

MIDLAND COUNTY UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2023



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS



MIDLAND COUNTY UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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# ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }  
COUNTY OF MIDLAND }

I, SHELTON VINEY of the  
(Name of Duly Authorized District Representative)

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 19<sup>th</sup> day of SEPTEMBER, 2024, its annual audit report for the fiscal period ended 2024 and that copies of the annual audit report have been filed in the District's office, located at \_\_\_\_\_

1700 W. Wall St., Suite 100, Midland, Texas, 79701  
(Address of the District's Office)

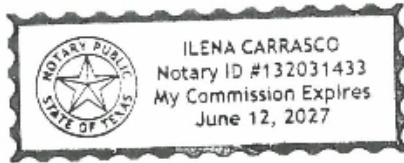
This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: 9/19/2024, By: Shelton Viney  
(Signature of District Representative)

(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 19<sup>th</sup> day of September, \_\_\_\_\_.

(SEAL)



Ilena Carrasco  
(Signature of Notary)

My Commission Expires On: June 12, 2027.  
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 the General Fund information of Midland County Utility District (the "District"), as of and for the year ended September 30, 2023, 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 the General Fund information of the District, as of September 30, 2023, and the respective changes in financial position, the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 budgetary comparison schedule 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 August 2, 2024 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

August 2, 2024

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MIDLAND COUNTY UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

## 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, 2023. 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 \$1,558,062 from current year operations to end at \$5,508,650.
- The District's fund balance in the General Fund increased by \$895,295 from current year operations to end at \$4,809,038 primarily due to revenues being higher than anticipated and expenditures being lower than expected.

## 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, 2023

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 one individual governmental fund. 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.

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. The District is not currently utilizing an Enterprise Fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a district's functions. The District is not currently utilizing an internal service fund. 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.

MIDLAND COUNTY UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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. 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 \$5,508,650 at the close of the most recent fiscal year.

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

|                                  | Governmental Activities |              |
|----------------------------------|-------------------------|--------------|
|                                  | 2023                    | 2022         |
| Current assets                   | \$ 5,149,095            | \$ 3,848,291 |
| Capital assets, net              | 638,118                 | 628,676      |
| Total assets                     | 5,787,213               | 4,476,967    |
| Current liabilities              | 278,563                 | 86,735       |
| Total liabilities                | 278,563                 | 86,735       |
| Net position:                    |                         |              |
| Net investment in capital assets | 638,118                 | 628,676      |
| Unrestricted                     | 4,870,532               | 3,761,556    |
| Total net position               | \$ 5,508,650            | \$ 4,390,232 |

MIDLAND COUNTY UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A portion of the District's net position, \$638,118 (12%) 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.

The remaining balance of \$4,870,532 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.

The District's overall net position increased by \$1,558,062 from current year operations.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$1,558,062 from current year operations for an ending balance of \$5,508,650. The increase in the overall net position of governmental activities is the result of factors related to the increase observed in the General Fund.

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

|                                     | Governmental Activities |              |
|-------------------------------------|-------------------------|--------------|
|                                     | 2023                    | 2022         |
| General Revenues:                   |                         |              |
| Property taxes                      | \$ 1,583,830            | \$ 1,103,969 |
| Investment Earnings                 | 135,899                 | 1,383        |
| Total revenue                       | 1,719,729               | 1,105,352    |
| Expenses:                           |                         |              |
| General Government                  | 161,667                 | 163,080      |
| Engineering fees                    | -                       | 495,500      |
| Total expenses                      | 161,667                 | 658,580      |
| Increase (decrease) in net position | 1,558,062               | 446,772      |
| Net position - beginning            | 4,390,232               | 3,943,460    |
| Prior period adjustment             | (439,644)               | -            |
| Net position - ending               | \$ 5,508,650            | \$ 4,390,232 |



MIDLAND COUNTY UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

### 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, 2023, the District's General Fund reported a fund balance of 4,809,038, an increase of \$895,295 from current year operations in comparison with the prior year. This increase is due to actual revenues collected by the District being greater than anticipated per budget while expenditures were lower than expected again per budget. A prior period adjustment of \$189,032 also contributed to the total overall increase in fund balance. The primary expenditure of the District during the current fiscal year was for Capital outlay. Approximately 95% of this amount, \$4,559,038, 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 \$250,000 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 \$4,559,038, while total fund balance increased to \$4,809,038. 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.

