

The State Treasurer's Investment Pool (Pool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.G.2, *Investments*, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

As of September 30, 2024, investments held by the District consisted of the following:

Investment Type	Maturity Time in Years			
	Less than 1	1-5	6-10	More Than 10
Local Government Investment Pools:				
First Public Lone Star Investment Pool	\$ 11,708,146	\$ -	\$ -	\$ -
Total investments	\$ 11,708,146	\$ -	\$ -	\$ -

The District had investments in one external local governmental investment pool at September 30, 2024, consisting of the Lone Star Investment Pool (First Public).

MIDLAND COUNTY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Lone Star Investment Pool (First Public)

The Corporate Overnight Fund is a fund within the Lone Star Investment Pool. Its objective is to maintain a stable \$1.00 per share net asset value (NAV), while it provides the highest possible rate of return. The fund represents one of three Texas public investment funds sponsored by the Texas Association of School Boards (TASB). The other funds--Government Overnight Fund and Corporate Overnight Plus Fund--also maintain S&P Global ratings. The Lone Star Investment Pool was created pursuant to the Interlocal Cooperation Act of the State of Texas as an investment vehicle for local school districts and other public entities. The funds within Lone Star Investment Pool are not registered mutual funds under the Investment Company Act of 1940, and are not available to individual investors.

The Lone Star Investment Pool is sponsored by TASB. The investment advisers to the pool are American Beacon Advisors and Standish. First Public LLC provides administrative and distribution services to the pool and State Street Bank is the custodian for all pool assets. In addition, CAPTRUST Financial Advisors monitors the pool's operations and performance and reports its findings to First Public and the board of trustees for the Lone Star Investment Pools.

Interest rate risk. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months.

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the government's policy to limit its investments in these investment types to the top rating issued by NRSROs.

As of September 30, 2024, the government's investment in the State Treasurer's investment pool was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of credit risk. The government's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the government's total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

C. Property Taxes

All property values are determined by Midland County Utility District . A tax lien attaches to properties within the District on January 1 of each year when property valuations for the use in levying taxes are established. Taxes are levied on or about October 1 and are due and payable at that time. All unpaid taxes levied on October 1 become delinquent on February 1 of the following year. The Crane County Tax Assessor/Collector bills and collects the District's property taxes.

The tax rate for the 2023 tax year (District's fiscal year 2024) was \$0.029446 per \$100 assessed valuation and in its entirety went to finance debt service expenditures. In the governmental fund financial statements, the receivables at year end represent delinquent taxes. If delinquent taxes are not paid within sixty days of year end, they are recorded as unavailable revenue.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due to the District regardless of when cash is received. Property taxes receivable are recorded net of allowance of \$46,368.

MIDLAND COUNTY UTILITY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

D. Capital Assets

Capital assets activity for the year ended September 30, 2024, was as follows:

Governmental Activities:

	Balance 10/1/23	Increases	Decreases	Balance 9/30/24
Capital assets, not being depreciated:				
Construction in progress	\$ 638,118	\$ 2,195,502	\$ -	\$ 2,833,620
Total capital assets, not being depreciated	638,118	2,195,502	-	2,833,620
Total capital assets being depreciated, net	-	-	-	-
Governmental activities capital assets, net	\$ 638,118	\$ 2,195,502	\$ -	\$ 2,833,620

E. Advance from Related Party

As of September 30, 2024, the District has a liability of \$154,524 to the current Board President who, in establishing the District in 2011, contributed personal funds to the District in the range of \$250,000 that was spent on the formation of the District. Amounts recorded as being owed to the Board President for the year ended September 30, 2024, while not the full amount personally contributed, represent the amounts owed and all the Board President will claim based on receipts received by the District. These funds were used for startup costs associated with the creation of the District. These amounts will be due for repayment when the Board President is no longer serving on the Board.

F. Risk Management

The government is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year, the District purchased commercial insurance to cover general liabilities. There are no significant reductions in coverage in the past fiscal year and no settlements exceeding insurance coverage for each of the past three fiscal years.

G. Commitments and Contingencies

There are no claims or lawsuits pending against the District at September 30, 2024, management is not aware of any contingencies that would have a material effect on the financial statements.

H. Implementation of New Governmental Accounting Standards

During the year the District implemented Governmental Accounting Standards Board Statement No. 100 – *Accounting Changes and Error Corrections* (“GASB 100”). The objective of GASB 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change

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MIDLAND COUNTY UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

For the year ended September 30, 2024, the District did not have any changes in policy or circumstance that required a restatement. However, as a result of the implementation of GASB 100, the District has disclosed in Note 1 to the financial statements on Page 31 of this report that the Interlocal Fund which is a new fund in the current year and was not presented as a major fund in the prior year is presented as a major fund for the year ended September 30, 2024 as a result of meeting the major fund quantitative threshold. However, there was no effect on non-major beginning governmental fund balance due to this fund being a new fund in the current year and not having a fund balance in the prior year.

