# DELTA LAKE IRRIGATION DISTRICT

## ANNUAL FINANCIAL REPORT

### FOR THE YEAR ENDED DECEMBER 31, 2022

**DELTA LAKE IRRIGATION DITRICT**
**ANNUAL FINANCIAL REPORT**
**FOR YEAR ENDED DECEMBER 31, 2022**

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Delta Lake Irrigation District
Edcouch, Texas

## Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Delta Lake Irrigation District, as of and for the year ended December 31, 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 governmental activities, the major fund, and the aggregate remaining fund information of Delta Lake Irrigation District, as of December 31, 2022, and the respective changes in financial position and, where applicable, 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 Delta Lake Irrigation 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 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, 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 budgetary comparison information and schedule of pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other schedules are presented for purposes of additional analysis and are 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 other schedules in pages 28 and 32, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Roberto Lopez*

Roberto Lopez CPA PC

Harlingen, Texas
October 19, 2023

**DELTA LAKE IRRIGATION DISTRICT**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
DECEMBER 31, 2022

This discussion and analysis of Delta Lake Irrigation District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. The MD&A should be read in conjunction with the District's basic financial statements.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and represent a long-term view of the District's property, obligations, and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

For governmental activities, the fund tells how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for flat rate assessments and the non-appropriated budget.

The notes to the financial statements (starting on page 11) provide narrative explanations or additional data needed for full disclosure in the government-wide statements of the fund financial statements.

## FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent year by $32,902,541 (net position). Of this amount $5,977,721 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased by $1,340,259.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $5,403,144. A decrease of $1,718,585 in comparison with the prior year. $5,152,281 is available for spending at the District's discretion (unassigned fund balance).

### Reporting The District as a Whole

#### *The Statement of Net Position and the Statement of Activities*

The analysis of the District's overall financial condition and operations begins on page 7. Its primary objective is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows and liabilities and deferred inflows while the Statement of Activities includes all the income and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's income and expenses are taken into account regardless of when cash is received or paid. All the District's assets are reported whether they serve the current or future year. Liabilities are considered whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets, deferred outflows and liabilities and deferred inflows) provides one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To assess fully the overall health of the District; however, you should consider nonfinancial factors as well, such as the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

> ***Government Activities –*** The District's basic services are reported here. Flat rate, ad valorem tax, and water sales finance these activities.

**Reporting The District's Governmental Funds**

***Governmental Funds –*** The District reports its basic services in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash), and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation statements in the basic financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from $34,242,800 to $32,902,541. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was $5,977,721 as of December 31, 2022

The decrease in governmental net position was the net result of three factors. First, the District's expenditures exceeded the revenues by $1,340,260. Second, the District's recognition of depreciation decreased the net position by $1,032,182. Third, the District increased its net position by $1,271,422 as a result of the purchase of capital assets.

The following table reflects a summary of Net Position compared to prior year.

**Table I**
**NET POSITION**
**DECEMBER 31,**

| | 2022 | 2021 |
|---|---|---|
| Assets: | | |
| Current and other assets | $ 6,674,799 | $ 7,967,112 |
| Capital assets | 26,924,820 | 26,685,579 |
| Total assets | 33,599,619 | 34,652,691 |
| | | |
| Deferred outflows of resources: | | |
| Pension contributions | 71,351 | 50,891 |
| Assumption changes-pension | 39,789 | 80,823 |
| Economic/demogrphic gains or losses | 2,145 | - |
| Total deferred outflows of resources | 113,285 | 131,714 |
| | | |
| Liabilities: | | |
| Current liabilities | 545,364 | 463,911 |
| Total liabilities | 545,364 | 463,911 |
| | | |
| Deferred inflows of resources: | | |
| Economic/demographic gains or losses | - | 19,695 |
| Investment gains or losses-pension | 265,000 | 57,909 |
| Total deferred inflows of resources | 265,000 | 77,604 |
| | | |
| Net Position: | | |
| Net invested in Capital Assets, | 26,924,820 | 26,685,579 |
| Unrestricted | 5,977,721 | 7,557,221 |
| Total Net Position | $ 32,902,541 | $ 34,242,800 |

| Table II<br>CHANGES IN NET POSITION<br>DECEMBER 31, | | |
|---|---|---|
| | **2022** | **2021** |
| **Revenues:** | | |
| Water sales | $ 1,555,259 | $ 1,176,650 |
| Flat rate (net of discounts) | 1,032,887 | 816,708 |
| Ad valorem taxes (net of discounts) | 949,219 | 1,019,288 |
| Lease bonus and royalty income | 2,951 | 2,290 |
| Penalty and interest | 110,448 | 90,755 |
| Interest | 72,510 | 28,415 |
| Machine hire | 31,116 | 11,495 |
| Miscellaneous | 377,387 | 2,331,430 |
| Total Revenues | $ 4,131,776 | $ 5,477,031 |
| | | |
| **Expenses:** | | |
| Service Operations: | | |
| Operating | 4,436,479 | 3,870,883 |
| Pension | 3,376 | 25,017 |
| Depreciation | 1,032,182 | 970,429 |
| Total Expenses | $ 5,472,037 | $ 4,866,329 |
| | | |
| **Change in Net Position:** | (1,340,260) | 610,702 |
| Beginning Net position | 34,242,800 | 33,632,098 |
| Ending Net Position | $ 32,902,541 | $ 34,242,800 |

## CAPITAL ASSET AND DEBT ADMINISTRATION

***Capital Assets***

At December 31, 2022, the District had approximately $26,924,820 (net of accumulated depreciation) invested in a broad range of capital assets, including land, structures, and improvements and equipment.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the year 2022 budget. The District expects expenditures to exceed revenues for year 2023.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District Administration Office, at 10370 Charles Green Road, Edcouch, Texas, 78538.