### General Fund Budgetary Highlights

**Original budget compared to final budget.** During the year ended September 30, 2023, there was a significant amendment to decrease the capital outlay line item of the budget as well as additional amendments to the general government function.

### Capital Assets and Debt Administration

**Capital assets.** The District's investment in capital assets for its governmental activities as of September 30, 2023, amounts to \$638,118. 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 2%.

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MIDLAND COUNTY UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

**Capital Assets, Net of Accumulated Depreciation**

|                                     | Governmental<br>Activities<br>2023 | Governmental<br>Activities<br>2022 | Change   |
|-------------------------------------|------------------------------------|------------------------------------|----------|
| Construction in progress            | \$ 638,118                         | \$ 628,676                         | \$ 9,442 |
| Total                               | 638,118                            | 628,676                            | 9,442    |
| Less accumulated depreciation       | -                                  | -                                  | -        |
| Capital assets, net of depreciation | \$ 638,118                         | \$ 628,676                         | \$ 9,442 |

Additional information on the District’s capital assets can be found in Note III.E on page 36 of this report.

**Economic Factors and Next Year’s Budgets and Rates**

The District considered many factors when setting the fiscal year 2024 budget. The District’s General Fund budget for fiscal year 2024 includes expenditures of \$1,496,000 which is an increase of \$459,000 from the fiscal year 2023 total originally adopted expenditures. The District decreased the tax rate for 2023-2024 to \$0.029446 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, 1700 W. Wall St., Suite 100, Midland, Texas, 79701, or by calling (432) 697-1447.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

MIDLAND COUNTY UTILITY DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023

|                                        | <b>Primary<br/>Government<br/>Governmental<br/>Activities</b> |
|----------------------------------------|---------------------------------------------------------------|
| <b>ASSETS</b>                          |                                                               |
| Cash and cash equivalents              | \$ 282,180                                                    |
| Investments - current                  | 4,266,942                                                     |
| Taxes receivable - delinquent          | 103,074                                                       |
| Allowance for uncollectible taxes      | (41,580)                                                      |
| Accounts receivable                    | 288,479                                                       |
| Prepaid items                          | 250,000                                                       |
| Capital assets, not being depreciated: |                                                               |
| Construction in progress               | 638,118                                                       |
| Total assets                           | \$ 5,787,213                                                  |
| <b>LIABILITIES</b>                     |                                                               |
| Accounts payable                       | 124,039                                                       |
| Advance from related party             | 154,524                                                       |
| Total liabilities                      | \$ 278,563                                                    |
| <b>NET POSITION</b>                    |                                                               |
| Net investment in capital assets       | 638,118                                                       |
| Unrestricted                           | 4,870,532                                                     |
| Total net position                     | \$ 5,508,650                                                  |

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, 2023

|                                                        | General<br>Fund |
|--------------------------------------------------------|-----------------|
| <b>ASSETS</b>                                          |                 |
| Cash and cash equivalents                              | \$ 282,180      |
| Investments - current                                  | 4,266,942       |
| Taxes receivable - delinquent                          | 103,074         |
| Allowance for uncollectible delinquent taxes           | (41,580)        |
| Accounts receivable                                    | 288,479         |
| Prepaid items                                          | 250,000         |
| Total assets                                           | \$ 5,149,095    |
| <b>LIABILITIES</b>                                     |                 |
| Accounts payable                                       | \$ 124,039      |
| Advance from related party                             | 154,524         |
| Total liabilities                                      | 278,563         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |                 |
| Deferred inflows of resources - property taxes         | 61,494          |
| Total deferred inflows of resources                    | 61,494          |
| <b>FUND BALANCES</b>                                   |                 |
| Nonspendable:                                          |                 |
| Fund balance - nonspendable-prepays                    | 250,000         |
| Unassigned                                             | 4,559,038       |
| Total fund balances                                    | 4,809,038       |
| Total liabilities, deferred inflows, and fund balances | \$ 5,149,095    |