I. Subsequent Events

There were no subsequent events which required discussion and/or recording as of January 24, 2025.

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**REQUIRED SUPPLEMENTARY INFORMATION
OTHER REPORTING**

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MIDLAND COUNTY UTILITY DISTRICT
SCHEDULE OF BUDGETARY COMPARISON – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With Final BuRget
	Original	Final		
REVENUES				
Property taxes	\$ 1,720,000	\$ 1,740,000	\$ 1,748,505	\$ 8,505
Franchise fees	-	287,600	16,402	(271,198)
Penalties and interest on taxes	-	21,000	-	(21,000)
Intergovernmental revenues	7,750,000	7,750,000	-	(7,750,000)
Investment earnings	-	440,000	461,137	21,137
Total revenues	<u>9,470,000</u>	<u>10,238,600</u>	<u>2,226,044</u>	<u>(8,012,556)</u>
EXPENDITURES				
Current:				
General government	224,000	496,239	326,903	169,336
Water project	96,000	667,964	667,964	-
Capital outlay	1,400,000	2,032,306	411,745	1,620,561
Total Expenditures	<u>1,720,000</u>	<u>3,196,509</u>	<u>1,406,612</u>	<u>1,789,897</u>
Excess (Deficiency) of revenues over expenditures	<u>7,750,000</u>	<u>7,042,091</u>	<u>819,432</u>	<u>(6,222,659)</u>
Net change in fund balances	-	7,042,091	819,432	(6,222,659)
Fund balance - beginning	4,809,038	4,809,038	4,809,038	-
Fund balance - ending	<u>\$ -</u>	<u>\$ 11,851,129</u>	<u>\$ 5,628,470</u>	<u>\$ (6,222,659)</u>

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

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TEXAS SUPPLEMENTARY INFORMATION

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MIDLAND COUNTY UTILITY DISTRICT
 TSI-2. GENERAL FUND EXPENDITURES
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

Professional Fees:

Bookkeeping Services	\$	18,000
Insurance fees		1,749
Legal services		85,218
Management fees		72,199
Appraisal and collection services		14,228
Audit fees		27,500
Search and Training		107,757
Office Supplies		232
Bank fees		20
Water Project:		250,000
Project Fees:		417,964
Capital Outlay:		411,745
TOTAL EXPENDITURES	\$	1,406,612

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

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MIDLAND COUNTY UTILITY DISTRICT
 TSI-4. TAXES LEVIED AND RECEIVABLES (UNAUDITED)
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	Debt Service Taxes
Taxes Receivable, Beginning of Year	\$ 103,074
2023 Original Tax Levy	1,734,159
Total to be accounted for	1,837,233
Tax collections:	
Current year	(1,677,782)
Prior years	(48,622)
Total Collections	(1,726,404)
Adjustments - Current	734
Adjustments - Delinquent	8,051
Taxes Receivable, End of Year	\$ 119,615

	2023 Tax Year	2022 Tax Year	2021 Tax Year	2020 Tax Year	2019 Tax Year
Property Valuations:					
Real Estate	\$ 2,372,863,561	\$ 2,009,900,873	\$ 1,901,786,325	\$ 1,817,339,870	\$ 1,751,953,505
Personal Property	1,134,187,100	988,844,279	845,937,440	854,319,160	857,113,820
Minerals	2,515,042,358	2,262,941,040	892,836,980	873,596,368	526,131,144
Less exemptions	(132,807,396)	(114,194,697)	(117,227,246)	(115,495,374)	(134,355,363)
Total Property Valuations	\$ 5,889,285,623	\$ 5,147,491,495	\$ 3,523,333,499	\$ 3,429,760,024	\$ 3,000,843,106
Tax Rates per \$100 Valuation:					
Debt service tax rates *	\$ 0.02945	\$ 0.03000	\$ 0.03000	\$ 0.02917	\$ 0.02761
Total Tax Rates per \$100 Valuation	\$ 0.02945	\$ 0.03000	\$ 0.03000	\$ 0.02917	\$ 0.02761
Original Tax Levy:	\$ 1,734,159	\$ 1,544,247	\$ 1,057,000	\$ 1,001,963	\$ 828,533
Percent of Taxes Collected to Taxes Levied ‡	99.6%	111.8%	101.1%	92.8%	104.3%

MIDLAND COUNTY UTILITY DISTRICT
 TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES –
 GENERAL FUND – FIVE YEARS (UNAUDITED)
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