# BASIC FINANCIAL STATEMENTS

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DELTA LAKE IRRIGATION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31. 2022

| ASSETS | General Fund | Adjustments | Statement of Net Position |
|---|---|---|---|
| Cash and cash equivalents and temporary investments | $ 5,131,446 | $ - | $ 5,131,446 |
| Flat Rate receivable | 355,344 | - | 355,344 |
| Allowance of uncollectible flat rate | (32,501) | - | (32,501) |
| Ad valorem tax receivable | 742,185 | - | 742,185 |
| Allowance for unccollectible ad valorem | (194,792) | - | (194,792) |
| Other receivables | 101,670 | - | 101,670 |
| Prepayments | 43,592 | - | 43,592 |
| Inventory | 207,271 | - | 207,271 |
| Deposits | 1,887 | - | 1,887 |
| Net pension asset | - | 318,697 | 318,697 |
| Capital assets (net of accumulated depreciation) | | | |
| Land | - | 10,090,549 | 10,090,549 |
| Structures and improvements, net | - | 14,108,214 | 14,108,214 |
| Equipment, net | - | 2,726,057 | 2,726,057 |
| Total assets | $ 6,356,102 | $ 27,243,517 | $ 33,599,619 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension Contributions | - | $ 71,351 | $ 71,351 |
| Assumption changes-pension | - | 39,789 | 39,789 |
| Economic/demographic gains or losses-pension | - | 2,145 | 2,145 |
| Total deferred inflows of resources | - | $ 113,285 | $ 113,285 |
| LIABILITIES | | | |
| Accounts Payable | $ 132,199 | - | $ 132,199 |
| Refundable deposits | 326,253 | - | 326,253 |
| Salaries payable | - | 86,912 | 86,912 |
| Total liabilities | $ 458,452 | 86,912 | $ 545,364 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable flat rate | $ 141,796 | $ (141,796) | $ - |
| Unavailable ad valorem | 352,710 | (352,710) | - |
| Investment gains or lossess-pension | - | 265,000 | 265,000 |
| Total deferred inflows of resources | $ 494,506 | $ (229,506) | $ 265,000 |
| FUND BALANCE/NET POSITION | | | |
| Fund balances: | | | |
| Nonspendable | | | |
| Inventory | $ 207,271 | $ (207,271) | |
| Prepayments | 43,592 | (43,592) | |
| Unassigned | 5,152,281 | (5,152,281) | |
| Total fund balances | $ 5,403,144 | $ (5,403,144) | |
| Total liabilities, deferred inflows of resources & fund balances | $ 6,356,102 | | |
| Net position: | | | |
| Invested in capital assets, net of related debt | | $ 26,924,820 | $ 26,924,820 |
| Unrestricted | | 5,977,721 | 5,977,721 |
| Total net position | | $ 32,902,541 | $ 32,902,541 |

The accompanying notes are an integral part of these financial statements.

DELTA LAKE IRRIGATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31. 2022

| | | |
|---|---|---|
| **Total Fund Balances - Governmental Funds** | $ | 5,403,144 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $44,400,884 and the accumulated depreciation was $17,715,305. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position. | | 26,685,579 |
| Pension plan asset and deferred outflows and inflows are not financial resources and therefore are not reported in the funds. The net effect of including the pension plan asset and deferred outflows and inflows is to increase net position. | | 166,982 |
| Current year capital outlays, are expenditures in the fund financial statements, but they should be shown as increase in capital assets in the government-wide financial statements. The net effect of including the 2022 capital outlays is to increase net position. | | 1,271,422 |
| The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to increase net position. | | (1,032,182) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred inflows of resources as income and recognizing the liabilities associated with salaries payable. The ne teffect of these reclassifications is to increase net position. | | 407,594 |
| **Net Position of Governmental Activities** | $ | 32,902,541 |

The accompanying notes are an integral part of these financial statements

DELTA LAKE IRRIGATION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS, REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the year ended December 31. 2022