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, 2023

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

|                                                                                                                                                            |                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Total fund balance of all governmental funds                                                                                                               | \$ 4,809,038               |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                                  | 638,118                    |
| 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>61,494</u>              |
| Net position of governmental activities                                                                                                                    | <u><u>\$ 5,508,650</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, 2023

|                                 | General<br>Fund |
|---------------------------------|-----------------|
| <b>REVENUES</b>                 |                 |
| Property taxes                  | \$ 1,535,072    |
| Penalties and interest on taxes | 24,109          |
| Investment earnings             | 135,899         |
| Total revenues                  | 1,695,080       |
| <b>EXPENDITURES</b>             |                 |
| Current:                        |                 |
| General government              | 161,667         |
| Capital outlay                  | 638,118         |
| Total expenditures              | 799,785         |
| Net change in fund balance      | 895,295         |
| Fund balance - beginning        | 3,724,711       |
| Prior period adjustment         | 189,032         |
| Fund balance - ending           | \$ 4,809,038    |

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, 2023

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

|                                                                                                                                                                                                                                                                                                                   |    |           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------|
| Net change in fund balances for total governmental funds                                                                                                                                                                                                                                                          | \$ | 895,295   |
| 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. |    |           |
|                                                                                                                                                                                                                                                                                                                   |    | 638,118   |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.                                                                                                                                                                                |    |           |
|                                                                                                                                                                                                                                                                                                                   |    | 24,649    |
| Change in net position for governmental activities                                                                                                                                                                                                                                                                | \$ | 1,558,062 |

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, 2023

**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, 2023

**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.

The District reports the following major governmental fund:

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.

MIDLAND COUNTY UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

**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, 2023, the District had \$250,000 in non-spendable fund balance.

***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, 2023. The District has no restricted fund balance at September 30, 2023.

***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, 2023, 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, 2023.

***Unassigned fund balance.*** The portion of fund balances in excess of non-spendable, restricted, committed, and assigned. This classification includes the amount of \$4,559,038 in residual unassigned fund balance for the General Fund.

*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.

**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.

MIDLAND COUNTY UTILITY DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

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:

| <u>Capital asset classes</u> | <u>Lives</u> |
|------------------------------|--------------|
| 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.

**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, 2022, upon which the levy for the 2022-2023 fiscal year was based, was \$5,147,490,000. 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, 2023, to finance General Fund was a total tax rate of \$0.03000 per \$100 valuation. The total tax levy for the General Fund for the 2022-2023 fiscal year was \$1,544,247. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2023, 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.

MIDLAND COUNTY UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

**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.

**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.

MIDLAND COUNTY UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

**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.

**II. Stewardship, Compliance and Accountability**

**A. Violations of Legal or Contractual Provisions**

For the year ended September 30, 2023 there were no violations of legal or contractual provisions.

**B. Deficit Fund Equity**

For the year ended September 30, 2023 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, 2023, the government's bank balance was \$653,253 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.



MIDLAND COUNTY UTILITY DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

**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, 2023, investments held by the District consisted of the following:

| Investment Type                        | Maturity Time in Years |      |      |                 |
|----------------------------------------|------------------------|------|------|-----------------|
|                                        | Less than<br>1         | 1-5  | 6-10 | More<br>Than 10 |
| Local Government Investment Pools:     |                        |      |      |                 |
| First Public Lone Star Investment Pool | \$4,266,942            | \$ - | \$ - | \$ -            |
| Total investments                      | \$4,266,942            | \$ - | \$ - | \$ -            |

The District had investments in one external local governmental investment pool at September 30, 2023, consisting of the 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.

MIDLAND COUNTY UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

As of September 30, 2023, 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 2022 tax year (District’s fiscal year 2023) was \$0.030000 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 \$41,580.

**D. Capital Assets**

Capital assets activity for the year ended September 30, 2023, was as follows:

**Governmental Activities:**

|                                             | Balance<br>10/1/22 | Increases  | Decreases | Adjustments  | Balance<br>9/30/23 |
|---------------------------------------------|--------------------|------------|-----------|--------------|--------------------|
| Capital assets, not being depreciated:      |                    |            |           |              |                    |
| Construction in progress                    | \$ 628,676         | \$ 638,118 | \$ -      | \$ (628,676) | \$ 638,118         |
| Total capital assets, not being depreciated | 628,676            | 638,118    | -         | (628,676)    | 638,118            |
| Total capital assets being depreciated, net | -                  | -          | -         | -            | -                  |
| Governmental activities capital assets, net | \$ 628,676         | \$ 638,118 | \$ -      | \$ (628,676) | \$ 638,118         |

**E. Advance from Related Party**

As of September 30, 2023, 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, 2023, 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.



