

**SIESTA SHORES WATER CONTROL AND
IMPROVEMENT DISTRICT**

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES**

FOR THE YEAR ENDED SEPTEMBER 30, 2022

ADRIAN WEBB, CPA

Certified Public Accountant

Siesta Shores Water Control and Improvement District

For the Year Ended September 30, 2022

DIRECTORS AND OFFICERS

Manuel Garcia III	President
Moises Camacho	Vice-President
Mario Sanchez	Secretary
Francisca Campos	Treasurer
Rene Calderas	Member

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF Zapata }

I, Cynthia Garza of the
(Name of Duly Authorized District Representative)

Siesta Shores Water Control and Improvement District
(Name of District)

Hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors of the District on the 1 day of January, 2024 its annual audit report for the fiscal year or period ended September 30, 2022 and that copies of the annual audit report have been filed in the District's office, located at 5235 South Siesta Lane, Zapata.

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

Date January 1, 2024

By Cynthia Garza by Maulda Garcia
(Signature of District Representative)

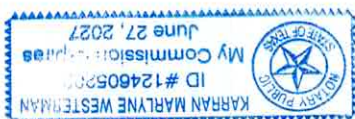
Cynthia Garza, Manager
(Name and Title)

Sworn to and subscribed to before me this 1 day of January, 2024.



Karran Marlyne Westerman
(Signature of Notary)

My Commission Expires on June 27, 2027
Notary Public in the State of Texas



FINANCIAL SECTION

ADRIAN WEBB, CPA

Certified Public Accountant

Edinburg, Texas

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Siesta Shores Water Control
and Improvement District
Zapata, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Siesta Shores Water Control and Improvement District (the "District"), as of and for the year ended September 30, 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, except for the possible effects of the matter discussed in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Because of inadequacies in the District's accounting records, we were unable to form an opinion regarding the amount of revenues in the accompanying statement of income and related accounts receivable, respectively, in the accompanying balance sheet.

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 Siesta Shores Water Control and Improvement 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 Siesta Shores Water Control and Improvement 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 Siesta Shores Water Control and Improvement 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 the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Siesta Shores Water Control and Improvement District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* 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 supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The Insurance Coverage Schedule has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on the Schedule.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, on our consideration of Siesta Shores Water Control and Improvement District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, and grant agreements and other matters. The purpose of that report is 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 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 Siesta Shores Water Control and Improvement District's internal control over financial reporting and compliance.

Regards,

Adrian Webb, CPA

Adrian Webb, CPA
Certified Public Accountant
Edinburg, Texas
December 8, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

**SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Management’s discussion and analysis of Siesta Shores Water Control and Improvement District’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities. The Statement of Net Position includes all the District’s assets, liabilities and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, ad valorem taxes, customer service revenues, operating costs, and general expenditures. The Debt Service Fund accounts for financial resources restricted, committed, or assigned for servicing bond debt. The Capital Projects Fund accounts for financial resources restricted, committed, or assigned for acquisition or construction of facilities and related costs.

**SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FUND FINANCIAL STATEMENTS - Continued

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explains the differences between the two presentations and assists in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,204,861 as of September 30, 2022. A portion of the District's net position reflects its net investment in capital assets (land, buildings, and equipment as well as the water and wastewater facilities, less any debt used to acquire those assets that are still outstanding).

**SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

A comparative analysis of government-wide changes in net position is presented below:

	Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 432,197	\$ 386,371	\$ 45,826
Capital Assets	2,191,358	1,943,824	247,534
Total Assets	2,623,556	2,330,195	293,361
Deferred Outflows of Resources	-	-	-
Other Liabilities	73,695	87,999	(14,304)
Long-Term Liabilities	345,000	368,000	(23,000)
Total Liabilities	345,000	368,000	(23,000)
Deferred Inflows of Resources	-	-	-
Invested in Capital Assets, net			
Of Related Debt	1,823,358	1,553,824	269,534
Restricted	151,667	156,197	(4,530)
Unrestricted	229,836	164,175	65,661
Total Net Position	\$ 2,204,861	\$ 1,874,196	\$ 330,665

The following table provides a summary of the District's operations for the years ended September 30, 2022, and September 30, 2021.

	Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Revenues:			
Grant Revenue	\$ 703,244	\$ -	\$ 703,244
Property Taxes	134,558	145,489	(10,931)
Charges for Services	530,430	554,412	(23,982)
Investment Earnings	1,448	526	922
Total Revenues	1,369,680	700,427	(33,991)
Expenses:			
Infrastructure & Environmental	964,899	962,324	2,575
Interest and Fiscal Charges	16,470	18,495	(2,025)
Total Expenses	981,369	980,819	550
Increase/(Decrease) in net assets	388,311	(280,391)	668,702
Beginning net assets	\$ 1,874,196	\$ 2,072,807	\$ (198,611)
Prior Period Adjustment	(57,647)	81,781	(139,428)
Ending net assets	\$ 2,204,861	\$ 1,874,196	\$ 330,665

**SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balances as of September 30, 2022, were \$286,489, an increase of \$60,811 from the prior year. The General Fund balance increased by \$7,703, as a result of service revenues and ad valorem tax revenues above the costs of operating and maintaining the District's facilities. The Debt Service Fund balance increased by \$1,168 due to investment earnings. The Capital Projects Fund balance decreased by \$5,698, due to Capital Expenditures and transfers to the General Fund.

CAPITAL ASSETS

Capital assets as of September 30, 2022, total \$2,191,358 (net of accumulated depreciation) and include land, equipment, and buildings as well as the water and wastewater systems. Significant capital asset activity during the current fiscal year included the following:

	Governmental Activities		
	2022	2021	Change Positive (Negative)
Land	\$ 55,937	\$ 55,937	\$ -
Infrastructure, Buildings and Improvements	8,061,379	7,528,131	533,248
Furniture and Equipment	74,805	52,905	21,900
Less: Accumulated Depreciation	(6,000,763)	(5,693,149)	(307,614)
Total Capital Assets, Net	\$ 2,191,358	\$ 1,943,824	\$ 247,534

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$368,000. The changes in the debt position of the District during the fiscal year ended September 30, 2022, are summarized as follows:

Bond Debt Payable, October 1, 2021	\$ 390,000
Less: Bond Principal Paid	(22,000)
Bond Debt Payable, September 30, 2022	\$ 368,000

The District's debt decreased by \$22,000 during the current fiscal year. The decrease was due to the payment to the 1995 bonds payable.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Siesta Shores Water Control and Improvement District's Business office, 5235 South Siesta Lane, Zapata, Texas.

BASIC FINANCIAL STATEMENTS

SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
Statement of Net Position and Governmental Funds Balance Sheet
As of September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
ASSETS						
Cash and Cash Equivalents	\$ 53,546	\$ 65,710	\$ -	\$ 119,257	\$ -	\$ 119,257
Restricted Cash and Investments:						
Restricted Cash	-	-	32,423	32,423	-	32,423
Restricted Investments	-	48,638	70,513	119,151	-	119,151
Receivables:						
Property Taxes, Net	95,013	-	-	95,013	-	95,013
Service Receivables, Net	66,354	-	-	66,354	-	66,354
Due From Debt Service	65,617	-	-	65,617	(65,617)	-
Capital Assets:						
Land	-	-	-	-	55,937	55,937
Infrastructure	-	-	-	-	8,006,493	8,006,493
Buildings and Improvements	-	-	-	-	54,886	54,886
Equipment and Furniture	-	-	-	-	74,805	74,805
Less: Accumulated Depreciation	-	-	-	-	(6,000,763)	(6,000,763)
TOTAL ASSETS	280,531	114,348	102,936	497,815	2,125,741	2,623,556
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 280,531	\$ 114,348	\$ 102,936	\$ 497,815	\$ 2,125,741	\$ 2,623,556
LIABILITIES						
Accounts Payable	\$ 4,268	\$ -	\$ -	\$ 4,268	\$ -	\$ 4,268
Accrued Expenses:						
Accrued Wages	13,448	-	-	13,448	-	13,448
Due to General Fund	-	65,617	-	65,617	(65,617)	-
Security Deposits	32,979	-	-	32,979	-	32,979
Long-Term Liabilities:						
Bonds Payable, Due Within One Year	-	-	-	-	23,000	23,000
Bonds Payable, Due After One Year	-	-	-	-	345,000	345,000
TOTAL LIABILITIES	50,695	65,617	-	116,313	302,383	418,695

SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
Statement of Net Position and Governmental Funds Balance Sheet
As of September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
DEFERRED INFLOWS OF RESOURCES						
Property Taxes	95,013	-	-	95,013	(95,013)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>95,013</u>	<u>-</u>	<u>-</u>	<u>95,013</u>	<u>(95,013)</u>	<u>-</u>
FUND BALANCES						
Committed:						
Infrastructure and Environmental Services	-	-	102,936	102,936	(102,936)	-
Restricted:						
Debt Service	-	48,731	-	48,731	(48,731)	-
Unassigned	134,822	-	-	134,822	(134,822)	-
TOTAL FUND BALANCES	<u>134,822</u>	<u>48,731</u>	<u>102,936</u>	<u>286,489</u>	<u>(286,489)</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 280,531</u>	<u>\$ 114,348</u>	<u>\$ 102,936</u>	<u>\$ 497,815</u>		
NET POSITION						
Net Investment in Capital Assets	-	-	-	-	1,823,358	1,823,358
Restricted for Debt Service	-	-	-	-	48,731	48,731
Restricted for Environmental Services	-	-	-	-	102,936	102,936
Unrestricted	-	-	-	-	229,836	229,836
TOTAL NET POSITION	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 2,204,861</u>	<u>\$ 2,204,861</u>
TOTAL LIABILITIES AND NET POSITION						<u>\$ 2,623,556</u>

SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
For the Year Ended September 30, 2022

Total Fund Balances - Governmental Funds	\$	286,489
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		2,191,358
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2021 and prior tax levies became part of recognized revenue in the governmental activities of the District.		95,013
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:		
Bonds Payable		(368,000)
Total Net Position - Governmental Activities	\$	2,204,861

SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	2022	Adjustments	Statement of Net Position
REVENUE						
Grant Revenue	\$ -	\$ -	\$ 703,244	\$ 703,244	\$ -	\$ 703,244
Property Taxes	134,558	-	-	134,558	-	134,558
Charges for Services	530,430	-	-	530,430	-	530,430
Investment Earnings	-	1,168	280	1,448	-	1,448
TOTAL REVENUE	664,988	1,168	703,524	1,369,680	-	1,369,680
EXPENDITURES						
Infrastructure and Environmental Services:						
Water and Sewer Services	383,779	-	-	383,779	-	383,779
Salaries, Benefits & Payroll Taxes	120,143	-	-	120,143	-	120,143
Contracted Services	51,076	-	-	51,076	-	51,076
Professional Fees	34,511	-	-	34,511	-	34,511
Depreciation	-	-	-	-	307,614	307,614
Other	67,775	-	-	67,775	-	67,775
Debt Service:						
Principal	-	22,000	-	22,000	(22,000)	-
Interest	-	16,470	-	16,470	-	16,470
Capital Outlay	-	-	613,114	613,114	(613,114)	-
TOTAL EXPENDITURES	657,285	38,470	613,114	1,308,869	(327,500)	981,369
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,703	(37,302)	90,410	60,811	327,500	388,311
OTHER FINANCING SOURCES (USES)						
Transfers In/(Out)	57,638	38,470	(96,108)	-	-	-
NET CHANGE IN FUND BALANCES	\$ 65,341	\$ 1,168	\$ (5,698)	\$ 60,811	\$ (60,811)	\$ -
CHANGE IN NET POSITION	\$ -	\$ -	\$ -	\$ -	\$ 388,311	\$ 388,311
FUND BALANCES/NET POSITION - Net Assets - October 1,	\$ 69,481	\$ 47,563	\$ 108,634	\$ 225,678	\$ 1,603,065	\$ 1,874,196
Prior Period Adjustment	-	-	-	-	(57,647)	(57,647)
FUND BALANCES/NET POSITION - Net Assets - September 30,	\$ 134,822	\$ 48,731	\$ 102,936	\$ 286,489	\$ 1,872,919	\$ 2,204,861

SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to
the Statement of Activities
For the Year Ended September 30, 2022**

Net Change in Fund Balances - Governmental Funds	\$ 60,811
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied	
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(307,614)
Governmental funds report bond principal payments and capital outlay as expenditures. However, in the Statement Net Position, bond principal payments are reported as decreases in long-term liabilities, and capital outlay as increases to capital assets.	635,114
Change in Net Position - Governmental Activities	<u>\$ 388,311</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – CREATION OF DISTRICT

Financial Reporting Entity:

The Siesta Shores Water Control and Improvement District (the District) was created by the Commissioners Court of Zapata County on or about May 20, 1991, confirmed by residents at an election held September 28, 1991, and further validated by Senate Bill 399 in the 73rd regular session of the Texas State Legislature, effective May 19, 1993. The District operates under Chapters 49 and 51 of the Texas Water Code. The first bonds were sold on September 1, 1995. The Water District provides its customers potable water and sewage treatment services.

NOTE 2 – SIGNIFICANT ACCOUNT POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”).

GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

a. Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation).

Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first.

NOTE 2 – SIGNIFICANT ACCOUNT POLICIES - Continued

b. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

c. Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the governmentwide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

d. Governmental Funds

The District has three governmental funds and considers each to be major funds.

General Fund – To account for resources not required to be accounted for in another fund, customer service revenues, ad valorem taxes, operating costs, and general expenditures.

Debt Service Fund – To account for financial resources restricted, committed, or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed, or assigned for acquisition or construction of facilities and related costs.