| REVENUES/INCOME | General Fund | Adjustments | Statement of Net Position |
|---|---|---|---|
| Water Sales | $ 1,436,828 | $ 118,431 | $ 1,555,259 |
| Lease bonus and royalty revenues | 2,951 | - | $ 2,951 |
| Flat rate assessments (net of $20,697 discounts) | 1,054,866 | (21,979) | 1,032,887 |
| Ad valorem tax (net of $15,490 discounts) | 927,016 | 22,204 | 949,219 |
| Penalty and interest | 110,448 | - | 110,448 |
| Interest | 72,510 | - | 72,510 |
| Machine hire | 31,116 | - | 31,116 |
| Miscellaneous | 342,687 | 34,700 | 377,387 |
| Total revenues/income | $ 3,978,421 | $ 153,355 | $ 4,131,776 |
| EXPENDITURES/EXPENSES | | | |
| Service Operations: | | | |
| Operating | $ 4,425,584 | $ 10,895 | $ 4,436,479 |
| Capital outlays | 1,271,422 | (1,271,422) | - |
| Pension | - | 3,376 | 3,376 |
| Depreciation | - | 1,032,182 | 1,032,182 |
| Total expenditures/expenses | $ 5,697,006 | $ (224,969) | $ 5,472,037 |
| Excess (deficiency) of revenues over expenditures | $ (1,718,585) | $ 378,324 | |
| Other financing sources | | | |
| Excess (deficiency) of revenues and other sources over expenditures | $ (1,718,585) | $ 1,718,585 | |
| Change in net position | | (1,340,260) | $ (1,340,260) |
| Fund balances/net position: | | | |
| Beginning of the year | 7,121,729 | 27,121,071 | 34,242,800 |
| End of the year | $ 5,403,144 | $ 27,499,395 | $ 32,902,541 |

The accompanying notes are an integral part of these financial statements.

DELTA LAKE IRRIGATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES;
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the year ended December 31. 2022

| | |
|---|---|
| **Total Net Change in Fund Balance - Governmental Funds** | $ (1,718,585) |
| Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets. The net effect of removing the 2022 capital outlays is to increase net position. | 1,271,422 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. | (1,032,182) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred inflows of revenue and adjusting current year income to show the income earned from the current year's yax levy, and flat rate, and removing pension contributions and recognizing pension expense and the liabilities associated with salaried payable. The net effect of these reclassifications and recognitions is to increase net position. | 139,085 |
| **Change in Net Position of Governmental Activities** | $ (1,340,259) |

The accompanying notes are an integral part of these financial statements.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Willacy County Water Control and Improvement District Number One was organized as a water control and improvement district in 1929 under the provisions of Chapter 51, Texas Water Code. One June 13, 1980, the Board of Directors resolved that the District be converted from water control district into an irrigation district as authorized by Section 58 of the Texas Water Code.

### 1.The Reporting Entity

The Board of Directors (the "Board"), a five-member group, had governance responsibilities over all activities related to the Irrigation District. The District is a financial reporting entity as defined by the Government Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity", since the aboard members are elected by the public and have decision making authority, the power to designate management, the responsibility to influence significantly operations and primary accountability for fiscal matters. There are no component units included within the reporting entity. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

### 2. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's activities. *Governmental activities* include operations supported primarily by flat rate assessments, ad valorem taxes, and charges for services.

Charges for services consist of charges to customers that purchase, use, or directly benefit from goods or services provided by the District. Examples include water sales and machine hire revenue.

The fund financial statements provide reports on the financial condition and results of operations for the general fund, special revenue fund, and capital projects fund.

### 3. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Flat rate assessments and ad valorem taxes are recognized as income in the year for which they are levied.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, deferred inflow of resources and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available, and it recognizes expenditures in the accounting period in

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued)*

which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The District considers flat rate and ad valorem taxes as available if they are collectible within 60 days after year end.

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 pf self-balancing accounts which are comprised of each fund's assets, liabilities, deferred inflows of resources, equity, revenues, and expenditures. The District reports the following major governmental fund:

> General Fund – The General Fund is used to account for financial resources used for general operations. It is the basic fund of the District and covers all activities. Any fund balances are considered resources available for current operations.

### 4. Other Accounting Policies

Cash and cash equivalent include cash and highly liquid investments such as certificates of deposits and TexPool Investment Pools with maturities of three months or less.

The District records purchases of supplies as expenditures. If any supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserviced for the same amount.

Capital assets, which include land, structures, improvements and equipment is reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Structures, improvements and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

| Asset Class | Estimated Useful Lives |
|---|---|
| Structures and improvements | 15-50 years |
| Equipment | 5-40 years |

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments within the deferred expenditures (expenses) line item in both government-wide and fund financial statements.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued)*

The District reports deferred inflows of resources in the governmental fund financial statements. Deferred inflows arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent period, with both revenues recognition criteria are met, the liability for deferred inflow is removed from the governmental fund balance sheet and income is recognized.

Encumbrance accounting which uses purchase orders, contracts and other commitments for the expenditures of resources is not utilized in the Governmental Fund of the District. Expenditures are recognized when the goods purchased are received or when the services have been performed.

### 5. Fund Balance Policies

The District has classified its fund balances in the following classifications:

| | | |
|---|---|---|
| Nonspendable | | |
| Inventory | $ | 207,271 |
| Prepayment | | 43,592 |
| Restricted | | |
| Committed | | |
| Assigned | | |
| Unassigned | | 5,152,281 |

The Board of Trustees is the District's decision making authority for both committing and restricting fund balances.

The Board of Trustees must by formal board action establish, modify, or rescind a fund balance commitment.

When the District incurs an expenditure for which it may use either restricted or unassigned assets, it uses the restricted assets first unless unassigned assets will have to be returned because they were not used.

### 6. Budget and Budgetary Accounting

1. The District follows these procedures in establishing the budgetary data reflected in the Financial Statements. Prior to January 1, the District's General Manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued)*

3. Prior to January 1, the budget is legally adopted by the Board of Directors.

4. Formal budgetary integration is employed as a management control device during the year for the General Fund.

5. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for the General Fund lapse at year end.