MIDLAND COUNTY UTILITY DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

**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. General Management Contract**

On September 4, 2013, the District entered into a contract with a general manager to provide the District with overall general management services such as: (1) planning which involves providing leadership and vision to the District by assisting the board with a strategic plan to bring water to the District’s residents, (2) general management by collaborating with the District’s Board President and the District attorney to plan all Board meetings and development of agendas, (3) general financial management which involves developing tools and systems to provide critical financial and operational to the Board, (4) community relationships by serving as spokesperson and assisting the board in representing the District in the community and region, and (5) providing programmatic effectiveness to oversee design, delivery and quality of programs and projects.

**H. Commitments and Contingencies**

There are no claims or lawsuits pending against the District at September 30, 2023, management is not aware of any contingencies that would have a material effect on the financial statements.

**I. Prior Period Adjustments**

The effect on beginning fund balance of the prior period adjustments described is summarized as follows:

|                                                                 | General<br>Fund |
|-----------------------------------------------------------------|-----------------|
| Fund balance as previously stated at September 30, 2022         | \$ 3,724,711    |
| Effect of recording previously unrecorded accounts receivable   | 288,479         |
| Effect of recording previously unrecorded related party advance | (99,447)        |
| Fund balance as restated at September 30, 2022                  | \$ 3,913,743    |

The effect on beginning net position of the prior period adjustments described is summarized as follows:

|                                                                 | Governmental<br>Activities |
|-----------------------------------------------------------------|----------------------------|
| Net Position as Previously Stated at September 30, 2022         | \$ 4,390,232               |
| Effect of recording previously unrecorded accounts receivable   | 288,479                    |
| Effect of recording previously unrecorded related party advance | (99,447)                   |
| Effect of removing prior year asset construction in progress    | (628,676)                  |
| Net Position as Restated at September 30, 2022                  | \$ 3,950,588               |

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MIDLAND COUNTY UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

**J. New Governmental Accounting Pronouncements**

*Governmental Accounting Standards Board Statement No. 96 – Subscription-Based Information Technology Arrangements (GASB 96)* which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

As of September 30, 2023, the District did not have any items required to be reported as SBITAs as a result of implementing GASB 96.

*Governmental Accounting Standards Board Statement No. 101 – Compensated Absences (GASB 101)* provides guidance on the accounting and financial reporting for Compensated Absences for governments. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.

The requirements of this statement are effective for fiscal years beginning after December 15, 2023. GASB 101 will be implemented in the District's fiscal year 2025 financial statements and the impact has not yet been determined.

**K. Subsequent Events**

During the current fiscal year, the District approved an agreement with Highline Water for the provision of untreated water to the District for processing. Water processing capability is anticipated by fiscal year 2026.

In fiscal year 2024 interlocal agreements with Midland County were entered into and \$18.75 million in funding for treatment facilities and \$7.75 million in funding for well field development is expected. Construction on water treatment infrastructure has begun in the District's subsequent fiscal year.

An interim General Manager has been hired to oversee construction projects in fiscal year 2024 and a permanent General Manager is being sought as a contingency of the Midland County Reverse Osmosis Treatment Grant of \$18,750,000.

Additional grant funding (Community Funding Grant, \$8,740,000 and WUTAP Grant, \$150,000) is being pursued to fund development projects.

An interlocal agreement with the City of Midland to dispose of reverse osmosis reject water is under discussion.

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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, 2023

|                                 | Budgeted Amounts    |                     | Actual              | Variance With<br>Final Budget |
|---------------------------------|---------------------|---------------------|---------------------|-------------------------------|
|                                 | Original            | Final               |                     |                               |
| <b>REVENUES</b>                 |                     |                     |                     |                               |
| Property taxes                  | \$ 1,251,000        | \$ 1,251,000        | \$ 1,535,072        | \$ 284,072                    |
| Penalties and interest on taxes | -                   | -                   | 24,109              | 24,109                        |
| Investment earnings             | -                   | -                   | 135,899             | 135,899                       |
| Total revenues                  | <u>1,251,000</u>    | <u>1,251,000</u>    | <u>1,695,080</u>    | <u>444,080</u>                |
| <b>EXPENDITURES</b>             |                     |                     |                     |                               |
| Current:                        |                     |                     |                     |                               |
| General government              | 214,000             | 134,000             | 161,667             | (27,667)                      |
| Capital outlay                  | 1,037,000           | 100,000             | 638,118             | (538,118)                     |
| Total Expenditures              | <u>1,251,000</u>    | <u>234,000</u>      | <u>799,785</u>      | <u>(565,785)</u>              |
| Net change in fund balances     | -                   | 1,017,000           | 895,295             | (121,705)                     |
| Fund balance - beginning        | <u>3,724,711</u>    | <u>3,724,711</u>    | <u>3,724,711</u>    | <u>-</u>                      |
| Prior period adjustment         | -                   | -                   | 189,032             | 189,032                       |
| Fund balance - ending           | <u>\$ 3,724,711</u> | <u>\$ 4,741,711</u> | <u>\$ 4,809,038</u> | <u>\$ 67,327</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, 2023

