

Northeast Texas Municipal Water District

**Financial Statements
And Independent Auditor's Report**

For the years ended September 30, 2023 and 2022

Northeast Texas Municipal Water District
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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }
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COUNTY OF MORRIS }

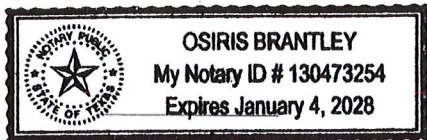
I, Wayne Owen, General Manager of the Northeast Texas Municipal Water District hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 22nd day of January, 2024, its annual audit report for the fiscal year or period ended September 30, 2023, and that copies of the annual audit report have been filed in the District office, located at Highway 250, Hughes Springs, Texas.

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: January 22, 2024, 2024
By: Wayne Owen

Wayne Owen, General Manager

Sworn to and subscribed to before me this 22nd day of January, 2024.



(SEAL)

Osiris Brantley
(Signature of Notary)

My Commission Expires On: January 4, 2028, Notary Public in and for the State of Texas.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northeast Texas Municipal Water District
Hughes Springs, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of Northeast Texas Municipal Water District as of and for the years ended September 30, 2023 and 2022, 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 business-type activities and each major fund of the District, as of September 30, 2023 and 2022, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 and net pension liability and contributions to TRS on pages 4-7 and 29 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplemental section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023, 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 District's internal control over financial reporting and compliance.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.
December 20, 2023

**Northeast Texas Municipal Water District
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Northeast Texas Municipal Water District was created in 1953 and performs two primary purposes. One purpose is to assure a sufficient supply of water for Northeast Texas. A second purpose is to assure water quality in the Cypress Creek Basin. During the time from October 1, 2022, to September 30, 2023, significant activities occurred in furtherance of each of these purposes. During this time, the District had a net position of \$22.9 million dollars and operating income was \$1.16 million.

Financial Highlights

For September 30, 2023

- The total assets and deferred outflows related to TCDRS pension and debt refunding of the District are \$43.2 million.
- The total liabilities and deferred inflows related to TCDRS are \$20.38 million.
- The total net position of the District increased by \$416 thousand as compared to an increase of \$1.06 million the prior year from net income. The smaller increase than the previous year is due to an increase in costs of contracted services, personnel, and accretion on capital appreciation bonds.
- The District was required to record its portion of the net pension asset/liability as per Governmental Accounting Standards Board (GASB) Statement number 68. The District is overfunded with a net pension asset of \$248 thousand and deferred outflows of resources of \$324 thousand related to TCDRS and deferred inflows of resources of \$14 thousand, an increase of \$83 thousand.

Overview of the Financial Statements

This section is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are: 1) Balance Sheet; 2) Statement of Revenues, Expenses, and Changes in Fund Net Position; and, 3) Statement of Cash Flows.

The Balance Sheet indicates the financial condition at the end of the fiscal year expressed in terms of assets, liabilities, and net position. The Statement of Revenues, Expenses, and Changes in Net Position indicates the effect of activities during the fiscal year. Statement of Cash Flows indicates the effect that activities have had on the cash position of the District over the fiscal year.

Some of the information in the basic statements has been separated by enterprise. Concerning this separation, please be aware that water production has been separately identified in some of these statements.

The District provides water in two ways. One way is to make the water available in a raw or unimproved condition. A second way that water is made available is in a potable condition. The information in the financial statements labeled "Regional Water Supply System" or "RWSS" is information related to the operations where water is made potable and then sold on a wholesale basis. The District operates two regional water treatment plants that change the water from its natural condition to a condition usable for municipal and industrial consumption. The District developed and operates a regional water project serving needs in areas that are south and west of Lake O' the Pines. The financial information labeled "Lake O' the Pines South Side" or "LOPSS" refers to that regional project that primarily serves Tryon Road SUD, Diana SUD, and Ore City.

The financial information under the label of "Primary Water District" is information pertaining to the overall administration of the District, raw water sales, and efforts to assure water quality. To assure water quality, the District has several active programs. Some of these programs are principally funded by grants from the Texas Commission on Environmental Quality (TCEQ), the Texas State Soil and Water Conservation Board (TSSWCB) or funded by contributions from other sources. The District performed all of the tasks associated with the Onsite Septic Facilities Program (OSSF) in the counties of Upshur, Marion, Morris, and Cass for the audited year. In the audited year, the District continued a significant multi-year effort related to reducing nutrient loading in the Cypress Creek Basin. The District continued watershed protection for Caddo Lake and its watershed. Lake O' the Pines is within the watershed of Caddo Lake.

**Northeast Texas Municipal Water District
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Overview of Financial Activities and Analysis

To begin our analysis, a summary of the District's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position is presented.

	The District's Net Position	
	Business-Type	
	Activities	
	2023	2022
Current and other assets	5,995,290	7,545,260
Capital and non-current assets	36,152,785	35,686,044
Net pension asset	248,212	747,583
TOTAL ASSETS	<u>42,396,287</u>	<u>43,978,887</u>
Deferred Outflow related to TCDRS and debt refunding	843,062	953,846
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>843,062</u>	<u>953,846</u>
Long-term liabilities	18,656,755	20,276,432
Other liabilities	1,714,085	1,682,991
Net pension liability	-	-
TOTAL LIABILITIES	<u>20,370,840</u>	<u>21,959,423</u>
Deferred Inflow related to TCDRS	13,979	534,729
TOTAL DEFERRED INFLOW OF RESOURCES	<u>13,979</u>	<u>534,729</u>
Invested in capital assets, net of related debt	17,694,650	16,101,859
Restricted/reserved	2,276,119	2,227,254
Unrestricted	2,883,561	4,109,468
TOTAL NET POSITION	<u>22,854,330</u>	<u>22,438,581</u>

	The District's Changes in Net Position	
	Business-Type	
	Activities	
	2023	2022
Revenues		
Raw water sales	2,890,462	2,686,466
Treated water sales	3,373,387	3,269,899
State grants	305,957	95,491
Other grants	3,435	3,325
Investment income	230,022	15,325
Other	90,428	87,377
Total revenues	<u>6,893,691</u>	<u>6,157,883</u>
Expenses		
Personnel	1,580,326	1,396,859
Supplies	605,568	562,670
Maintenance	317,215	322,819
Contractual services	1,455,873	1,078,731
Depreciation	1,127,184	1,067,514
State grant programs	308,266	98,485
Other grant expenses	14,207	14,494
Interest expense (A)	1,069,103	551,537
Total expenses	<u>6,477,742</u>	<u>5,093,109</u>
Increase (decrease) in net assets before transfers	415,949	1,064,774
Transfers (net)	-	-
Increase (decrease) in net position	415,949	1,064,774
Beginning net position	22,438,581	21,373,807
Ending net position	<u>22,854,530</u>	<u>22,438,581</u>

(A) Interest accretion on capital appreciation bonds was \$(29) thousand in fiscal year 2022 and was \$526 thousand in fiscal year 2023.

**Northeast Texas Municipal Water District
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Concerning raw water sales, the revenue remained about the same as the prior year. No new customers of raw water were added during the fiscal year. The revenues from most of the raw water contracts are more influenced by the amount reserved rather than the amount actually diverted.

Concerning treated water sales, the most significant activity was the continuation of deliveries to the LOPSS system. The LOPSS system was in operation for the entire fiscal year which was the thirteenth full fiscal year of operations. The treated water sales in the LOPSS increased by \$61 thousand. Production at the Tanner Plant which serves both LOPSS and RWSS exceeded 1.058 billion gallons in fiscal year 2023. During the fiscal year of 2022 and 2023, the largest purchaser of water from the Tanner Plant was Tryon Road SUD. Comparisons of sales of LOPSS to sales in the RWSS demonstrate the significance of the LOPSS system in relation to treated water sales of the District.

The treated water sales for the RWSS remained basically the same. The treated water sales in RWSS and LOPSS are usually affected by wetter weather conditions than a normal year. According to the U.S. Army Corps of Engineers, rainfall at Lake O' the Pines in fiscal year 2023 was about 61.74 inches, compared to 54.26 inches in 2022.

The operating loss for the RWSS system (treated water production) was \$716 thousand, mainly because of increased cost in utilities, general/property insurance, sludge disposal, and building/grounds maintenance. The production expenses for treated water produced by the Tanner Plant continue to be shared between the RWSS and the LOPSS and this sharing continues to have beneficial effects on RWSS and LOPSS.

Capital Assets And Debt Administration

Capital Assets

	District's Capital Assets (in thousands of dollars)	
	2023	2022
Non-depreciable:		
Land and right-of-way	1,462	1,462
Water rights	1,753	1,753
Depreciable:		
Water treatment plants	27,320	26,046
Water lines and intake structures	25,072	24,955
Buildings	697	631
Other	3,152	3,015
Less accumulated depreciation:	(23,303)	(22,176)
	36,153	35,686

The District added \$1.59 million of new assets in fiscal year 2023.

Long-Term Debt.