6. For the year ended December 31, 2022 the budget was not amended during the year.

### 7. Pension Benefit Plan

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### 8. Use of Estimates

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

### 9. Leases

The District has adopted FASB ASC 842, Leases, with a date of initial application of January 1, 2022. For leases with a lease term greater than one year, the District recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The District determines whether an arrangement is or contains a lease at contract inception. Operating leases with a duration greater than one year are included in operating lease right-of-use assets, current portion operating lease liabilities, and operating lease liabilities, net of current portion, the District's Statement of Net Position at December 31, 2022. Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the District uses a risk free rate of a period comparable with that of the lease term. The District considers the lease term to be noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the District is reasonably certain not to exercise the option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued)*

The operating lease right-of-use assets also include any lease payments and exclude lease incentives received or receivable. Lease expense is recognized on a straight-line basis over the expected lease term. Variable lease expenses are recorded when incurred.

### 10. Prepaid Expenses

Prepaid assets are assets that arises on a balance sheet as a result of the District making payments for goods and services to be received in the near future. While prepaid expenses are initially recorded as assets, their value is expensed over time as the benefit is received into the income statement, because unlike conventional expenses, the District will receive something of value in the near future.

## NOTE B – FASB ASC 606 NEW ACCOUNTING GUIDANCE

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers,* in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition,* and required the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitles in exchange for good or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers,* to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to the new Topic 606 and Subtopic 640-40 as the "new guidance." No retrospective transition was necessary from the adoption of the new guidance.

## NOTE C – DEPOSITS AND INVESTMENTS

The Public Funds Investment Act (Government Code 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 principle 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.

Statues authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Delta Lake Irrigation District is in substantial compliance with the requirements of the Act and with local policies.

## NOTE C – DEPOSITS AND INVESTMENTS – (*Continued)*

In compliance with the Public Funds Investment Acts, the District has adopted a deposit and investment policy. That policy does address the following risks:

*Custodial Credit Risk for Deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District is not exposed to Custodial Credit Risk for its deposits as all were insured or collateralized with securities held by the District's agent in the District's name at December 31. 2022.

*Custodial Credit Risk - Investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District limits investments or collateral securities that are in the possession of an outside party. TexPool Investment Pools are 2 (a) 7 like funds meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net value of $1.00, although this cannot be fully guaranteed. TexPools are rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

At December 31. 2022, the TexPool Investment Pools portfolios had a weighted average maturity of 45 days. Although the TexPool Investment Pools portfolios had a weighted average maturity of 45 days, the District considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

*Concentration of Credit Risk:* As of December 31, 2022, the Bank Money Market Account represents 99% of the portfolio, and TexPool Investment Pools represent 1% of the portfolio.

*Interest Rate Risk:* Investments strategies have as a primary objective of investment liquidity. As a means of minimizing risk of loss due to interest rate fluctuations, certificates of deposit cannot have a stated final maturity date which exceed 180 days.

## NOTE D – FLAT RATE ASSESSMENTS AND AD VALOREM TAXES

Flat rate assessments and ad valorem taxes are levied by October 1 on acreage located in the District. Assessments are due on receipt of assessment bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a lien attaches to property to secure the payment of all assessments, penalties and interest ultimately imposed.

## NOTE E – DELINQUENT FLAT RATE AND LAWN WATER RECEIVABLES

Delinquent flat rate and ad valorem taxes are accounted for in the General Fund. Allowances for uncollectible flat rate and lawn water receivable accounts within the General Fund are based on historical experience in collecting flat rates and ad valorem taxes.

## NOTE F – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources at December 31, 2022, consisted of the following:

| | General Fund |
|---|---|
| Flat rate, net | $ 141,796 |
| Ad valorem tax | 352,710 |
| Total | $ 494,506 |

## NOTE G – CAPITAL ASSETS ACTIVITY

Capital asset activity for the District, for the year ended December 31, 2022, was as follows:

| | Beginning Balance Jan 01, 2022 | Additions | Deletions | Ending Balance Dec 31 , 2022 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Land | $ 10,090,549 | $ - | $ - | $ 10,090,549 |
| Structures and improvements | 26,517,274 | 1,047,151 | - | 27,564,425 |
| Equipment | 7,793,061 | 224,271 | (76,979) | 7,940,353 |
| Total at historical cost | $ 44,400,884 | $ 1,271,422 | $ (76,979) | $ 45,595,327 |
| Less accumulated depreciation for: | | | | |
| Structures and improvements | (12,941,921) | (514,290) | - | (13,456,211) |
| Equipment | (4,773,384) | (517,891) | 76,979 | (5,214,296) |
| Total accumulated depreciation | (17,715,305) | (1,032,182) | 76,979 | (18,670,508) |
| Governmental activities capital assets, net | $ 26,685,579 | $ 239,240 | $ - | $ 26,924,820 |

## NOTE H – HEALTH COVERAGE

During the year ended December 31, 2022, employees of the Delta Lake Irrigation District were covered by a health insurance plan (the plan). All premiums were paid to a licensed insurer.