**Professional Fees:**

|                                   |           |                |
|-----------------------------------|-----------|----------------|
| Bookkeeping Services              | \$        | 18,000         |
| Insurance fees                    |           | 2,269          |
| Legal services                    |           | 45,696         |
| Management fees                   |           | 62,627         |
| Appraisal and collection services |           | 12,995         |
| Audit fees                        |           | 20,000         |
| Bank fees                         |           | 80             |
| Capital Outlay                    |           | 638,118        |
| <b>TOTAL EXPENDITURES</b>         | <b>\$</b> | <b>799,785</b> |

\* 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, 2023

|                                     | Debt<br>Service<br>Taxes |
|-------------------------------------|--------------------------|
| Taxes Receivable, Beginning of Year | \$ 70,935                |
| 2022 Original Tax Levy              | 1,544,247                |
| Total to be accounted for           | 1,615,182                |
| Tax collections:                    |                          |
| Current year                        | (1,510,067)              |
| Prior years                         | (27,315)                 |
| Total Collections                   | (1,537,382)              |
| Adjustments - Current               | 26,140                   |
| Adjustments - Delinquent            | (866)                    |
| Taxes Receivable, End of Year       | \$ 103,074               |

|                                                 | 2022 Tax Year    | 2021 Tax Year    | 2020 Tax Year    | 2019 Tax Year    |
|-------------------------------------------------|------------------|------------------|------------------|------------------|
| Property Valuations:                            |                  |                  |                  |                  |
| Real Estate                                     | 2,009,900,873    | \$ 1,901,786,325 | \$ 1,817,339,870 | \$ 1,751,953,505 |
| Personal Property                               | 988,844,279      | 845,937,440      | 854,319,160      | 857,113,820      |
| Minerals                                        | 2,262,941,040    | 892,836,980      | 873,596,368      | 526,131,144      |
| Less exemptions                                 | -114,194,697     | (117,227,246)    | (115,495,374)    | (134,355,363)    |
| Total Property Valuations                       | \$ 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 *                        | \$ 0.03000       | \$ 0.03000       | \$ 0.02917       | \$ 0.02761       |
| Total Tax Rates per \$100 Valuation             | \$ 0.03000       | \$ 0.03000       | \$ 0.02917       | \$ 0.02761       |
| Original Tax Levy:                              | \$ 1,544,247     | \$ 1,057,000     | \$ 1,001,963     | \$ 828,533       |
| Percent of Taxes Collected<br>to Taxes Levied ‡ | 99.6%            | 101.1%           | 92.8%            | 104.3%           |

MIDLAND COUNTY UTILITY DISTRICT  
 TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES –  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

| GENERAL FUND                                 | AMOUNTS           |                   |                   |                   |
|----------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                              | 2023              | 2022              | 2021              | 2020              |
| REVENUES:                                    |                   |                   |                   |                   |
| Property taxes                               | \$ 1,535,072      | \$ 1,067,795      | \$ 1,009,141      | \$ 861,514        |
| Tax penalties and interest                   | 24,109            | 20,806            | 15,200            | 12,742            |
| Interest income                              | 135,899           | 1,383             | 515               | 5,184             |
| TOTAL REVENUES                               | <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            |
| Insurance fees                               | 2,269             | 2,048             | 821               | 520               |
| Legal services                               | 45,696            | 66,545            | 49,309            | 83,152            |
| Management fees                              | 62,627            | 47,604            | 58,884            | 3,855             |
| Appraisal and collection services            | 12,995            | 11,083            | 5,142             | 5,727             |
| Bank fees                                    | 80                | -                 | -                 | -                 |
| Audit fees                                   | 20,000            | 17,800            | 22,999            | 17,403            |
| Capital outlay                               | 638,118           | 615,322           | 14,402            | 221,753           |
| TOTAL EXPENDITURES                           | <u>799,785</u>    | <u>778,402</u>    | <u>169,557</u>    | <u>350,410</u>    |
| EXCESS REVENUES OVER<br>(UNDER) EXPENDITURES | <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.  
 Five years of data will be presented when available.