	District's Long-Term Debt (in thousands of dollars)	
Bonds payable	18,138	19,584

\$2.14 million of debt principal was retired in the current year.

**Northeast Texas Municipal Water District
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Economic Factors and Next Year's Budget

The overall financial position of the District remains sound. While the financial position of the District has not materially changed as a result of the year's daily operations, the total current assets decreased from the previous year by about \$1.5 million due to a decrease in investments. The Primary Water District fund transferred \$1.7 million to the other two funds mainly from unrestricted reserves in a form of subsidy. This audited fiscal year, as in previous years, treated water sales in the Regional Water Supply System were charged at below cost. The District strives to produce the highest quality water at the lowest possible cost. However, with inflation and rising costs in an aging infrastructure, this is not sustainable. The adopted 23/24 budget contemplates an increase in treated water for member cities from \$1.48 to \$2.59 and for non-member customers from \$2.30 to \$4.01 in the Regional Water Supply System. Subsequent rate increases are anticipated as the new rates continue to be below cost. Additional water sales out of Lake O' the Pines is a strategy to keep the water rate as low as possible. The approved State of Texas Water Plan and the applicable regional plan acknowledge an available supply of water in Lake O' the Pines for further use.

The 23/24 budget anticipates significant increase in its operations and maintenance payment to the U.S. Army Corps of Engineers (USACE) for maintaining Lake O' the Pines. While the USACE maintains the lake, the District pays a portion of the maintenance cost (13.4%).

The development of information and analysis related to nutrient loading in the Cypress Creek Basin continues. Nutrient loading affects the water treatment techniques of the District. Reducing nutrient loading can reduce the treatment cost while increasing the nutrient loads cause an increase in the cost of water treatment. Local, regional, state, and federal agencies continue to implement a program to monitor and address the nutrient loadings in the Cypress Creek Basin. The District also takes steps to assure the health of Caddo Lake. Caddo Lake is downstream of the major supply source for the District, Lake O' the Pines. Those steps include nutrient reduction and addressing invasive plants that have the potential to affect all lakes within the Cypress Creek Basin. Invasive plants of concern include Giant Salvinia, Floating Crested Heart, Water Hyacinth, and Hydrilla. The District continues to try to control the expansion of Giant Salvinia within Northeast Texas.

The District continues to be keenly interested in assuring adequate flows for the environment in the Cypress Creek Basin. It is anticipated that work will be ongoing in this regard and that federal, state, regional, and local stakeholders will continue to be involved in this work. The District receives about \$100,000 per year from the TCEQ to assist in monitoring the water quality of the water in the Cypress Creek Basin. The District is working to secure additional stored water in the upper portion of the Cypress Creek Basin for both municipal and environmental uses.

Species receiving special attention due to possible application of the Endangered Species Act include, but are not limited to, the Alligator Snapping Turtle, the Western Chicken Turtle, the Louisiana Pig Toe, and the American Paddlefish. Each of the species are native to the Cypress Creek Basin and activities involving these species will occur in 2024. The District is interested in working cooperatively with state and federal agencies to promote actions that will be helpful for these and additional species of interest.

Summary

Looking at the next five years, the District will continue to make capital improvements to its raw water delivery systems, water treatment plants and treated water delivery systems, to assure reliable provision of the highest water quality drinking water at the lowest possible cost. Treated water rates will continue to be adjusted to address revenue sufficiency and maintenance of adequate operational and emergency reserves. A five-year capital financing plan is currently under development. It anticipates construction of an additional clear well and improvements to bio-solids handling at the Tanner Water Treatment Plant as well as additional ground storage at the Southside Booster Pump Station. In addition, the District is in discussions with several Special Utility Districts regarding construction of regional water treatment plant supplied by water from Lake Bob Sandlin.

Request for Information:

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Northeast Texas Municipal Water District, PO Box 955, Hughes Springs, TX 75656.

BASIC FINANCIAL STATEMENTS

Northeast Texas Municipal Water District
STATEMENTS OF NET POSITION—PROPRIETARY FUNDS
As of September 30, 2023 and 2022

	Primary Water District		Enterprise Funds	
			Regional Water Supply System	
	2023	2022	2023	2022
ASSETS				
Current assets				
Cash on hand and in bank	366,397	484,271	108,847	19,843
Investments	1,465,850	2,999,475	-	-
Receivables:				
Water sales	164,010	240,755	157,157	160,338
Grants receivable	123,023	36,627	-	-
Interfund receivable	-	-	85,814	85,814
Inventory	-	-	64,686	59,567
Total current assets	<u>2,119,280</u>	<u>3,761,128</u>	<u>416,504</u>	<u>325,562</u>
Non-current assets				
Restricted cash in bank	2,121	2,120	115,905	114,361
Restricted investments	-	-	1,999,936	1,926,635
Utility deposits	50	50	-	-
Capital assets	5,211,734	4,067,861	33,824,536	33,509,390
Less: accumulated depreciation	(1,365,953)	(1,299,515)	(16,784,564)	(16,083,866)
Net pension asset	126,588	336,412	81,910	276,606
Total non-current assets	<u>3,974,540</u>	<u>3,106,928</u>	<u>19,237,723</u>	<u>19,743,126</u>
Total assets	<u>6,093,820</u>	<u>6,868,056</u>	<u>19,654,227</u>	<u>20,068,688</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow of resources related to TCDRS	145,744	117,719	119,834	96,792
Deferred outflow related to debt refunding	-	-	-	-
Total deferred outflows of resources	<u>145,744</u>	<u>117,719</u>	<u>119,834</u>	<u>96,792</u>
LIABILITIES				
Current liabilities				
Current portion of bonds payable	-	-	661,939	674,918
Accounts payable	154,882	65,584	17,527	23,908
Accrued expenses	2,705	3,978	12,276	15,112
Interfund payable	-	-	1,194,470	1,194,470
Unearned revenues:				
Water sales	223,971	211,044	-	-
Other	-	-	-	10,000
Total current liabilities	<u>381,558</u>	<u>280,606</u>	<u>1,886,212</u>	<u>1,918,408</u>
Non-current liabilities				
Accrued expenses	-	-	26,500	26,500
Bonds payable	-	-	1,550,000	2,211,939
Net pension liability	-	-	-	-
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>1,576,500</u>	<u>2,238,439</u>
Total liabilities	<u>381,558</u>	<u>280,606</u>	<u>3,462,712</u>	<u>4,156,847</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow of resources related to TCDRS	7,129	240,628	4,613	197,850
Total deferred inflows of resources	<u>7,129</u>	<u>240,628</u>	<u>4,613</u>	<u>197,850</u>
NET POSITION				
Invested in capital assets, net of related debt	3,845,781	2,768,346	14,528,033	14,538,667
Restricted for debt service	-	-	2,117,672	2,040,996
Restricted for other purposes	2,121	2,120	-	-
Unrestricted	2,002,975	3,694,075	(338,969)	(768,880)
Total net position	<u>5,850,877</u>	<u>6,464,541</u>	<u>16,306,736</u>	<u>15,810,783</u>

The accompanying notes are an integral part of these statements.

Lake O' the Pines South Side		Total Proprietary Funds	
2023	2022	2023	2022
500	500	475,744	504,614
-	-	1,465,850	2,999,475
76,012	122,109	397,179	523,202
-	-	123,023	36,627
1,108,656	1,108,656	1,194,470	1,194,470
-	-	64,686	59,567
<u>1,185,168</u>	<u>1,231,265</u>	<u>3,720,952</u>	<u>5,317,955</u>
156,326	184,139	274,352	300,620
-	-	1,999,936	1,926,635
-	-	50	50
20,419,740	20,284,834	59,456,010	57,862,085
(5,152,708)	(4,792,660)	(23,303,225)	(22,176,041)
39,714	134,565	248,212	747,583
<u>15,463,072</u>	<u>15,810,878</u>	<u>38,675,335</u>	<u>38,660,932</u>
<u>16,648,240</u>	<u>17,042,143</u>	<u>42,396,287</u>	<u>43,978,887</u>
58,298	47,088	323,876	261,599
519,186	692,247	519,186	692,247
<u>577,484</u>	<u>739,335</u>	<u>843,062</u>	<u>953,846</u>
1,483,600	1,470,303	2,145,539	2,145,221
77,894	126,020	250,303	215,512
3,860	6,375	18,841	25,465
-	-	1,194,470	1,194,470
-	-	223,971	211,044
-	-	-	10,000
<u>1,565,354</u>	<u>1,602,698</u>	<u>3,833,124</u>	<u>3,801,712</u>
-	-	26,500	26,500
14,961,216	15,919,272	16,511,216	18,131,211
-	-	-	-
<u>14,961,216</u>	<u>15,919,272</u>	<u>16,537,716</u>	<u>18,157,711</u>
<u>16,526,570</u>	<u>17,521,970</u>	<u>20,370,840</u>	<u>21,959,423</u>
2,237	96,251	13,979	534,729
<u>2,237</u>	<u>96,251</u>	<u>13,979</u>	<u>534,729</u>
(679,164)	(1,205,154)	17,694,650	16,101,859
-	-	2,117,672	2,040,996
156,326	184,138	158,447	186,258
1,219,555	1,184,273	2,883,561	4,109,468
<u>696,717</u>	<u>163,257</u>	<u>22,854,330</u>	<u>22,438,581</u>