GENERAL FUND	AMOUNTS				
	2024	2023	2022	2021	2020
REVENUES:					
Property taxes	\$ 1,728,998	\$ 1,535,072	\$ 1,067,795	\$ 1,009,141	\$ 861,514
Franchise fees	16,402	-	-	-	-
Tax penalties and interest	19,507	24,109	20,806	15,200	12,742
Interest income	461,137	135,899	1,383	515	5,184
TOTAL REVENUES	<u>2,226,044</u>	<u>1,695,080</u>	<u>1,089,984</u>	<u>1,024,856</u>	<u>879,440</u>
EXPENDITURES:					
Bookkeeping Services	18,000	18,000	18,000	18,000	18,000
Insurance fees	1,749	2,269	2,048	821	520
Legal services	85,218	45,696	66,545	49,309	83,152
Management fees	72,199	62,627	47,604	58,884	3,855
Appraisal and collection services	14,228	12,995	11,083	5,142	5,727
Bank fees	20	80	-	-	-
Audit fees	27,500	20,000	17,800	22,999	17,403
Search and training	107,757	-	-	-	-
Office Supplies	232	-	-	-	-
Water project	250,000	-	-	-	-
Project fees	417,964	-	-	-	-
Capital outlay	411,745	638,118	615,322	14,402	221,753
TOTAL EXPENDITURES	<u>1,406,612</u>	<u>799,785</u>	<u>778,402</u>	<u>169,557</u>	<u>350,410</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 819,432</u>	<u>\$ 895,295</u>	<u>\$ 311,582</u>	<u>\$ 855,299</u>	<u>\$ 529,030</u>

Note: Prior to fiscal year 2020, the District utilized a proprietary fund rather than a governmental fund.

PERCENT OF FUND TOTAL REVENUES

2024	2023	2022	2021	2020
77.67%	90.56%	97.96%	98.47%	97.96%
0.7%	0.0%	0.0%	0.0%	0.0%
0.88%	1.42%	1.91%	1.48%	1.45%
20.72%	8.02%	0.13%	0.05%	0.59%
<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
1.28%	2.25%	2.31%	10.62%	5.14%
0.12%	0.28%	0.26%	0.48%	0.15%
6.06%	5.71%	8.55%	29.08%	23.73%
5.13%	7.83%	6.12%	34.73%	1.10%
1.01%	1.62%	1.42%	3.03%	1.63%
0.00%	0.01%	0.00%	0.00%	0.00%
1.96%	2.50%	2.29%	13.56%	4.97%
7.66%	0.00%	0.00%	0.00%	0.00%
0.02%	0.00%	0.00%	0.00%	0.00%
17.77%	0.00%	0.00%	0.00%	0.00%
29.71%	0.00%	0.00%	0.00%	0.00%
29.27%	79.79%	79.05%	8.49%	63.28%
<u>100%</u>	<u>100%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<u>36.8%</u>	<u>52.8%</u>	<u>28.6%</u>	<u>83.5%</u>	<u>60.2%</u>

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MIDLAND COUNTY UTILITY DISTRICT
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Complete District Mailing Address: 415 W. Wall St., Suite 1815, Midland, Texas 79701

District Business Telephone Number: (432) 697-1447

Submission Date of the most Recent District Registration Form
(TWC Sections 36.054 and 49.054): April 6, 2022

Limit on Fees of Office that a Director may receive during a fiscal year:
(Set by Board Resolution - TWC Section 49.060) \$0

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid* (FYE Date)</u>	<u>Expense Reimburse- ments (FYE date)</u>	<u>Title at Year End</u>
Board Members:				
Dr. Shelton Viney	(Elected) May 2014 May 2026	\$ -	\$ -	President
Alan L. Lang	(Elected) May 2014 May 2026	\$ -	\$ -	Vice President
Joseph E. Patten, Jr.	(Elected) May 2016 May 2028	\$ -	\$ -	Secretary
Israel Rodriguez	(Elected) May 2016 May 2028	\$ -	\$ -	Treasurer
Jackie Schneider	(Elected) May 2015 May 2028	\$ -	\$ -	Director
Consultants				
William Bain		\$ 18,000		Bookkeeper
John Carlton		\$ 85,218		Attorney
Parkhill		\$ 72,199		Manager
Strategic Government Resources		\$ 107,757		Int. General Manager

* *Fees of Office* are the amounts actually paid to a director during the district's fiscal year.

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

To the Board of Directors of
the Midland County Utility District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Midland County Utility District (the "District"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 24, 2025.

Report on Internal Control over Financial Reporting

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

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

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

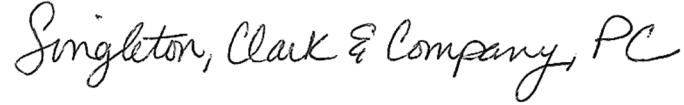
Report on Compliance and Other Matters

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

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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 District’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 "Singleton, Clark & Company, PC". The signature is written in a cursive, flowing style.

Singleton, Clark & Company, PC
Alpine, Texas

January 25, 2025

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MIDLAND COUNTY UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the year ended September 30, 2024 or September 30, 2023.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.