PERCENT OF FUND TOTAL REVENUES

| 2023               | 2022                 | 2021                | 2020                |
|--------------------|----------------------|---------------------|---------------------|
| 90.56%             | 97.96%               | 98.47%              | 97.96%              |
| 1.42%              | 1.91%                | 1.48%               | 1.45%               |
| 8.02%              | 0.13%                | 0.05%               | 0.59%               |
| <u>100%</u>        | <u>100%</u>          | <u>100%</u>         | <u>100%</u>         |
| 2.25%              | 1.65%                | 1.76%               | 2.05%               |
| 0.28%              | 0.19%                | 0.08%               | 0.06%               |
| 5.71%              | 6.11%                | 4.81%               | 9.46%               |
| 7.83%              | 4.37%                | 5.75%               | 0.44%               |
| 1.62%              | 1.02%                | 0.50%               | 0.65%               |
| 0.01%              | 0.00%                | 0.00%               | 0.00%               |
| 2.50%              | 1.63%                | 2.24%               | 1.98%               |
| <u>79.79%</u>      | <u>56.45%</u>        | <u>1.41%</u>        | <u>25.22%</u>       |
| <u>100%</u>        | <u>71.41%</u>        | <u>16.54%</u>       | <u>39.84%</u>       |
| <u><u>112%</u></u> | <u><u>28.59%</u></u> | <u><u>83.5%</u></u> | <u><u>60.2%</u></u> |

MIDLAND COUNTY UTILITY DISTRICT  
 TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES –  
 PROPRIETARY FUND (UNAUDITED)  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

|                                         | AMOUNTS           |                   |                   |
|-----------------------------------------|-------------------|-------------------|-------------------|
|                                         | 2019              | 2018              | 2017              |
| OPERATING REVENUES                      |                   |                   |                   |
| Property taxes                          | \$ 634,245        | \$ 556,837        | \$ 517,086        |
| Penalties and interest                  | 11,650            | 12,841            | 10,796            |
| TOTAL REVENUES                          | <u>645,895</u>    | <u>569,678</u>    | <u>527,882</u>    |
| OPERATING EXPENSES                      |                   |                   |                   |
| Bookkeeping Services                    | 18,000            | 18,000            | 18,000            |
| Insurance fees                          | 847               | 1,693             | 520               |
| Legal services                          | 48,833            | 21,232            | 31,347            |
| Management fees                         | 5,396             | 3,286             | 14,701            |
| Appraisal and collection services       | 6,305             | 5,082             | 3,083             |
| Audit fees                              | 15,030            | 13,609            | 13,133            |
| Office supplies                         | -                 | 228               | -                 |
| Engineering fees                        | -                 | -                 | 28,647            |
| TOTAL OPERATING EXPENSES                | <u>94,411</u>     | <u>63,130</u>     | <u>109,431</u>    |
| OPERATING INCOME                        | 551,484           | 506,548           | 418,451           |
| NON-OPERATING REVENUES (EXPENSES)       |                   |                   |                   |
| Interest income                         | 8,634             | 4,283             | 2,415             |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>8,634</u>      | <u>4,283</u>      | <u>2,415</u>      |
| CHANGE IN NET POSITION                  | <u>\$ 560,118</u> | <u>\$ 510,831</u> | <u>\$ 420,866</u> |

Note: Beginning in fiscal year 2020, the District utilized a general fund rather than a proprietary fund.