For the purposes of budgeting, the District includes the General Fund, Debt Service Fund, and the Capital Projects Fund for the period under audit.

e. Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

NOTE 2 – SIGNIFICANT ACCOUNT POLICIES – Continued

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

*f. **Budgeting***

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

*g. **Measurement Focus***

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows.

All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Non-spendable: amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District has committed \$102,936, for construction costs related to infrastructure and environmental services.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

NOTE 2 – SIGNIFICANT ACCOUNT POLICIES - Continued

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds and finally unassigned funds.

h. Accounting 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 the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

i. Cash and Cash Equivalents

The District considers time deposits with a maturity of three months or less as cash and cash equivalents.

j. Investments

Investments consist of bank Certificates of Deposits and are stated at cost, which approximates market.

k. Accounts Receivable

Taxes receivable are reported net of an estimated allowance of 10% for uncollectible accounts. Service accounts receivable are net of the estimated allowance of 5% for uncollectible accounts.

l. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements, and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over one year. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

Category	Useful Life
Land	N/A
Buildings & Improvements	25 Years
Infrastructure	25 Years
Office & Equipment	5-7 Years

NOTE 2 – SIGNIFICANT ACCOUNT POLICIES - Continued

m. Deferred Revenues

Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Monies collected in advance from federal or state agencies are recorded as revenue in the year for which the expenditures are incurred.

n. Fund Balances

Fund Balances are categorized as Committed, Restricted or Unassigned. Committed and Restricted Fund Balances are approved by the Board of Directors.

o. Interfund Transfers

During the year ended September 30, 2022, interfund transfers to the Debt Service and Capital Projects fund totaled \$0. Transfers are reflected as Other Financing Sources/(Uses) in the Statement of Revenues, Expenditures and Changes in Fund Balances.

p. Compensated Absences

The District does not provide compensated absences. Annual leave and sick leave must be taken by the employees prior to the end of the fiscal year, or they forfeit their leave. Compensatory time is closely monitored by management. Employees are required to take their compensatory time prior to the end of the year.

q. Post-Employment Benefits

The District does not participate in a public retirement system, but employees are covered by social security. Therefore, no pension plan obligations are outstanding as of the date of this report.

r. New Accounting Pronouncements

GASB Statement No. 87, *Leases* – The Objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The effects of implementing GASB 87 have no effect on the District's financial statements.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

a. Budgetary Data

The Board of Directors adopts a budget for the District. In accordance with Government Accounting Standards Board (GASB) Statement No. 34, a City is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears on Page 23.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to October 1, the District prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to October 1, the budget is legally enacted through passage of the Board. Once a budget is approved, it can only be formally amended by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, and are reflected in the official minutes of the Board and are not made after the fiscal year end.
4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

b. Excess of Expenditures over Appropriation

General Fund expenditures exceeded appropriations as noted in the budget to actual statement.

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

a. Deposits and Investments

The funds of the District must be deposited and invested under the terms of a contract, the contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

As of September 30, 2022, the carrying amount of the District's deposits (cash and certificates of deposit) bank balance was \$233,275. The District's cash deposits as of September 30, 2022, and during the year ended September 30, 2022, were entirely covered by FDIC Insurance and securities collateral.

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

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 the District 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 District 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) banker’s acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2022, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
Debt Service – Certificate of Deposit	\$ 48,473	\$ 48,473
Capital Projects – Certificate of Deposit	\$ 70,189	\$ 70,189

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments to Certificates of Deposits, Public Funds Investment Pools and Guaranteed Investment Contracts, collateralized by U.S. Government Securities. As of September 30, 2022, the city's investments were secured by FDIC Insurance and securities collateral.

Custodial Credit Risk for Investments - 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 city complies with this law, it has no custodial credit risk for deposits.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the investment portfolio shall be diversified in terms of investment instruments maturity scheduling, and financial institutions. Currently, the District only has Certificates of Deposits, and does not have Concentration of Credit Risk.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that the investments be monitored by using specific identification.

Foreign Currency Risk for Investments - The District limits the risk that changes in exchanges rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

Restrictions

All cash and investments of the Debt Service Fund are restricted for payment of debt service and cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted to the purchase of capital assets.

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

b. Property Taxes

The District's property tax is levied on October 1 based on values assessed by the Zapata Appraisal District as of the preceding January 1. Such taxes are due and payable the following January 31, which is the date a tax lien is attached to the property.

Revenues from property taxes are recognized in the current year to the extent they are available to finance current year expenditures. Amounts not available are deferred along with property taxes collected in the current year which were levied to finance appropriations of the following year.