The contract between the Delta Lake Irrigation District and the licensed insurer is renewable September 1, 2023 and terms of coverage and premium costs are included in the contract provisions.

## NOTE I – PENSION COVERAGE FOR DISTRICT EMPLOYEES

*1. Plan Description*

Delta Lake Irrigation District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of statewide agent multiple-employer public employee retirement system consisting of 656 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 at www.tcdrs.com.

*2. Benefits Provided*

The plan provisions are adopted by the governing body of the employer, 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, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum before they are eligible to retire are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the 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 by converting the sum of the employee's accumulated deposits 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 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 20 |
| Inactive employees entitled to but not yet receiving benefits | 89 |
| Active employees | 48 |

*3. Contributions*

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, and the District is required to contribute at actuarially determined rates as adopted by the governing body of the District. Under the state law governing TCDRS, the contribution rate for each District is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost. of benefits earned by employees during the year, with the additional amount to finance any unfunded accrued liability.

## NOTE I – PENSION COVERAGE FOR DISTRICT EMPLOYEES – (*Continued)*

Employees for the District were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the District was 3.3% in calendar year 2021. The District's contributions to TCDRS for the year ended December 31, 2022, were $50,891 and were equal to the required contributions.

*4. Net Pension Liability*

The District's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.50% |
| Salary Increases | Varies by age and service. 4.7% average over career including inflation. |
| Investment Rate of Return | 7.50%, net of administrative and investment expenses, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based (110%) of Ultimate Scale for 2014 and later. Previously Scale AA has been used. The Base Table is RP-200 Table projected with Scale AA to 2014.

Actuarial assumptions used in the December 31, 2021, valuation were based on the results of actuarial experience studies. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality experience Investigation Study. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Enty Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2021 valuation.

The long-term expected rate of return on pension plan investments is 7.50%. 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 funding needs of TCDRS.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2022 information for a 10-year time horizon.

## NOTE I – PENSION COVERAGE FOR DISTRICT EMPLOYEES – (*Continued)*

| Asset Class | Benchmark | Target Allocation[1] | Geometric Real Rate of Return[2] |
|---|---|---|---|
| U.S. Equities | Dow Jones U.S. Total Stock Market Index | 11.50% | 3.80% |
| Global Equities | MSCI World (net) Index | 2.50% | 4.10% |
| Int'l Equities - Developed Markets | MSCI World Ex USA (net) Index | 5.00% | 3.80% |
| Int'l Equities - Emerging Markets | MSCI Emerging Markets (net) Index | 6.00% | 4.30% |
| Investment-Grade Bonds | Bloomberg Barclays U.S. Aggregate Bond Index | 3.00% | -0.85% |
| Strategic Credit | FTSE High-Yield Cash-Pay Capped Index | 9.00% | 1.77% |
| Direct Lending | S&P/LSTA Leveraged Loan Index | 16.00% | 6.25% |
| Distressed Debt | Cambridge Associates Distressed Securities Index[3] | 4.00% | 4.50% |
| REIT Equities | 67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index | 2.00% | 3.10% |
| Master Limited Partnerships | Alerian MLP Index | 2.00% | 3.85% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index[4] | 6.00% | 5.10% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index[5] | 25.00% | 6.80% |
| Hedge Funds | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index | 6.00% | 1.55% |
| Cash Equivalents | 90-Day U. S. Treasury | 2.00% | -1.05% |

*[1] Target asset allocation adopted at the March 2022 TCDRS Board meeting.*
*[2] Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.6%, per Cliffwater's 2022 capital market assumptions.*
*[3] Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.*
*[4] Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.*
*[5] Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.*

The discount rate used to measure the Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. 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.

## NOTE I – PENSION COVERAGE FOR DISTRICT EMPLOYEES – (*Continued*)

### Changes in Net Pension Liability / (Asset)

| Changes in Net Pension Liability / (Asset) | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability / (Asset) (a) – (b) |
|---|---|---|---|
| Balances as of December 31, 2020 | $1,925,108 | $1,970,095 | $(44,987) |
| Changes for the year: | | | |
| Service cost | 128,944 | | 128,944 |
| Interest on total pension liability[1] | 150,353 | | 150,353 |
| Effect of plan changes[2] | 0 | | 0 |
| Effect of economic/demographic gains or losses | 3,359 | | 3,359 |
| Effect of assumptions changes or inputs | (933) | | (933) |
| Refund of contributions | (17,587) | (17,587) | 0 |
| Benefit payments | (136,692) | (136,692) | 0 |
| Administrative expenses | | (1,283) | 1,283 |
| Member contributions | | 76,414 | (76,414) |
| Net investment income | | 429,633 | (429,633) |
| Employer contributions | | 50,891 | (50,891) |
| Other[3] | 0 | (222) | 222 |
| Balances as of December 31, 2021 | $2,052,552 | $2,371,248 | $(318,697) |

*(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.*
*(2) No plan changes valued.*
*(3) Relates to allocation of system-wide items.*

### Sensitivity Analysis

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| | 6.60% | 7.60% | 8.60% |
| Total pension liability | $2,348,943 | $2,052,552 | $1,804,016 |
| Fiduciary net position | 2,371,248 | 2,371,248 | 2,371,248 |
| Net pension liability / (asset) | ($22,305) | ($318,697) | ($567,232) |

**NOTE I – PENSION COVERAGE FOR DISTRICT EMPLOYEES – (*Continued)***

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.