PERCENT OF FUND TOTAL REVENUES

| 2019         | 2018         | 2017         |
|--------------|--------------|--------------|
| 98.2%        | 97.7%        | 98.0%        |
| 1.8%         | 2.3%         | 2.0%         |
| <u>100%</u>  | <u>100%</u>  | <u>100%</u>  |
| 2.8%         | 3.2%         | 3.4%         |
| 0.1%         | 0.3%         | 0.1%         |
| 7.6%         | 3.7%         | 5.9%         |
| 0.8%         | 0.6%         | 2.8%         |
| 1.0%         | 0.9%         | 0.6%         |
| 2.3%         | 2.4%         | 2.5%         |
| 0.0%         | 0.0%         | 0.0%         |
| 0.0%         | 0.0%         | 5.4%         |
| <u>14.6%</u> | <u>11.1%</u> | <u>20.7%</u> |
| 85.4%        | 88.9%        | 79.3%        |
| 1.3%         | 0.8%         | 0.5%         |
| <u>1.3%</u>  | <u>0.8%</u>  | <u>0.5%</u>  |
| <u>86.7%</u> | <u>89.7%</u> | <u>79.7%</u> |

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MIDLAND COUNTY UTILITY DISTRICT  
 TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

Complete District Mailing Address: 1700 W. Wall Street, Suite 100, 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

| Names:                | Term of Office<br>(Elected or<br>Appointed)<br>or Date Hired | Fees of<br>Office<br>Paid*<br>(FYE Date) | Expense<br>Reimburse-<br>ments<br>(FYE date) | Title at<br>Year End |
|-----------------------|--------------------------------------------------------------|------------------------------------------|----------------------------------------------|----------------------|
| <b>Board Members:</b> |                                                              |                                          |                                              |                      |
| Dr. Shelton Viney     | (Elected)<br>May 2014<br>May 2026                            | \$ -                                     | \$ -                                         | President            |
| Alan L. Lang          | (Elected)<br>May 2014<br>May 2026                            | \$ -                                     | \$ -                                         | Vice President       |
| Joseph E. Patten, Jr. | (Elected)<br>May 2016<br>May 2028                            | \$ -                                     | \$ -                                         | Secretary            |
| Israel Rodriguez      | (Elected)<br>May 2016<br>May 2028                            | \$ -                                     | \$ -                                         | Treasurer            |
| Jackie Schneider      | (Elected)<br>May 2015<br>May 2028                            | \$ -                                     | \$ -                                         | Director             |

**Consultants**

William Bain

John Carlton

Parkhill

\* *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 the General Fund information of Midland County Utility District (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 2, 2024.

### **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.

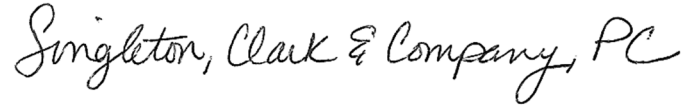
### **Report on Compliance and Other Matters**

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

August 2, 2024

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MIDLAND COUNTY UTILITY DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

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**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, 2023.

---

Prior year financial statement findings required to be restated with current status:

|                  |                                                                                                                                                                                                                                                   |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Finding 2022-001 | Account Reconciliations                                                                                                                                                                                                                           |
| Criteria:        | Management is responsible for the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.                                                                      |
| Condition Found: | Account balances recorded in the general ledger should be reconciled to supporting documentation on a regular basis to ensure recording in the proper period. Certain District account balances were not being reconciled on a regular basis.     |
| Cause:           | The conditions described above were caused by a deficiency in controls over recording and reconciling of account balances.                                                                                                                        |
| Effect:          | Adjusting entries were required to adjust taxes receivable and revenue and there was one instance of over-accrual of an expenditure and one instance of an expenditure that should have been accrued in the prior year that was expensed in 2022. |
| Recommendation:  | The District should implement procedures to ensure account balances are reconciled to the general ledger on a regular basis.                                                                                                                      |
| Current Status:  | The condition was not classified as a finding in the current year.                                                                                                                                                                                |

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MIDLAND COUNTY UTILITY DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

2022-002                      Segregation of duties

Criteria:                      Controls should be in place to ensure the proper segregation of duties

Condition Found:            Numerous accounting functions are performed by one individual with limited documentation of oversight including posting of journal entries.

Cause:                         The conditions described above were caused by a deficiency in controls to maintain proper segregation of duties.

Effect:                        Due to the condition described above, there is an increased risk that errors or irregularities will not be prevented or detected and corrected.

Recommendation:           Although the lack of District employees prohibits complete adherence to this concept, we believe that management should be mindful of areas within the accounting function where segregation of duties could be improved.

Current Status:              The condition was not classified as a finding in the current year.

---

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

Not applicable.