The District may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code by more than 3% without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election when the increase in the effective tax rate is 8% or more of the previous year's effective tax rate.

c. Delinquent Taxes Receivable

Delinquent taxes are all for maintenance and operations based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

d. Interfund Balances

The District's interfund balances as of September 30, 2022, are summarized by the following table:

<u>Due From</u>	<u>Amount</u>
General Fund	
Due from Debt Service	65,617
Total Due From	\$ 65,617

<u>Due To</u>	<u>Amount</u>
Debt Service	
Due to General Fund	65,617
Total Due To	\$ 65,617

e. Disaggregation of Receivables and Payables

The District's Receivables as of September 30, 2022, are summarized by the following table:

<u>Description</u>	<u>Property Taxes</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
General Fund	\$ 105,570	\$ 65,617	\$ 68,736	\$ 239,923
Total Receivables	105,570	65,617	68,736	239,923
Less: Allowance for Uncollectible	(10,557)	-	(2,382)	(12,939)
Net Total Receivable	\$ 95,013	\$ 65,617	\$ 66,354	\$ 226,984

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

The District’s Payables as of September 30, 2022, are summarized by the following table:

Description	Accounts Payable	Bonds Payable - Current	Salaries and Benefits	Due To Other Funds	Other	Total Payables
General Fund	\$ 4,268	\$ -	\$ 13,448	\$ -	\$ 32,979	\$ 50,695
Debt Service Fund	-	23,000	-	65,617	-	88,617
Total Payables	\$ 4,268	\$ 23,000	\$ 13,448	\$ 65,617	\$ 32,979	\$ 139,312

f. Capital Assets

Capital Assets for the District for the year ended September 30, 2022, was as follows:

Description	Beginning Balance October 1, 2021	Additions	Retirements / Reclassifications	Ending Balance September 30, 2022
Land	\$ 55,937	\$ -	\$ -	\$ 55,937
Buildings & Improvements	54,886	-	-	54,886
Infrastructure	7,473,245	591,214	(57,966)	8,006,493
Office and Equipment	52,905	21,900	-	74,805
Total Capital Assets	7,636,973	613,114	(57,966)	8,192,121
Less: Accumulated Depreciation	(5,693,149)	(307,614)	-	(6,000,763)
Net, Capital Assets	\$ 1,943,824	\$ 305,500	\$ (57,966)	\$ 2,191,358

Depreciation Expense was charged to governmental functions as follows:

Function	Amount
Infrastructure and Environmental Services	\$ 307,614

g. Bonds Payable

As of September 30, 2022, long-term debt consisted of the following:

Description	Amount
Series 1995 Revenue Bonds in the Original Amount of \$695,000, Maturity Date May 1, 2035; payable in increments of \$8,000 to \$33,000 thereafter; interest 4.5% due May 1 and November 1.	\$ 368,000
Total Bonds Payable	\$ 368,000

The Bonds are secured by and payable from a first lien on and pledge of the Net Revenues. Net Revenues are defined in the bond agreement.

The District is not obligated in any manner for special assessment debt.

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

h. Debt Service Requirements – Bonds Payable

The District’s Debt Service Requirements for the Bonds Payable as of September 30, 2022, are summarized by the following table:

Year Ending September 30	Principal	Interest	Total Payments
2023	\$ 23,000	\$ 15,436	\$ 38,436
2024	24,000	14,356	38,356
2025	24,000	13,276	37,276
2026	25,000	12,150	37,150
2027	25,000	11,194	36,194
2028-2032	105,000	36,338	141,338
2033-2035	142,000	4,388	146,388
Totals	\$ 368,000	\$ 107,137	\$ 475,137

i. Changes in Long-Term Liabilities

The District’s changes in long-term liabilities are summarized by the following table:

Description	Beginning Balance			Ending Balance September 30, 2022
	October 1, 2021	Increase	Decrease	
Revenue Bonds Payable, Series 1995	\$ 390,000	\$ -	\$ (22,000)	\$ 368,000
Total Long-Term Debt	\$ 390,000	\$ -	\$ (22,000)	\$ 368,000

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of losses related to torts stemming from injuries to employees. The District has obtained general liability coverage from Texas Worker’s Compensation with coverage limited to \$600,000.

The District continues to carry commercial issuances for all other risks of loss.

NOTE 6 – RESERVE REQUIREMENTS

The District is required by the USDA to have a reserve for debt service payments. The reserve requirement as of September 30, 2022, is \$38,470. It is currently invested in a Certificate of Deposit with IBC Bank in the amount of 48,638.