5. *Pension Expense and Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pension*

For the year ended December 31, 2022, the District recognized pension income of $3,376.

At December 31, 2022, the deferred inflows and outflows of resources related to pension are as follows:

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 4,277 | $ 6,422.00 |
| Changes of assumptions | 622 | 40,411 |
| Net difference between projected and actual earnings | 265,000 | - |
| Contributions subsequent to the Measurement date | N/A | 71,351 |

$71,351 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

| Year ended December 31: | |
|---|---|
| 2022 | $(16,933) |
| 2023 | (86,455) |
| 2024 | (63,486) |
| 2025 | (56,192) |
| 2026 | 0 |
| Thereafter[4] | 0 |

## NOTE J – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage of, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District is a member of the Texas Water Conservation Intergovernmental Risk Pool, a joint self-insurance pool of Texas Political Subdivisions, which provides workers' compensation coverage and liability and property coverage for the District based upon a sharing of risk and members of the pool.

The District continues to carry commercial insurance for the risk of loss from employer dishonesty and for the bonding of its directors. There have been no claims resulting from these risks in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in the prior period.

## NOTE K – PAID TIME OFF

It is the District's policy to permit employees to accumulate earned but unused paid time off. Paid time off that is expected to be liquidated with expendable available financial resources is reported as an expenditure of the General Fund. Amounts not expected to be liquidated with expendable available financial resources are reported as a liability in the statement of net position.

| | |
|---|---|
| Balance January 1, 2022 | $ 82,360 |
| Additions | 4,552 |
| Deletions | - |
| Balance December 31, 2022 | $ 86,912 |

## NOTE L – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 19, 2023, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

# REQUIRED SUPPLEMENTARY INFORMATION

DELTA LAKE IRRIGATION DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the year ended December 31. 2022

| | Actual | Original & Final Budget | Variance Positive (Negative) |
|---|---|---|---|
| REVENUES: | | | |
| Water Sales | $ 1,436,828 | $ 2,020,000 | $ (583,172) |
| Lease bonus and royalty revenues | 2,951 | 1,500 | 1,451 |
| Flat rate assessments (net of $20,697 discounts) | 1,054,866 | 775,000 | 279,866 |
| Ad valorem tax (net of $15,490 discounts) | 927,016 | 943,654 | (16,638) |
| Penalty and interest | 110,448 | 130,000 | (19,552) |
| Interest | 72,510 | - | 72,510 |
| Machine hire | 31,116 | 35,000 | (3,884) |
| Miscellaneous | 342,687 | 266,000 | 76,687 |
| Total revenues | $ 3,978,421 | $ 4,171,154 | $ (192,733) |
| EXPENDITURES: | | | |
| Service operations: | | | |
| Operating | $ 4,425,584 | $ 4,099,350 | $ (326,234) |
| Capital outlays | 1,271,422 | 1,291,000 | 19,578 |
| Total expenditures | $ 5,697,006 | $ 5,390,350 | $ (306,656) |
| Excess (deficiency) of revenues over expenditures | $ (1,718,585) | $ (1,219,196) | $ (499,389) |
| Other financing sources | | | |
| Excess (deficiency) of revenues and other sources over expenditures | $ (1,718,585) | $ (1,219,196) | $ (499,389) |
| Fund balances | | | |
| Beginning of the year | 7,121,729 | 7,121,729 | - |
| End of the year | $ 5,403,144 | $ 5,902,533 | $ (499,389) |

DELTA LAKE IRRIGATION DISTRICT
PENSION INFORMATION

SCHEDULE OF PENSION EXPENSE/(INCOME)

| | | | January 1, 2021 to December 31, 2021 |
|---|---|---|---|
| 1. | Total Service cost | $ | 128,944 |
| 2. | Interest on total pension liability | | 150,353 |
| 3. | Effect of plan changes | | - |
| 4. | Administrative expenses | | 1,283 |
| 5. | Member contributions | | (76,414) |
| 6. | Expected investment return net of investment expenses | | (148,665) |
| 7. | Recognition of deferred inflows/outflows of resources | | |
| | Recognition of economic/demographic gains or losses | | (18,481) |
| | Recognition of assumption changes or inputs | | 40,101 |
| | Recognition of invesment gains or losses | | (73,967) |
| 8. | Other | | 222 |
| | Pension expense/(Income) | $ | 3,376 |