Northeast Texas Municipal Water District
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION—PROPRIETARY FUNDS
For the years ended September 30, 2023 and 2022

	Primary Water District		Enterprise Funds	
			Regional Water Supply System	
	2023	2022	2023	2022
OPERATING REVENUES				
Raw water sales	2,890,462	2,686,466	-	-
Treated water sales	-	-	1,276,516	1,234,722
State grants	305,957	95,491	-	-
Other grants	3,435	3,325	-	-
Total operating revenues	<u>3,199,854</u>	<u>2,785,282</u>	<u>1,276,516</u>	<u>1,234,722</u>
OPERATING EXPENSES				
Personnel	792,378	662,280	529,386	493,359
Supplies	28,898	25,399	327,275	315,797
Maintenance	231,528	232,145	57,809	69,924
Contractual services	872,108	656,076	377,762	265,621
Depreciation	66,438	43,053	700,698	676,371
State grant programs	308,266	98,485	-	-
Other grant programs	14,207	14,494	-	-
Total operating expenses	<u>2,313,823</u>	<u>1,731,932</u>	<u>1,992,930</u>	<u>1,821,072</u>
OPERATING INCOME (LOSS)	<u>886,031</u>	<u>1,053,350</u>	<u>(716,414)</u>	<u>(586,350)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income, net	144,830	22,173	85,192	(6,848)
Interest expense and debt fees	-	-	(118,290)	(133,409)
Other	74,793	70,797	635	1,580
Total non-operating revenues (expenses)	<u>219,623</u>	<u>92,970</u>	<u>(32,463)</u>	<u>(138,677)</u>
INCOME (LOSS) BEFORE TRANSFERS	1,105,654	1,146,320	(748,877)	(725,027)
TRANSFERS, NET	<u>(1,719,318)</u>	<u>(1,346,530)</u>	<u>1,244,830</u>	<u>855,763</u>
INCREASE (DECREASE) IN NET POSITION	(613,664)	(200,210)	495,953	130,736
NET POSITION (DEFICIT) at beginning of year	<u>6,464,541</u>	<u>6,664,751</u>	<u>15,810,783</u>	<u>15,680,047</u>
NET POSITION (DEFICIT) at end of year	<u><u>5,850,877</u></u>	<u><u>6,464,541</u></u>	<u><u>16,306,736</u></u>	<u><u>15,810,783</u></u>

The accompanying notes are an integral part of these statements.

Lake O' the Pines South Side		Total Proprietary Funds	
2023	2022	2023	2022
-	-	2,890,462	2,686,466
2,096,871	2,035,177	3,373,387	3,269,899
-	-	305,957	95,491
-	-	3,435	3,325
<u>2,096,871</u>	<u>2,035,177</u>	<u>6,573,241</u>	<u>6,055,181</u>
258,562	241,220	1,580,326	1,396,859
249,395	221,474	605,568	562,670
27,878	20,750	317,215	322,819
206,003	157,034	1,455,873	1,078,731
360,048	348,090	1,127,184	1,067,514
-	-	308,266	98,485
-	-	14,207	14,494
<u>1,101,886</u>	<u>988,568</u>	<u>5,408,639</u>	<u>4,541,572</u>
<u>994,985</u>	<u>1,046,609</u>	<u>1,164,602</u>	<u>1,513,609</u>
-	-	230,022	15,325
(950,813)	(418,128)	(1,069,103)	(551,537)
15,000	15,000	90,428	87,377
<u>(935,813)</u>	<u>(403,128)</u>	<u>(748,653)</u>	<u>(448,835)</u>
59,172	643,481	415,949	1,064,774
<u>474,488</u>	<u>490,767</u>	<u>-</u>	<u>-</u>
533,660	1,134,248	415,949	1,064,774
<u>163,257</u>	<u>(970,991)</u>	<u>22,438,581</u>	<u>21,373,807</u>
<u>696,917</u>	<u>163,257</u>	<u>22,854,530</u>	<u>22,438,581</u>

Northeast Texas Municipal Water District
STATEMENTS OF CASH FLOWS—PROPRIETARY FUNDS
For the years ended September 30, 2023 and 2022

	Enterprise Funds			
	Primary Water District		Regional Water Supply System	
	2023	2022	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES				
Cash received from customers	3,054,997	2,716,592	1,258,803	1,231,098
Cash received from grants	222,926	62,189	-	-
Cash paid to suppliers	(1,147,406)	(995,086)	(766,944)	(673,936)
Cash paid to employees including benefits	(845,351)	(719,311)	(550,969)	(540,270)
Cash paid for state grant programs	(218,303)	-	-	-
Net cash provided by (used in) operating activities	<u>1,066,863</u>	<u>1,064,384</u>	<u>(59,110)</u>	<u>16,892</u>
CASH FLOW FROM NON CAPITAL FINANCING ACTIVITIES				
Transfers from (to) other funds	<u>(1,719,318)</u>	<u>(1,346,530)</u>	<u>1,244,830</u>	<u>855,763</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(1,143,873)	(404,667)	(315,146)	(203,954)
Interest, paying agent fees, and bond issuance costs paid	-	-	(116,999)	(134,693)
Bond principal paid	-	-	(674,918)	(671,675)
Net cash provided by (used in) capital and related financing activities	<u>(1,143,873)</u>	<u>(404,667)</u>	<u>(1,107,063)</u>	<u>(1,010,322)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (purchases) sales of investment pools	-	-	-	-
Purchase of investment securities	(1,650,000)	(1,258,707)	-	(28,714)
Redemption of investment securities	3,316,056	1,996,998	3,957	-
Principal paydowns on mortgage-backed securities	-	18,442	4,390	39,485
Interest received on investments	12,399	51,526	3,544	7,375
Net cash provided by (used in) investing activities	<u>1,678,455</u>	<u>808,259</u>	<u>11,891</u>	<u>18,146</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(117,873)</u>	<u>121,446</u>	<u>90,548</u>	<u>(119,521)</u>
CASH AND CASH EQUIVALENTS, at beginning of year	<u>486,391</u>	<u>364,945</u>	<u>134,204</u>	<u>253,725</u>
CASH AND CASH EQUIVALENTS, at end of year	<u><u>368,518</u></u>	<u><u>486,391</u></u>	<u><u>224,752</u></u>	<u><u>134,204</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	886,031	1,053,350	(716,414)	(586,350)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	66,438	43,053	700,698	676,371
Miscellaneous income	74,793	70,797	635	1,580
Decrease/(Increase) in net pension assets and deferred outflows/inflows	(51,700)	(57,143)	(21,583)	(46,986)
Decrease/(increase) in accounts receivable	(9,651)	(77,298)	1,890	(15,204)
Increase/decrease in:				
Inventory	-	-	(5,119)	(34,691)
Accounts payable	89,298	31,513	(6,381)	12,097
Accrued liabilities	(1,273)	112	(2,836)	75
Unearned revenues	12,927	-	(10,000)	10,000
Net cash provided by (used in) operating activities	<u><u>1,066,863</u></u>	<u><u>1,064,384</u></u>	<u><u>(59,110)</u></u>	<u><u>16,892</u></u>

The accompanying notes are an integral part of these statements.

Lake O' the Pines South Side		Total Proprietary Funds	
2023	2022	2023	2022
2,157,969	1,990,523	6,471,769	5,938,213
-	-	222,926	62,189
(533,917)	(337,978)	(2,448,267)	(2,007,000)
(268,935)	(264,078)	(1,665,255)	(1,523,659)
-	-	(218,303)	-
<u>1,355,117</u>	<u>1,388,467</u>	<u>2,362,870</u>	<u>2,469,743</u>
474,488	490,767	-	-
(134,906)	(115,757)	(1,593,925)	(724,378)
(252,209)	(276,753)	(369,208)	(411,446)
<u>(1,470,303)</u>	<u>(1,450,843)</u>	<u>(2,145,221)</u>	<u>(2,122,518)</u>
<u>(1,857,418)</u>	<u>(1,843,353)</u>	<u>(4,108,354)</u>	<u>(3,258,342)</u>
-	-	-	-
-	-	(1,650,000)	(1,287,421)
-	-	3,320,013	1,996,998
-	-	4,390	57,927
-	-	15,943	58,901
<u>-</u>	<u>-</u>	<u>1,690,346</u>	<u>826,405</u>
(27,813)	35,881	(55,138)	37,806
<u>184,639</u>	<u>148,758</u>	<u>805,234</u>	<u>767,428</u>
<u>156,826</u>	<u>184,639</u>	<u>750,096</u>	<u>805,234</u>
994,986	1,046,609	1,164,603	1,513,609
360,048	348,090	1,127,184	1,067,514
15,000	15,000	90,428	87,377
(10,373)	(22,858)	(83,656)	(126,987)
46,097	(59,654)	38,336	(152,156)
-	-	(5,119)	(34,691)
(48,126)	61,280	34,791	104,890
(2,515)	-	(6,624)	187
-	-	2,927	10,000
<u>1,355,117</u>	<u>1,388,467</u>	<u>2,362,870</u>	<u>2,469,743</u>

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2023 and 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northeast Texas Municipal Water District (District) was created in 1953 by the legislature of the State of Texas. The member cities are Avinger, Daingerfield, Hughes Springs, Jefferson, Lone Star, Ore City, and Pittsburg. The District provides raw and purified water on a wholesale basis to the member cities and industrial users.