NOTE 7 – LITIGATION

In the ordinary conduct of business, the District is subject to lawsuits, investigations and claims, including, but not limited to, claims involving students or graduates and routine employment matters. Although we cannot predict with certainty the filing of lawsuits, investigations and claims asserted against us, we do not currently have any pending legal proceedings against the District.

NOTE 8 – SUBSEQUENT EVENTS

For the purposes of reporting subsequent events, management has considered events occurring up to December 8, 2023, the date of which the report was available to be issued. No subsequent events were noted.

REQUIRED SUPPLEMENTARY INFORMATION

SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
For the Year Ended September 30, 2022

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(UNFAVORABLE)</u>
REVENUES				
Charges for Services	\$ 434,150	\$ 434,150	\$ 530,430	\$ 96,280
Property Taxes	131,408	131,408	134,558	3,150
Investment Earnings	-	-	-	-
Other Revenues	38,572	38,572	-	(38,572)
TOTAL REVENUES	<u>\$ 604,130</u>	<u>\$ 604,130</u>	<u>\$ 664,988</u>	<u>\$ 60,858</u>
EXPENDITURES				
Personnel	210,630	210,630	233,297	(22,667)
Professional Services	45,000	45,000	34,511	10,489
Contracted Services	132,500	132,500	215,144	(82,644)
Debt Satisfaction	40,000	40,000	-	40,000
Utilities	35,000	35,000	17,744	17,256
Repairs and Maintenance	108,500	108,500	94,357	14,143
Administrative	32,500	32,500	62,231	(29,731)
TOTAL EXPENDITURES	<u>604,130</u>	<u>604,130</u>	<u>657,285</u>	<u>(94,822)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER				
EXPENDITURES				
	<u>-</u>	<u>-</u>	<u>7,703</u>	<u>(33,964)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>7,703</u>	<u>(33,964)</u>
Net Position at Beginning of Period	69,481	69,481	69,481	-
Prior Period Adjustment	-	-	57,638	57,638
Net Position at End of Period	<u>\$ 69,481</u>	<u>\$ 69,481</u>	<u>\$ 134,822</u>	<u>\$ 65,341</u>

TEXAS SUPPLEMENTARY INFORMATION

SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
TSI-1 – SERVICES AND RATES
For the Year Ended September 30, 2022

1. Services Provided by the District

<u> </u> X	Retail Water	<u> </u>	Wholesale Water	<u> </u>	Drainage
<u> </u> X	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or waste water services (other than emergency interconnect)				
<u> </u>	Other(Specify				

2. RETAIL SERVICE PROVIDERS

A. Retail Rates Based on 5/8" Meter:

Most prevalent type of meter (if note a 5/8") ¾"

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$22.50	2,500	Y	\$1.75	2,500 to 5,000
				\$2.50	5,001 to 10,000
				\$3.25	10,001 to 20,000
				\$4.00	20,000 to Unlimited
WASTEWATER:	\$22.50				

District employs winter averaging for wastewater usage? No

Total water and wastewater charges per 10,000 gallons usage (including surcharges):

\$61.87

B. Water and Wastewater Retail Connections:

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:

	Active Connection	Active ESFC	Inactive Connection (ESFC)**
Single Family	854	593	261
Multi-Family			
Commercial			
Other-recreational centers, government & VFD			
TOTAL	<u>854</u>	<u>593</u>	<u>261</u>

* - 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.

3. Total Water Consumption During the Fiscal Year Rounded to the Nearest Thousand(Unaudited):

Gallons pumped into system:

63,014,000

Gallons billed to customers:

41,876,000

4. Standby Fees:

Does the District assess standby fees? No
 Does the District have Debt Service standby fees? No
 Does the District have Operation and Maintenance standby fees? No

5. Location of District:

Is the District located entirely within one county? Yes
 County in which District is located: Zapata
 Is the District located within a city? No
 Is the District located within a city's extraterritorial jurisdiction (ETJ)? No
 ETJ in which District is located: None
 Are Board Members appointed by an office outside the District? No

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

No.	Source	Amount
a.	Debt Service Tax Receipt	-
b.	Surplus Construction Funds	-
c.	Water and/or Wastewater Revenues	40,440
d.	Standby Fees	-
e.	Debt Service Fund Balance to be Used	-
f.	Interest Revenues	-
g.	O&M Tax Receipts	-
Total Anticipated Funds to be Used*		\$ 40,440

* - This total should equal the district's total annual debt service for the fiscal year following the fiscal year reported or in t

SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
TSI-2 – GENERAL FUND EXPENDITURES
For the Year Ended September 30, 2022