DELTA LAKE IRRIGATION DISTRICT
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
PENSION INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

| **Total pension liability** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|---|---|
| Service cost | $ 128,944 | $ 113,870 | $ 123,404 | $ 102,800 | $ 97,652 | $ 97,256 | $ 96,255 |
| Interest (on the Total Pension Liability | 150,353 | 137,894 | 130,080 | 108,581 | 98,098 | 84,442 | 79,662 |
| Effect of plan changes | - | - | - | 133,767 | - | - | (16,236) |
| Effect of economic/demographic gains or losses | 3,359 | 12,547 | (58,518) | (6,817) | (17,481) | (11,845) | (57,296) |
| Effect of assumptions, changes or inputs | (933) | 112,701 | - | - | 17,069 | - | 8,708 |
| Benefit payments, including refunds of employee contributions | (154,279) | (79,300) | (98,278) | (88,934) | (53,795) | (48,848) | (63,372) |
| **Net Change in Total Pension Liability** | **$ 127,444** | **$ 297,712** | **$ 96,688** | **$ 249,397** | **$ 141,540** | **$ 121,005** | **$ 47,721** |
| **Total Pension Liability - Beginning** | **1,925,108** | **1,627,397** | **1,530,709** | **1,281,311** | **1,139,771** | **1,018,766** | **971,045** |
| **Total Pension Liability - Ending (a)** | **$ 2,052,552** | **$ 1,925,108** | **$ 1,627,397** | **$ 1,530,709** | **$ 1,281,311** | **$ 1,139,771** | **$ 1,018,766** |
| **Plan Fiduciary Net Position** | | | | | | | |
| Contributions - Employer | $ 50,891 | $ 58,871 | $ 63,018 | $ 29,638 | $ 26,293 | $ 38,647 | $ 39,308 |
| Contributions - Employee | 76,414 | 78,494 | 79,369 | 76,142 | 68,474 | 65,504 | 62,594 |
| Investment Income Net of Investment Expense | 429,633 | 179,133 | 238,107 | (27,028) | 181,491 | 81,942 | (10,968) |
| Benefit payments/refunds of contributions | (154,279) | (79,300) | (98,278) | (88,934) | (53,795) | (48,848) | (63,372) |
| Administrative expenses | (1,283) | (1,442) | (1,321) | (1,165) | (972) | (891) | (787) |
| Other | (222) | 1,489 | 1,752 | 649 | 540 | 1,704 | 1,254 |
| **Net change in Plan Fiduciary - Net Position** | **$ 401,153** | **$ 237,245** | **$ 282,647** | **$ (10,698)** | **$ 222,031** | **$ 138,058** | **$ 28,029** |
| **Plan Fiduciary Net Position - Beginning** | **1,970,095** | **1,732,850** | **1,450,202** | **1,460,900** | **1,238,869** | **1,100,809** | **1,072,780** |
| **Plan Fiduciary Net Position - Ending (b)** | **$ 2,371,248** | **$ 1,970,095** | **$ 1,732,850** | **$ 1,450,202** | **$ 1,460,900** | **$ 1,238,869** | **$ 1,100,809** |
| **Net Pension Liability/(asset) - Ending = (a) - (b)** | **$ (318,697)** | **$ (44,987)** | **$ (105,453)** | **$ 80,506** | **$ (179,589)** | **$ (99,098)** | **$ (82,043)** |
| **Plan Fiduciary Net Positions as a Percentage of Total Pension Liability** | **115.53%** | **102.34%** | **106.48%** | **94.74%** | **114.02%** | **108.69%** | **108.05%** |
| **Pensionable covered Payroll** | **$ 1,528,274** | **$ 1,569,887** | **$ 1,587,377** | **$ 1,522,844** | **$ 1,369,470** | **$ 1,310,078** | **$ 1,251,875** |
| **Net Pension Liability (asset) as a Percentage of Covered Employee Payroll** | **(20.85%)** | **(2.87%)** | **(6.64%)** | **(5.29%)** | **(13.11%)** | **(6.55%)** | **(6.55%)** |

DELTA LAKE IRRIGATION DISTRICT
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

SCHEDULE OF CONTRIBUTIONS

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 50,891 | $ 58,871 | $ 63,018 | $ 29,638 | $ 26,293 | $ 38,647 | $ 39,308 |
| Actual employee contributions | $ 50,891 | $ 58,871 | $ 63,018 | $ 29,638 | $ 26,293 | $ 38,647 | $ 39,308 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered employee payroll | $ 1,528,274 | $ 1,569,887 | $ 1,587,377 | $ 1,522,844 | $ 1,369,470 | $ 1,310,078 | $ 1,251,875 |
| Contributions as a percentage of covered employee payroll | 3.3% | 3.7% | 4.0% | 1.9% | 1.9% | 2.9% | 3.1% |

**NOTES TO SCHEDULE**

Valuation Date: Actuarially determined contribution rates are calculates each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry Age (level percentage of pay)

Amortizartion Method: Leve percentage of payroll, closed

Remaining Amortization Period: 18.7 years (based on contribution rate calculated in 12/31/2021 valuation)

Asset Valuation Method: 5-years smoothed market

Inflation: 2.5%

Salary Increases: Varies by age and service. 4.7% average over career including inflation.

Investment Rate of Return: 7.50%, net of administrative and investment expenses, including inflation.

Retirement Age: Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.

Mortality: 135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*
2015: New inflation, mortality and other assumptions were reflected.
2017: New mortality assumptions were reflected.
2019: New inflation, mortality and other assumptions were reflected.

Changes in Plan Provisions Reflected in the Schedule of Employer contributions*
2015: No changes in plan provisions were reflected in the Schedule.
2016: No changes in plan provisions were reflected in the Schedule.
2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.
2018: No changes in plan provisions were reflected in the Schedule.
2019: Employer contributions reflect that the current service matching rate was increased to 125%
2020: No changes in plan provisions were reflected in the Schedule.
2021: No changes in plan provisions were reflected in the Schedule.

**Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.*

# OTHER SCHEDULES

DELTA LAKE IRRIGATION DISTRICT
SCHEDULE OF CASH, CASH EQUIVALENTS AND TEMPORARY INVESTMENTS
December 31, 2022

| | General Fund |
|---|---|
| Cash: | |
| Petty Cash | $ 436 |
| Cash on deposit at Rio Bank: | |
| Checking accounts | 169,436 |
| Total cash | $ 169,872 |
| Cash Equivalents: | |
| Money Market Accounts | |
| Rio Bank | $ 957,305 |
| TexPool Account | 2,079,259 |
| Texas Class Account | 1,925,011 |
| Total cash equivalents | $ 4,961,574 |
| Temporary Investments: | |
| Certificates of Deposit | |
| Rio Bank | $ - |
| Total temporary investments | $ - |
| Total cash, cash equivalents and temporary investments | $ 5,131,446 |

DELTA LAKE IRRIGATION DISTRICT
SCHEDULE OF MISCELLANEOUS REVENUES - GENERAL FUND
For the year ended December 31, 2022

General Fund

| | | |
|---|---|---|
| City of Raymondville - interlocal | $ | 24,361 |
| Delta Resort - leases | | 180,921 |
| Delta Resort - fees | | 5,217 |
| Exclusion and inclusion fees | | 4,500 |
| Miscellaneous | | 73,731 |
| Rental | | 6,000 |
| Sale of assets | | 47,957 |
| | $ | 342,687 |

DELTA LAKE IRRIGATION DISTRICT
SCHEDULE OF OPERATING EXPENDITURES - GENERAL FUND
For the year ended December 31, 2022

| Administrative expenditures: | 2022 |
|---|---|
| Legal Publication | $ 1,088 |
| Salaries | 454,885 |
| Payroll taxes | 126,009 |
| Workmen compensation insurance | 49,792 |
| Health insurance | 331,766 |
| Legal | 9,725 |
| Audit | 8,000 |
| Insurance | 91,781 |
| Water assessment | 61,243 |
| Materials and supplies | 17,045 |
| Telephone | 24,496 |
| Utilities | 12,578 |
| Auto allowance and travel | 13,916 |
| Dues and subscriptions | 40,004 |
| Appraisal expenditures | 15,610 |
| Professional | 15,876 |
| Office Equipment | 2,777 |
| Miscellaneous | 10,109 |
| Retirement contributions | 71,351 |
| Repairs | 2,179 |
| Total administrative expenditures | $ 1,360,228 |
| **River pump expenditures:** | |
| Operating labor | $ 98,945 |
| Material and supplies | 5,959 |
| Fuel | 2,075 |
| Electrical power | 137,384 |
| Total river pump expenditures | $ 244,363 |
| **Relief pump expenditures:** | |
| Operating labor | $ 58,408 |
| Fuel | 119,055 |
| Electrical power | 205,741 |
| Total relift pump expenditures | $ 383,203 |
| Water distribution salaries and expenditures | $ 378,815 |

DELTA LAKE IRRIGATION DISTRICT
SCHEDULE OF OPERATING EXPENDITURES - GENERAL FUND
For the year ended December 31, 2022

| Repairs and maintenace: | 2022 |
|---|---|
| River plant | |
| Repairs and supplies | $ 1,985 |
| Relift pumps | |
| Labor | 54,462 |
| Repairs and supplies | 178,008 |
| Lakes | |
| Labor | 2,663 |
| Repairs and supplies | 5,535 |
| House and grounds | |
| Labor | 40,162 |
| Repairs and supplies | 8,837 |
| Canals | |
| Labor | 329,794 |
| Repairs and supplies | 201,958 |
| Pipelines | |
| Labor | 69,939 |
| Repairs and supplies | 291,025 |
| Drain system | |
| Labor | 104,366 |
| Telemetry | |
| Labor | 2,237 |
| Repairs and supplies | 5,852 |
| Reservoir | |
| Labor | 27,396 |
| Repairs and supplies | 6,595 |
| Total repairs and maintance | 1,330,814 |
| Equipment expenditures: | |
| Repairs and supplies | $ 149,910 |
| Fuel and lube | 173,559 |
| Total equipment expenditures | $ 323,469 |
| Auto and truck expenditures: | |
| Labor | $ 9,803 |
| Repairs and supplies | 86,121 |
| Fuel and lube | 36,243 |
| Total auto and truck expenditures | $ 132,167 |
| Shop expenditures: | |
| Labor | $ 120,607 |
| Repairs and supplies | 38,961 |
| Utilities | 2,338 |
| Total shop expenditures | $ 161,907 |

DELTA LAKE IRRIGATION DISTRICT
SCHEDULE OF OPERATING EXPENDITURES - GENERAL FUND
For the year ended December 31, 2022

| Delta- Resort | | 2022 |
|---|---|---|
| Labor | $ | 46,204 |
| Utilities | | 1,911 |
| Refuse removal | | 8,859 |
| Repairs and supplies | | 12,318 |
| Professional Services | | 350 |
| Total Delta-Resort | $ | 69,642 |
| Equipment Rental | $ | 10,686 |
| Uniforms | $ | 14,347 |
| Safety supplies | $ | 15,944 |
| Total operating expenditures | $ | 4,425,584 |