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

A. REPORTING ENTITY

The reporting entity refers to the scope of activities, organizations, and functions included in the financial statements. The District is an independent unit with no dependent agencies and is managed by governing body of appointed officials. The funds included in these financial statements represent the reporting entity in accordance with requirements of the Governmental Accounting Standards Board.

B. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues, and expenses. The following is a description of the fund type used by the District in the accompanying financial statements.

C. PROPRIETARY FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's three major enterprise funds are described below:

1. Primary Water District Fund – accounts for the operations of providing a raw water supply for municipal and industrial use out of the Lake O' the Pines.
2. Regional Water Supply System Fund – accounts for the operations of providing a treated water supply to the District's member cities and other customers.
3. Lake O' the Pines South Side Fund – accounts for the construction of improvements providing a treated water supply to the communities of Tryon Road, Diana, and Ore City.

D. BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

Proprietary Funds are accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

E. DEPRECIATION

Depreciation is provided for in the Enterprise Funds in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line method. The service lives by type of asset are as follows:

Water intake structure	80 Years
Water treatment plants and pipelines	30-80 Years
Buildings	10-40 Years
Auto, furniture, tools and equipment	3-10 Years

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2023 and 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

F. BOND ISSUANCE COSTS

The District elected to early implement GASB 65 regarding bond issuance costs. These costs are now charges to expense in the year incurred.

G. UNEARNED REVENUE

Water sales, government grants, and other revenues are recognized when earned. Revenues are considered to be earned when the District has performed all services related to the generation of revenue. At September 30, 2023 and 2022, the District had received payment for services to be performed subsequent to year end. This resulted in deferral of revenue recognition until the period when service is performed.

H. INVESTMENTS

The District carries all debt securities at fair market value.

I. RECEIVABLES

Accounts receivable are considered fully collectible; accordingly, no allowance for doubtful accounts is required. In the event an account becomes uncollectible in the future, in whole or in part, such amount will be charged to operations when that determination is made.

J. VACATION AND PERSONAL TIME OFF

The District provides for vacations and personal time off. Vacation days may not be carried over from one year to the next. Any unused vacation is payable upon termination. Employees may accrue 12 days per year of sick leave. The amount accrued is not payable upon termination, death, or retirement.

K. CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and cash deposit accounts in banks.

L. RESTRICTED CASH AND INVESTMENTS

Some cash and investments are restricted for future debt payments.

M. PENSION PLAN

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred Outflows/Inflows of Resources—The District implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended September 30, 2013. The District implemented GASB Statement No. 68 as amended by GASB 71, Accounting and Financial Reporting for Pensions for the year ended September 30, 2016. In addition to assets, the statement of net 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 District has one type of item that qualifies for reporting in this category, outflows related to TCERS as per GASB 68 as amended by GASB 71, related to pension accounting. These will be recognized as an outflow of resources in the subsequent years as they are amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category, deferred inflows related to TCERS. This amount will be recognized as an inflow of resources in the subsequent years as collected.

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
 At September 30, 2023 and 2022

O. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

P. OTHER

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if not used.

II. DETAILED NOTES

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in foreign currency investments.

As of September 30, 2023, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less than 1 year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity in Over 10 Years</u>	<u>Credit Rating</u>
Cash, Money Markets and FDIC Insured Accounts	<u>\$ 750,096</u>	100%	<u>\$ 750,096</u>	-	-	N/A
Total Cash and Cash Equivalents	<u>\$ 750,096</u>	100%	<u>\$ 750,096</u>	-	-	

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
 At September 30, 2023 and 2022

As of September 30, 2022, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less than 1 year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity in Over 10 Years</u>	<u>Credit Rating</u>
Cash, Money Markets and FDIC Insured Accounts	\$ 805,234	100%	\$ 805,234	-	-	N/A
Total Cash and Cash Equivalents	\$ 805,234	100%	\$ 805,234	-	-	

In addition, the following is disclosed regarding coverage of combined balances at September 30, 2023:

- a. Depository: First National Bank of Hughes Springs
- b. The market value of securities pledged at September 30, 2023 was \$1,369,077.
- c. The bank balance of cash, savings, and time deposit accounts amounted to \$529,379 at September 30, 2023.
- d. Total amount of FDIC coverage at September 30, 2023 was \$250,000.

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Texas Public Funds Investment Act of 1995** (Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) public funds investment pools; and (8) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. NORTHEAST TEXAS MUNICIPAL WATER DISTRICT is in substantial compliance with the requirements of the Act and with local policies.

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2023 and 2022

Additional policies and contractual provisions governing investments for NORTHEAST TEXAS MUNICIPAL WATER DISTRICT are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in corporate bonds, mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2023, the district's investments in commercial paper were rated, AAAf/SI+ and AAAm by Standard & Poor's.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the business-type activities, individual major funds, aggregate non-major funds. Usually this limitation is 20%.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires all of the investment portfolio to have maturities of less than one year.

Foreign Currency Risk for Investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not allowing foreign investments.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

In this discussion and in the table below, investments are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2023 and 2022

As of September 30, 2023, NORTHEAST TEXAS MUNICIPAL WATER DISTRICT had the following investments subject to the fair value measurement.

<u>Investment by Fair Value Level</u>	<u>Balance at September 30, 2023</u>	<u>Fair Value Measurements Using Quoted Prices in</u>			<u>Credit Rating</u>
		<u>Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Debt Securities:					
Repurchase Agreement	180,303	180,303	-	-	AAAm
U.S. Government Agency	70,515	70,515	-	-	AAAm
Treasury	308,580	308,580	-	-	AAAm
Lonestar	1,780,108	1,780,108	-	-	AAAm
LOGIC	1,126,279	-	1,126,279	-	AAAm
Total Debt Securities	3,465,785	2,339,506	1,126,279	-	
Total	3,465,785	2,339,506	1,126,279	-	

As of September 30, 2022, NORTHEAST TEXAS MUNICIPAL WATER DISTRICT had the following investments subject to the fair value measurement.

<u>Investment by Fair Value Level</u>	<u>Balance at September 30, 2022</u>	<u>Fair Value Measurements Using Quoted Prices in</u>			<u>Credit Rating</u>
		<u>Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Debt Securities:					
Repurchase Agreement	761,719	761,719	-	-	AAAm
U.S. Government Agency	14,250	14,250	-	-	AAAm
Treasury	214,801	214,801	-	-	AAAm
Lonestar	1,857,105	1,857,105	-	-	AAAm
LOGIC	2,078,235	-	2,078,235	-	AAAm
Total Debt Securities	4,926,110	2,847,875	2,078,235	-	
Total	4,926,110	2,847,875	2,078,235	-	

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. NORTHEAST TEXAS MUNICIPAL WATER DISTRICT has no investments measured at the Net Asset Value (NAV) per Share. The fair value of the commercial paper at September, 2023 was determined primarily based on level 2 inputs. The District estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. This is acquired through the investment pool mix.

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
 At September 30, 2023 and 2022

B. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2023 and 2022 were as follows:

	2023				2022			
	Water Sales	Grants	Other	Total	Water Sales	Grants	Other	Total
Major Proprietary Funds:								
Primary Water District	164,010	123,023	-	287,033	240,755	36,627	-	277,382
Regional Water Supply	157,157	-	-	157,157	160,338	-	-	160,338
Lake O' the Pines Southside	76,012	-	-	76,012	122,109	-	-	122,109
	<u>397,179</u>	<u>123,023</u>	<u>-</u>	<u>520,202</u>	<u>523,202</u>	<u>36,627</u>	<u>-</u>	<u>559,829</u>

Payables at September 30, 2023, were as follows:

	Accounts Payable	Accrued Benefits	Accrued Interest	Accrued Sludge Disposal	Total
Major Proprietary Funds:					
Primary Water District	154,882	2,705	-	-	157,587
Regional Water Supply	17,527	3,494	8,782	26,500	56,303
Lake O' the Pines Southside	77,894	-	3,860	-	81,754
	<u>250,303</u>	<u>6,199</u>	<u>12,642</u>	<u>26,500</u>	<u>295,644</u>

Payables at September 30, 2022, were as follows:

	Accounts Payable	Accrued Benefits	Accrued Interest	Accrued Sludge Disposal	Total
Major Proprietary Funds:					
Primary Water District	65,584	3,978	-	-	69,562
Regional Water Supply	23,908	5,039	10,073	26,500	65,520
Lake O' the Pines Southside	126,020	-	6,375	-	132,395
	<u>215,512</u>	<u>9,017</u>	<u>16,448</u>	<u>26,500</u>	<u>267,477</u>

C. INTERFUND BALANCES /TRANSFERS

Interfund balances between the major proprietary funds total \$1,194,470 between the Regional Water Supply System and the Lake O' the Pines Southside funds at September 30, 2023 and 2022.