Infrastructure and Environmental Services:	
Water and Sewer Services:	
Chemicals	\$ 35,489
Sewer Plant and System Improvements	330,546
Utilities	17,744
Total Water and Sewer Services	<u>383,779</u>
Personnel Expenses:	
Wages	110,943
Payroll Taxes	9,200
Total Personnel Expenses	<u>120,143</u>
Contracted Services:	
Other Contracted Services	51,076
Total Contracted Services	<u>51,076</u>
Professional Fees:	
Accounting	12,425
Legal	
Engineering	17,532
Water System	4,554
Total Professional Fees	<u>34,511</u>
Administrative Expenditures (Other):	
Automobile	10,146
Postage	4,773
Office Supplies	8,982
Insurance	14,114
Other Administrative expenditures	29,759
Total Administrative Expenses	<u>67,775</u>
 Total General Fund Expenditures	 657,285
 Debt Service Fund Expenditures:	
Principal	22,000
Interest	16,470
 Capital Projects Fund Expenditures:	
Capital Outlay	<u>613,114</u>
 Total Governmental Fund Expenditures	 <u>\$ 1,308,869</u>

SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
TSI - 3 - TEMPORARY INVESTMENTS
For the Year Ended September 30, 2022

	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest at End of Year
Debt Service Fund:				
Certificate of Deposit (180 days) No. 7-51318640	0.25%	11/2022	\$ 48,638	\$ 165
Capital Projects Fund:				
Certificate of Deposit (1 year) No. 7-51710640	0.5%	09/2023	\$ 70,513	\$ 324
Total – All Funds			\$ 119,151	\$ 489

SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
TSI-4 – ANALYSIS OF TEXAS LEVIED AND RECEIVABLE
For the Year Ended September 30, 2022

TAXES RECEIVABLE BY YEAR:

2021	\$ 21,758
2020	13,405
2019	11,410
2018	7,997
2017	6,312
2016	4,539
2015	4,125
2014	3,526
2013	4,125
2012	3,055
2011	5,074
2010	4,818
2009	4,211
2008	1,128
2007	1,247
2006	1,287
2005	1,208
2004	1,326
2003	1,081
2002	1,037
2001 and Prior	2,804
TOTAL	105,472

SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
TSI-4 – ANALYSIS OF TAXES LEVIED AND RECEIVABLE - UNAUDITED
For the Year Ended September 30, 2022

	2022	2021	2020	2019
PROPERTY VALUATIONS:				
Property	Not Available	\$ 46,588,011	\$ 46,588,011	\$ 46,164,876
Exemptions	Not Available	(7,828,587)	(7,828,587)	(7,753,413)
TOTAL PROPERTY VALUATIONS	Not Available	\$ 38,759,424	\$ 38,759,424	\$ 38,411,463
TAX RATES PER \$100 VALUATIONS	Not Available	0.327700	0.327700	0.306200
ADJUSTED TAX LEVY*	Not Available	\$ 127,015	\$ 127,015	\$ 117,531
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	Not Available	79%	79%	79%

SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
TSI-5 – LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
For the Year Ended September 30, 2022

Waterworks Revenue Bonds Waterworks Revenue Bonds – Series 1995

Due During Years Ending September 30	Principal Due May 1	Interest Due May 1/ November 1	Total
2023	23,000	15,436	38,436
2024	24,000	14,356	38,356
2025	24,000	13,276	37,276
2026	25,000	12,150	37,150
2027	25,000	11,194	36,194
2028	25,000	10,900	35,900
2029	26,000	7,776	33,776
2030	31,000	6,817	37,817
2031	33,000	5,850	38,850
2032	33,000	4,276	37,276
2033	33,000	2,880	35,880
2034	33,000	1,486	34,486
2035	33,000	740	33,740
	\$ 368,000	\$ 107,137	\$ 475,137

SIESTA SHORES WATER CONTROL AND IMPROVEMENT DISTRICT
TSI-6 – CHANGES IN LONG-TERM BONDED DEBT
For the Year Ended September 30, 2022

Description	Series Revenue Bonds Payable Series 1995 Revenue Bonds, Maturity Date May 1, 2035; payable in increments of \$8,000 to \$33,000 thereafter; interest 4.5% due May 1 and November 1
Original Bonds Issued	\$695,000
Bonds Outstanding October 1, 2021	390,000
Bonds Sold	-
Retirements:	
Principal	22,000
Interest	-
Bonds Outstanding September 20, 2022	<hr/> \$368,000
Paying Agent	UDA Farmers Home Administration, Rio Grande City, Texas

SIESTA SHORES WATER AND CONTROL IMPROVEMENT DISTRICT
TSI 7 - COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND
FIVE YEARS ENDED SEPTEMBER 30, 2022