Interfund transfers between the three major proprietary funds for the year netted as follows:

Transfers from Primary Water District to:	2023	2022
Regional Water Supply System	1,255,133	874,800
Lake O' the Pines Southside	474,488	490,767
	<u>1,729,621</u>	<u>1,365,567</u>
Transfers from Regional Water Supply System to:	2023	2022
Primary Water District	10,302	19,037
	<u>10,302</u>	<u>19,037</u>

These are transfers for operations and debt service and will not be repaid.

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
 At September 30, 2023 and 2022

D. CAPITAL ASSETS

The District's capital asset activity for the year ended September 30, 2023, was as follows:

	Balance 10/1/2022	Additions	Deletions	Balance 9/30/2023
Non-depreciable assets:				
Land and right-of-way	1,462,481	-	-	1,462,481
Water rights	1,752,565	-	-	1,752,565
Construction in progress	-	-	-	-
	<u>3,215,046</u>	<u>-</u>	<u>-</u>	<u>3,215,046</u>
Depreciable assets:				
Water treatment plants	26,046,095	1,274,325	-	27,320,420
Water lines and intake structures	24,955,103	116,418	-	25,071,521
Pump station	869,559	-	-	869,559
Buildings	630,897	65,941	-	696,838
Furniture and equipment	1,386,680	137,242	-	1,523,922
Autos, trucks and tractors	287,062	-	-	287,062
Clean rivers project	84,025	-	-	84,025
Corp of Engineers	387,617	-	-	387,617
	<u>54,647,038</u>	<u>1,593,926</u>	<u>-</u>	<u>56,240,964</u>
Total capital assets	<u>57,862,084</u>	<u>1,593,926</u>	<u>-</u>	<u>59,456,010</u>
Less accumulated depreciation for:				
Water treatment plants	(12,536,294)	(597,165)	-	(13,133,459)
Water lines and intake structures	(6,909,441)	(417,190)	-	(7,326,631)
Pump station	(616,175)	(17,391)	-	(633,566)
Buildings	(501,750)	(11,307)	-	(513,057)
Furniture and equipment	(1,161,892)	(67,985)	-	(1,229,877)
Autos, trucks and tractors	(273,441)	(8,394)	-	(281,835)
Clean rivers project	(84,025)	-	-	(84,025)
Corp of Engineers	(93,023)	(7,752)	-	(100,775)
Total accumulated depreciation	<u>(22,176,041)</u>	<u>(1,127,184)</u>	<u>-</u>	<u>(23,303,225)</u>
Net Capital Assets	<u>35,686,043</u>	<u>466,742</u>	<u>-</u>	<u>36,152,785</u>

Depreciation expense for the year ended September 30, 2023 was \$1,127,184.

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
 At September 30, 2023 and 2022

D. CAPITAL ASSETS (Continued)

The District's capital asset activity for the year ended September 30, 2022, was as follows:

	Balance 10/1/2021	Additions	Deletions	Balance 9/30/2022
Non-depreciable assets:				
Land and right-of-way	1,462,481	-	-	1,462,481
Water rights	1,752,565	-	-	1,752,565
Construction in progress	-	-	-	-
	<u>3,215,046</u>	<u>-</u>	<u>-</u>	<u>3,215,046</u>
Depreciable assets:				
Water treatment plants	25,647,977	398,118	-	26,046,095
Water lines and intake structures	24,872,250	82,853	-	24,955,103
Pump station	833,019	36,540	-	869,559
Buildings	545,736	85,161	-	630,897
Furniture and equipment	1,270,447	116,233	-	1,386,680
Autos, trucks and tractors	281,590	5,472	-	287,062
Clean rivers project	84,025	-	-	84,025
Corp of Engineers	387,617	-	-	387,617
	<u>53,922,661</u>	<u>724,377</u>	<u>-</u>	<u>54,647,038</u>
Total capital assets	<u>57,137,707</u>	<u>724,377</u>	<u>-</u>	<u>57,862,084</u>
Less accumulated depreciation for:				
Water treatment plants	(11,940,841)	(595,453)	-	(12,536,294)
Water lines and intake structures	(6,549,928)	(359,513)	-	(6,909,441)
Pump station	(596,019)	(20,156)	-	(616,175)
Buildings	(484,094)	(17,656)	-	(501,750)
Furniture and equipment	(1,102,930)	(58,962)	-	(1,161,892)
Autos, trucks and tractors	(265,419)	(8,022)	-	(273,441)
Clean rivers project	(84,025)	-	-	(84,025)
Corp of Engineers	(85,271)	(7,752)	-	(93,023)
Total accumulated depreciation	<u>(21,108,527)</u>	<u>(1,067,514)</u>	<u>-</u>	<u>(22,176,041)</u>
Net Capital Assets	<u>36,029,180</u>	<u>(343,137)</u>	<u>-</u>	<u>35,686,043</u>

Depreciation expense for the year ended September 30, 2022 was \$1,067,514.

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
 At September 30, 2023 and 2022

E. DEFINED BENEFIT PENSION PLANS

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of over 600 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years of service regardless of age or when the sum of their age and years of service equals 80 or more. A member is vested after 10 years of service but must leave his accumulated contributions in the plan to receive any employer-financed benefit. If a member withdraws his personal contributions in a lump-sum, he is not entitled to any amounts contributed by the employer.

All eligible employees of the District are required to participate in the TCDRS.

Benefits Provided

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

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated as if the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefit terms.

At December 31, 2021 and 2022 valuation and measurement date, the following employees were covered by the benefit terms:

	2021	2022
Inactive employees or beneficiaries currently receiving benefits	10	11
Inactive employees entitled to but not yet receiving benefits	3	7
Active employees	16	15
	29	33

Contributions

The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

Employees for the District were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the District were 7% and 9.1% in calendar years 2021 and 2022, respectively. The District's contributions to TCDRS for the year ended September 30, 2022 and 2023, were \$79,649, and \$100,975 and were equal to the required contributions. The District contributed an additional \$30,000 and \$0 respectively for these years.

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2021 and 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2021 and 2022 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	4.7% for 2021 and 4.7% for 2022
Investment Rate of Return	7.5% for 2021 and 7.5% for 2022

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
 At September 30, 2023 and 2022

E. DEFINED BENEFIT PENSION PLANS (continued)

The long-term expected rate of return on pension plan investments is 7.60%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equity	11.5%	4.95%
International Equity	11.0%	4.95%
Strategic Credit	9.0%	3.39%
Direct Lending	16.0%	6.95%
Various	21.5%	.20-7.60%
Hedge Funds	6.0%	2.90%
Private Equity	25.0%	7.95%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.6%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability/(Asset)

	Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at December 31, 2021	\$ 4,033,921	\$ 4,781,504	\$ (747,583)
Changes for the year:			
Service cost	130,333	-	130,333
Interest	308,362	-	308,362
Effect of economic/demographic gains/losses	(13,570)	-	(13,570)
Effect of economic/demographic gains or loss	(17,692)	-	(17,692)
Changes of assumptions	-	-	-
Contributions - employer	-	109,301	(109,301)
Contributions - employee	-	79,301	(79,301)
Net investment income	-	(277,817)	277,817
Benefit payments, including refund of contributions	(217,708)	(217,708)	-
Administrative expense	-	(2,621)	2,621
Other changes	-	(102)	102
Net changes	\$ 189,725	\$ (309,646)	\$ 499,371
Balance at December 31, 2022	\$ 4,223,646	\$ 4,471,858	\$ (248,212)

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2023 and 2022

E. DEFINED BENEFIT PENSION PLANS (continued)

	Increase (decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at December 31, 2020	\$ 3,722,242	\$ 3,864,589	\$ (142,347)
Changes for the year:			
Service cost	148,708	-	148,708
Interest	289,573	-	289,573
Effect of economic/demographic gains/losses	-	-	-
Difference between expected and actual experience	3,560	-	3,560
Changes of assumptions	(6,338)	-	(6,338)
Contributions - employer	-	104,842	(104,842)
Contributions - employee	-	79,841	(79,841)
Net investment income	-	855,855	(855,855)
Benefit payments, including refund of contributions	(123,824)	(123,824)	-
Administrative expense	-	(2,587)	2,587
Other changes	-	2,788	(2,788)
Net changes	\$ 311,679	\$ 916,915	\$ (605,236)
Balance at December 31, 2021	\$ 4,033,921	\$ 4,781,504	\$ (747,583)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the District, calculated using the discount rate of 7.6% and 7.6%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.6% and 6.6%) or 1-percentage-point higher (8.6% and 8.6%) than the current rate for 2021 and 2022 respectively:

Measurement Date	1% Decrease in Discount Rate		Discount Rate	1% Increase in Discount Rate	
	6.6%	7.6%	7.6%	8.6%	8.6%
12/31/2021	District's net pension liability/(Asset)	\$ (290,007)	\$ (747,583)	\$ (747,583)	\$ (1,145,012)

Measurement Date	1% Decrease in Discount Rate		Discount Rate	1% Increase in Discount Rate	
	6.6%	7.6%	7.6%	8.6%	8.6%
12/31/2022	District's net pension liability/(Asset)	\$ 205,572	\$ (248,212)	\$ (248,212)	\$ (645,820)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2022 and 2023, the District recognized pension expense of \$79,649 and \$100,975.

At September 30, 2022 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	71,585	-	46,584	10,177
Changed is actuarial assumptions	129,149	5,070	96,341	3,802
Difference between projected and actual investment earnings	-	529,659	98,555	-
Contributions subsequent to the measurement date	60,865	-	82,396	-
Total	261,599	534,729	323,876	13,979

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2023 and 2022

E. DEFINED BENEFIT PENSION PLANS (continued)

Amounts reported as deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended September 30:

2024	(3,017)
2025	43,839
2026	58,675
2027	128,004
2028	-
Thereafter	-

F. LONG-TERM DEBT

The District's long-term debt activity for the year ended September 30, 2023, was as follows:

	Balance at 10/1/2022	Issued	Retired/ Refunded	Balance at 9/30/2023	Current Portion
Water System Revenue Bonds					
Series 2008	1,550,000	-	-	1,550,000	-
Series 2013 (refunding)	2,060,000	-	(1,040,000)	1,020,000	1,020,000
	<u>3,610,000</u>	<u>-</u>	<u>(1,040,000)</u>	<u>2,570,000</u>	<u>1,020,000</u>
Contract Revenue Bonds:					
Accreted Interest	1,041,780	-	525,543	1,567,323	-
Series 2013 (refunding)	2,610,000	-	(950,000)	1,660,000	935,000
Series 2017 (refunding)	13,014,652	-	(155,221)	12,859,431	190,539
Unamortized difference on refunding	(692,247)	-	173,058	(519,189)	-
	<u>15,974,185</u>	<u>-</u>	<u>(406,620)</u>	<u>15,567,565</u>	<u>1,125,539</u>
	<u>19,584,185</u>	<u>-</u>	<u>(1,446,620)</u>	<u>18,137,565</u>	<u>2,145,539</u>

The District's long-term debt activity for the year ended September 30, 2022, was as follows:

	Balance at 10/1/2021	Issued	Retired/ Refunded	Balance at 9/30/2022	Current Portion
Water System Revenue Bonds					
Series 2008	1,550,000	-	-	1,550,000	-
Series 2013 (refunding)	3,095,000	-	(1,035,000)	2,060,000	1,040,000
	<u>4,645,000</u>	<u>-</u>	<u>(1,035,000)</u>	<u>3,610,000</u>	<u>1,040,000</u>
Contract Revenue Bonds:					
Accreted Interest	1,070,974	-	(29,194)	1,041,780	-
Series 2013 (refunding)	3,550,000	-	(940,000)	2,610,000	950,000
Series 2017 (refunding)	13,162,169	-	(147,517)	13,014,652	155,221
Unamortized difference on refunding	(865,308)	-	173,061	(692,247)	-
	<u>16,917,835</u>	<u>-</u>	<u>(943,650)</u>	<u>15,974,185</u>	<u>1,105,221</u>
	<u>21,562,835</u>	<u>-</u>	<u>(1,978,650)</u>	<u>19,584,185</u>	<u>2,145,221</u>

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
 At September 30, 2023 and 2022

F. LONG-TERM DEBT *continued*

Water System Revenue Bonds, Series 2003, dated March 1, 2003, in the aggregate principal amount of \$8,650,000; interest payable semi-annually at coupon rates ranging from 0.74% to 4.14%; principal payable annually through September 1, 2024; secured by a pledge of revenues. The bond proceeds were used to fund improvements to the District's Tanner water treatment plant. These bonds were refunded by the issuance of the Water System Revenue Refunding Bonds Series 2013.

Water System Revenue Bonds, Series 2008, dated November 12, 2008, in the aggregate principal amount of \$1,550,000; interest payable semi-annually at coupon rates ranging from 5.5% to 5.85%; principal payable annually from September 1, 2025 through September 1, 2034; secured by a pledge of revenues. The bond proceeds were used to fund improvements to the District's Tanner water treatment plant.

Water System Revenue Refunding Bonds, Series 2013, dated June 25, 2013, in the aggregate principal amount of \$7,405,000, interest payable semi-annually at a rate of 2.25%, principal payable annually through September 1, 2024; secured by a pledge of revenues. The bond proceeds were used to advance refund the Water System Revenue Bonds Series 2003. The refunding was undertaken to reduce total debt service payments over the next 12 years by approximately \$787 thousand and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$684 thousand. The principal balance of the refunded debt is \$1,070,000 at September 30, 2023.

Contract Revenue Bonds, Series 2003, dated March 1, 2003, in the aggregate principal amount of \$12,400,000; interest payable semi-annually at coupon rates ranging from 1.38% to 4.03%; principal payable annually through September 1, 2026; secured by a pledge of revenues. The bond proceeds were used to fund construction of the District's Lake O' the Pines Southside Regional Water Supply System. These bonds were refunded by the issuance of the Contract Revenue Refunding Bonds, Series 2013.

Contract Revenue Refunding Bonds, Series 2013, dated June 25, 2013, in the aggregate principal amount of \$10,875,000, interest payable semi-annually at a rate of 2.25%, principal payable annually through September 1, 2025; secured by a pledge of revenues. The bond proceeds were used to advance refund the Contract Revenue Bonds, Series 2003. The refunding was undertaken to reduce the total debt service payments over the next 13 years by approximately \$1.21 million and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$897 thousand. The principal balance of the refunded debt is \$2,670,000 at September 30, 2023.

Contract Revenue Refunding Bonds, Series 2017, dated April 15, 2017, in the aggregate principal amount of \$13,989,850, interest payable semi-annually at a rate of 2.00%-4.00%, principal payable annually through September 1, 2041; secured by a pledge of revenues. The bond proceeds were used to advance refund the Contract Revenue Bonds, Series 2009. The refunding was undertaken to reduce the total debt service payments over the next 25 years by approximately \$2.9 million and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$4.6 million. The principal balance of the refunded debt is \$6,060,395 at September 30, 2023.

Certain bond agreements require the District to maintain reserve funds in an amount equal to the average annual principal and interest requirements of the outstanding bonds. As of September 30, 2023, reserve funds restricted for debt service totaled \$2,115,840 which exceeded the coverage required.

The scheduled Maturities of bonds payable as of September 30, 2023, are as follows:

Years Ending	Principal	Interest	Total
9/30			
2024	2,145,539	343,139	2,488,678
2025	1,537,045	432,644	1,969,689
2026	1,481,345	468,508	1,949,853
2027	1,476,245	464,605	1,940,850
2028	1,466,660	464,110	1,930,770
2029-2033	5,951,770	2,370,655	8,322,425
2034-2038	2,144,064	2,635,003	4,779,067
2039-2043	886,763	1,613,237	2,500,000
Total	17,089,431	8,791,901	25,881,332
Unamortized difference on refunding	(519,189)		
Accreted Interest	1,567,323		
	<u>18,137,565</u>		

Northeast Texas Municipal Water District
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2023 and 2022

G. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The District purchases commercial insurance to indemnify it in the event of loss.

H. COMMITMENTS AND CONTINGENCIES

The District has no significant commitments or contingencies at September 30, 2023.

I. LITIGATION

As of September 30, 2023, the District was not involved in any significant litigation.

J. RESERVED/RESTRICTED NET POSITION

Reservations or restrictions of fund equity reflect amounts legally set aside for specified purposes. The purpose of each is indicated by the account title on the face of the statement of net assets.

K. SUBSEQUENT EVENTS

Administration has evaluated subsequent events through December 20, 2023, the financial statement issuance date.

REQUIRED SUPPLEMENTARY INFORMATION

Northeast Texas Municipal Water District
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Measurement Date At December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost	130,333	148,708	106,946	100,446	98,810	97,295	102,282	82,397	76,628
Interest (on the Total Pension Liability)	308,362	289,573	261,696	241,004	220,113	201,725	181,086	167,691	152,425
Effect of economic/demographic gains/losses	(13,570)	-	86,833	5,151	31,635	14,770	15,323	-	-
Changes of benefit terms	(17,692)	-	-	-	-	-	-	44,008	-
Difference between expected and actual experience	-	3,560	-	-	-	-	-	(32,417)	26,430
Changes of assumptions	-	(6,338)	192,680	-	-	4,179	-	17,219	-
Benefit payments, including refunds of employee contributions	(217,708)	(123,824)	(97,649)	(97,649)	(91,049)	(93,841)	(88,327)	(98,014)	(101,636)
Net change in total pension liability	189,725	311,679	550,506	248,952	259,509	224,128	210,364	180,884	153,847
Total pension liability - beginning	4,033,921	3,722,242	3,171,736	2,922,784	2,663,275	2,439,147	2,228,783	2,047,899	1,894,052
Total pension liability - ending	<u>4,223,646</u>	<u>4,033,921</u>	<u>3,722,242</u>	<u>3,171,736</u>	<u>2,922,784</u>	<u>2,663,275</u>	<u>2,439,147</u>	<u>2,228,783</u>	<u>2,047,899</u>
Plan fiduciary net position									
Contributions - employer	109,301	104,842	96,429	90,273	62,687	59,954	57,560	57,037	52,046
Contributions - employee	79,301	79,841	71,429	65,273	62,687	59,954	57,560	57,037	52,046
Net investment income	(277,817)	855,855	355,526	477,050	(54,130)	369,961	171,141	(7,794)	147,141
Benefit payments, including refunds of employee contributions	(217,708)	(123,824)	(97,649)	(97,649)	(91,049)	(93,841)	(88,327)	(98,014)	(101,636)
Administrative expense	(2,621)	(2,587)	(2,828)	(2,621)	(2,334)	(1,946)	(1,859)	(1,672)	(1,740)
Other	(102)	2,788	1,593	2,461	1,317	330	23,333	(31,706)	9,175
Net change in plan fiduciary net position	(309,646)	916,915	424,500	534,787	(20,822)	394,412	219,408	(25,112)	157,032
Plan fiduciary net position - beginning	4,781,504	3,864,589	3,440,089	2,905,302	2,926,124	2,531,712	2,312,304	2,337,416	2,180,384
Plan fiduciary net position - ending	<u>4,471,858</u>	<u>4,781,504</u>	<u>3,864,589</u>	<u>3,440,089</u>	<u>2,905,302</u>	<u>2,926,124</u>	<u>2,531,712</u>	<u>2,312,304</u>	<u>2,337,416</u>
Net pension liability/(asset)	<u>(248,212)</u>	<u>(747,583)</u>	<u>(142,347)</u>	<u>(268,353)</u>	<u>17,482</u>	<u>(262,849)</u>	<u>(92,565)</u>	<u>(83,521)</u>	<u>(289,517)</u>
Plan fiduciary net position as a percentage of the total pension liability	105.63%	118.53%	103.82%	108.46%	99.40%	109.49%	103.79%	103.75%	114.14%
Covered-employee payroll	1,132,866	1,073,147	1,020,414	932,471	916,630	888,357	845,495	814,819	743,520
Net pension liability as a percentage of covered employee payroll	-21.9%	-69.7%	-27.4%	-28.8%	1.9%	-29.6%	-10.95%	-10.25%	-38.95%

NOTES:

Changes of benefit terms

There were no significant changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

There were no significant changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

SUPPLEMENTAL SECTION

Northeast Texas Municipal Water District
SCHEDULE OF REVENUES AND EXPENSES-
BUDGET AND ACTUAL
for the year ended September 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Raw water sales	2,937,996	2,890,462	(47,534)
Treated water sales	3,550,755	3,373,387	(177,368)
State grants	220,000	305,957	85,957
Other grants	68,445	3,435	(65,010)
Total operating revenues	6,777,196	6,573,241	(203,955)
OPERATING EXPENSES			
Personnel	1,740,688	1,580,326	160,362
Supplies	673,641	605,568	68,073
Maintenance	469,364	317,215	152,149
Contractual services	2,500,198	1,455,873	1,044,325
State grant programs	220,000	308,266	(88,266)
Other grant programs	22,920	14,207	8,713
Total operating expenses	5,626,811	4,281,455	1,345,356
Excess (deficiency) of revenues over expenditures	1,150,385	2,291,786	1,141,401
NON-OPERATING REVENUES (EXPENSES)			
Investment income, net	32,600	230,022	197,422
Interest expense and debt fees	(1,404,352)	(1,069,103)	335,249
Other	64,325	90,428	26,103
Total non-operating revenues (expenses)	(1,307,427)	(748,653)	558,774
NET INCOME BEFORE NON-BUDGETED EXPENSES	(157,042)	1,543,133	1,700,175
NON-BUDGETED EXPENSES			
Depreciation		1,127,184	
NET INCOME/(LOSS)		415,949	

Northeast Texas Municipal Water District
INDEX OF SUPPLEMENTAL SCHEDULES
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
for the year ended September 30, 2023

(Check those schedules included and provide a brief explanation below the schedule title for any schedule omissions)

		<u>Page Number</u>
<input checked="" type="checkbox"/>	(D) Notes required by the Water District Accounting Manual (Included in the notes to the financial statements)	14-28
<input checked="" type="checkbox"/>	(E) Services and rates	32-33
<input checked="" type="checkbox"/>	(F) Schedule of operating expenditures	34
<input checked="" type="checkbox"/>	(G) Schedule of temporary investments (Included in the notes to the financial statements)	16-19
<input type="checkbox"/>	(H) Analysis of taxes levied and receivable	*
<input checked="" type="checkbox"/>	(I) Analysis of changes in general fixed assets (Included in the notes to the financial statements)	21-22
<input checked="" type="checkbox"/>	(J) General long-term debt service requirements by years	35-36
<input checked="" type="checkbox"/>	(K) Analysis of changes in general long-term debt	37
<input type="checkbox"/>	(L) Comparative schedule of revenues and expenditures	*
<input checked="" type="checkbox"/>	(M) Insurance coverage	38
<input type="checkbox"/>	(N) Board members, key personnel, and consultants	*

* The Northeast Texas Municipal Water District provides only wholesale water services and therefore is not required to provide this supplemental information.

N/A – Not applicable

Northeast Texas Municipal Water District
(E) SCHEDULE OF SERVICES AND RATES
 For the year ended September 30, 2023

1. Services provided by the District:

<input type="checkbox"/> Retail water	<input checked="" type="checkbox"/> Wholesale water	<input type="checkbox"/> Drainage
<input type="checkbox"/> Retail wastewater	<input type="checkbox"/> Wholesale wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/recreation	<input type="checkbox"/> Fire protection	<input type="checkbox"/> Security
<input type="checkbox"/> Solid waste/garbage	<input type="checkbox"/> Flood control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other (specify): _____		

2. Retail rates based on 5/8" meter: Retail rates not applicable

Most prevalent type of meter (if not a 5/8"): _____

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	_____	\$ _____	_____	\$ _____	_____ to _____
WASTEWATER:	_____	\$ _____	_____	\$ _____	_____ to _____
SURCHARGE:	_____	\$ _____	_____	\$ _____	_____ to _____

District employs winter averaging for wastewater usage? yes no

Total water and wastewater charges per 10, 000 gallons usage (including surcharges). \$ _____

3. Retail Service Providers: Number of retail water and/or wastewater* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

	N/A	Active Connections	Active ESFC	Inactive Connections (ESFC)**
Single Family	_____	_____	_____	_____
Multi-Family	_____	_____	_____	_____
Commercial	_____	_____	_____	_____
Other-recreational centers, government & VFD	_____	_____	_____	_____
TOTAL	_____	_____	_____	_____

4. Total Water Consumption (in Thousands) During the Fiscal Year:

Gallons pumped into system: 1,266,410
 Gallons billed to customers: 1,174,208

* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

** "Inactive" means that water and wastewater connections were made, but service is not being provided.

5. **Standby Fees:** Does the District assess standby fees? Yes No

For the most recent full fiscal year, FYE _____:

Debt Service: Total levy \$ _____
 Total collected \$ _____
 Percentage collected _____

Operation & Maintenance: Total levy \$ _____
 Total collected \$ _____
 Percentage collected _____

Have standby fees been levied in accordance with Water Code Section 49,231 thereby constituting a lien on property. Yes No

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

a. Debt Service Tax Receipts \$ _____
 b. Surplus Construcion Funds _____
 c. Water and/or Wastewater Revenue _____
 d. Standby Fees _____
 e. Debt Service Fund Balance to be Used _____
 f. Interest Revenues _____
 g. Other (Describe) _____

 *TOTAL ANTICIPATED FUNSD TO BE USED \$ _____

7. **Location of District:**

County(ies) in which District is located. Cass, Morris, Marion, Upshur, Camp

Is the District located entirely within one county? Yes No

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

City(ies) in which District is located. Avinger, Daingerfield, Hughes Springs, Jefferson, Lone Star, Ore City, Pittsburg

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

ETJ's in which District is located. _____

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

If Yes, by whom? _____

* This total should equal the District's total annual debt service for the fiscal year following the fiscal year reported or in the audited financial statements.

Northeast Texas Municipal Water District
(F) SCHEDULE OF OPERATING EXPENDITURES
For the year ended September 30, 2023

Current:	
Personnel (including benefits)	1,511,513
Professional Fees:	
Auditing	36,500
Legal	350,815
Engineering	114,925
Financial advisor	-
Other professional fees	35,134
Purchased services for resale:	
Bulk water and sewer service purchases	-
Tap connection expenses	-
Contracted services:	
Bookkeeping	-
General manager	-
Appraisal district	-
Tax collector	-
Other contracted services	-
Utilities	363,127
Repairs and maintenance	317,215
Administrative expenses:	
Directors' fees	29,100
Office supplies	15,679
Insurance	130,344
Other administrative expenses	39,714
Capital outlay:	
Acquisition of fixed assets	1,593,926
Chemicals	418,231
Transfers	-
Special projects - State grant programs	308,266
Special projects - Other grant programs	14,207
Solid waste disposal	-
Other expenditures	<u>596,685</u>
TOTAL OPERATING EXPENDITURES	<u><u>5,875,381</u></u>
Number of persons employed by the District:	<u>15 full-time</u>
(Does not include independent contractors or consultants)	<u>1 part-time</u>

Northeast Texas Municipal Water District
(J) LONG-TERM DEBT SERVICE REQUIREMENTS – BY YEAR
As of September 30, 2023

FYE 9/30	Water System Revenue Refunding Bonds			Water System Revenue Bonds		
	Series 2013			Series 2008		
	Principal	Interest	Total	Principal	Interest	Total
2024	1,020,000	22,950	1,042,950	-	88,428	88,428
2025	-	-	-	155,000	88,427	243,427
2026	-	-	-	155,000	79,903	234,903
2027	-	-	-	155,000	71,300	226,300
2028	-	-	-	155,000	62,620	217,620
2029	-	-	-	155,000	53,940	208,940
2030	-	-	-	155,000	45,105	200,105
2031	-	-	-	155,000	36,192	191,192
2032	-	-	-	155,000	27,203	182,203
2033	-	-	-	155,000	18,135	173,135
2034	-	-	-	155,000	9,067	164,067
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
2045	-	-	-	-	-	-
	<u>1,020,000</u>	<u>22,950</u>	<u>1,042,950</u>	<u>1,550,000</u>	<u>580,320</u>	<u>2,130,320</u>

Northeast Texas Municipal Water District
(J) LONG-TERM DEBT SERVICE REQUIREMENTS – BY YEAR
As of September 30, 2023

FYE 9/30	Contract Revenue Refunding Bonds			Contract Revenue Refunding Bonds			TOTAL		
	Series 2013			Series 2017			Principal	Interest	Total
	Principal	Interest	Total	Principal	Interest	Total			
2024	935,000	37,350	972,350	190,539	194,411	384,950	2,145,539	343,139	2,488,678
2025	725,000	16,312	741,312	657,045	327,905	984,950	1,537,045	432,644	1,969,689
2026	-	-	-	1,326,345	388,605	1,714,950	1,481,345	468,508	1,949,853
2027	-	-	-	1,321,245	393,305	1,714,550	1,476,245	464,605	1,940,850
2028	-	-	-	1,311,660	401,490	1,713,150	1,466,660	464,110	1,930,770
2029	-	-	-	1,300,973	416,627	1,717,600	1,455,973	470,567	1,926,540
2030	-	-	-	1,283,582	426,830	1,710,412	1,438,582	471,935	1,910,517
2031	-	-	-	1,278,106	438,582	1,716,688	1,433,106	474,774	1,907,880
2032	-	-	-	850,009	447,141	1,297,150	1,005,009	474,344	1,479,353
2033	-	-	-	464,100	460,900	925,000	619,100	479,035	1,098,135
2034	-	-	-	440,355	484,645	925,000	595,355	493,712	1,089,067
2035	-	-	-	418,091	506,909	925,000	418,091	506,909	925,000
2036	-	-	-	395,168	524,832	920,000	395,168	524,832	920,000
2037	-	-	-	375,986	544,014	920,000	375,986	544,014	920,000
2038	-	-	-	359,464	565,536	925,000	359,464	565,536	925,000
2039	-	-	-	342,352	582,648	925,000	342,352	582,648	925,000
2040	-	-	-	325,933	599,067	925,000	325,933	599,067	925,000
2041	-	-	-	218,478	431,522	650,000	218,478	431,522	650,000
2042	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-
	<u>1,660,000</u>	<u>53,662</u>	<u>1,713,662</u>	<u>12,859,431</u>	<u>8,134,969</u>	<u>20,994,400</u>	<u>17,089,431</u>	<u>8,791,901</u>	<u>25,881,332</u>

Northeast Texas Municipal Water District
(K) ANALYSIS OF CHANGES IN LONG-TERM DEBT
for the year ended September 30, 2023

	Water System Revenue Bonds		Contract Revenue Bonds		Unamortized	Interest	Total
	Series 2008	Series 2013	Series 2013	Series 2017	Difference on Refunding	Accretion	
Interest rate	5.50-5.85%	2.25%	2.25%	2.00-4.00%			
Dates interest payable	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	3/1 & 9/1	N/A	N/A	
Maturity dates	9/1/25 to 9/1/34	9/1/13 to 9/1/24	9/1/13 to 9/1/25	9/1/17 to 9/1/41			
Bonds outstanding at beginning of current year	1,550,000	2,060,000	2,610,000	13,014,652	(692,247)	1,041,780	19,584,185
Bonds sold during the current year	-	-	-	-	-	-	-
Interest accretion	-	-	-	-	-	525,543	525,543
Retirements: principal	-	(1,040,000)	(950,000)	(155,221)	-	-	(2,145,221)
Refunding amortization	-	-	-	-	173,058	-	173,058
Bonds outstanding at end of current year	1,550,000	1,020,000	1,660,000	12,859,431	(519,189)	1,567,323	18,137,565
Retirement: interest	-	-	-	-	-	-	-
Bond Authority:	<u>Tax Bonds *</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>				
Amount authorized	N/A	1,550,000	53,319,850				
Amount issued	-	1,550,000	53,319,850				
Remaining to be issued	-	-	-				

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

Northeast Texas Municipal Water District
(M) INSURANCE COVERAGE
September 30, 2023

Type of Coverage	Insurer			
	Amount of Coverage	Name	Type of Corporation Stock/Mutual	Policy Clause: Co-Insurance
Treasurer - Faithful Performance Bond	\$ 100,000	Western Surety Company	Stock	No
Notary - Faithful Performance Bond	\$ 5,000	CNA Surety	Stock	No
Public Employer - Faithful Performance Bond	\$ 5,000	CNA Surety	Stock	No
Commercial Property - Real and Personal Property	\$ 31,916,035	TML	Pool	No
Valuable Paper and Records	\$ 50,000			
Loss of Revenues, Extra Expenses and Rents	\$ 50,000			
Commercial General Liability		TML	Pool	No
Limits of Liability	\$ 10,000,000			
Sudden Events, Involving Pollution	\$ 2,000,000			
Annual Aggregate	\$ 10,000,000			
Commercial Auto/Truck		TML	Pool	No
Limits of Liability	\$ 5,000,000			
Medical Payments Limit	\$ 25,000			
Automobile Physical Damage	Per schedule			
Uninsured/Underinsured Motorist	\$ 1,000,000			
Mobile Equipment	\$ 229,699	TML	Pool	No
Workers Compensation and Employers Liability	Statutory	UTICA National Insurance Group	Stock	No
Directors and Officers Liability	\$ 5,000,000	Great American Insurance	Stock	No
Crime Blanket - Per Occurrence		TML	Pool	No
Public Employee Dishonesty	\$ 500,000			
Forgery and Alteration	\$ 25,000			
Theft, Disappearance and Destruction	\$ 10,000			
Computer Fraud	\$ 10,000			

INTERNAL CONTROL AND COMPLIANCE SECTION



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*

Board of Directors
Northeast Texas Municipal Water District
Hughes Springs, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Northeast Texas Municipal Water District, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Northeast Texas Municipal Water District, basic financial statements, and have issued our report thereon dated December 20, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

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

Purpose of this Report

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

Respectfully Submitted,

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

December 20, 2023

Northeast Texas Municipal Water District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Northeast Texas Municipal Water District was an unmodified opinion.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. None
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. NONE
- e. The type of report the auditor issued on compliance for major programs. N/A
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under "Uniform Guidance under section 200.516 Audit Findings paragraph (a)" as required by Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). : NONE
- g. An identification of major programs: N/A
- h. The dollar threshold used to distinguish between Type A and Type B programs. N/A
- i. A statement as to whether the auditee qualified as a low-risk auditee. N/A

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

N/A

Northeast Texas Municipal Water District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

Northeast Texas Municipal Water District
CORRECTIVE ACTION PLAN
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022

CORRECTIVE ACTION

N/A

The contact at the District is Wayne Owen at (903) 639-7538.