	AMOUNTS				PERCENT OF FUND TOTAL REVENUES					
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
REVENUE										
Charges for Services	\$ 530,430	\$ 554,412	\$ 500,308	\$ 462,364	\$ 423,709	79.77%	79.37%	78.47%	78.64%	68.26%
Property Taxes	134,558	143,663	137,003	125,045	119,670	20.23%	20.57%	21.49%	21.27%	19.28%
Investment Earnings	-	433	235	534	397	0.00%	0.06%	0.04%	0.09%	0.06%
Miscellaneous	-	-	-	-	76,914	0.00%	0.00%	0.00%	0.00%	12.39%
TOTAL REVENUE	664,988	698,508	637,546	587,943	620,690	100.00%	100.00%	100.00%	100.00%	100.00%
EXPENDITURES										
Personnel	120,143	207,341	266,232	274,391	191,408	18.07%	29.68%	41.76%	46.67%	30.84%
Professional Services	34,511	31,353	18,746	41,495	45,010	5.19%	4.49%	2.94%	7.06%	7.25%
Contracted Services	51,076	71,771	118,338	83,391	102,815	7.68%	10.27%	18.56%	14.18%	16.56%
Utilities	37,774	154,479	35,022	50,443	39,496	5.68%	22.12%	5.49%	8.58%	6.36%
Repairs and Maintenance	346,005	145,121	129,497	99,353	104,415	52.03%	20.78%	20.31%	16.90%	16.82%
Administrative	67,775	53,453	68,663	66,307	53,459	10.19%	7.65%	10.77%	11.28%	8.61%
TOTAL EXPENDITURES	657,284	663,518	636,498	615,380	536,603	98.84%	94.99%	99.84%	104.67%	86.45%
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,704	34,991	1,048	(27,437)	84,087	1.16%	5.01%	0.16%	-4.67%	13.55%
OTHER FINANCING SOURCES (USES)										
Transfers In/(Out)	57,638	(98,461)	12,986	(49,002)	(53,875)	8.67%	-14.10%	2.04%	-8.33%	-8.68%
NET CHANGE IN FUND BALANCES	\$ 65,342	\$ (63,470)	\$ 14,034	\$ (76,439)	\$ 30,212	9.83%	-9.09%	2.20%	-13.00%	4.87%

INTERNAL CONTROL/COMPLIANCE SECTION

ADRIAN WEBB, CPA

Certified Public Accountant

Edinburg, Texas

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

To the Board of Directors of
Siesta Shores Water Control
and Improvement District
Zapata, 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 of Siesta Shores Water Control and Improvement District (*known hereafter as "the District"*), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2023.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings 2022-002 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings 2022-001, 2022-003, and 2022-004 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2022-001.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Regards,

Adrian Webb, CPA

ADRIAN WEBB, CPA
Edinburg, Texas
December 8, 2023

Siesta Shores Water Improvement District
Schedule of Findings and Responses
For Year Ended September 30, 2022

A. Summary of Auditor's Results

1. Financial Statements

Type of Report Issued: UNMODIFIED

Internal Control over financial reporting:

One or more material weaknesses identified? YES

One or more significant deficiencies identified

that are not considered to be material weaknesses? YES

Non-Compliance material to the financial statements NO

The District did not meet the criteria for a Single Audit.

B. Financial Statement Findings:

Schedule Reference: 2022-001 – Controls over Reporting of Financial Information

Criteria: Annual audit report should be completed within 120 days from year end.

Condition: Annual audit report is over 120 days from year end.

Effect: Lack of preparation of financial information, such as accrued liabilities and accounts payable, in a timely manner for the auditor's review delayed the auditor's procedures, causing the expression of opinion over the financial information by the auditor to be delayed.

Recommendation: To prevent delays in the submission of the audit report, management should ensure that financial information is accurately prepared and is available within a reasonable timeframe to submit within the 120 days.

Auditee's Response: The District concurs with the recommendation.

Siesta Shores Water Improvement District
Schedule of Findings and Responses (Continued)
For Year Ended September 30, 2022

Schedule Reference: 2022-002 – Controls over Cutoff Procedures of Accounts Payable

Criteria: Proper accrual of transactions in accordance with generally accepted accounting principles requires for the recording of all expenditures using the modified accrual basis of accounting where expenditures are recorded when the related fund liability is incurred.

Condition: Accounts payable cutoff testing procedures revealed that various cash disbursement transactions were paid after the end of the year that had been incurred during the year being audited. These transactions were recorded as expenditures in the subsequent year.

Effect: The District may recognize expenditures in the incorrect period which they are applicable.

Recommendation: Management should establish a formal monitoring process and related policies and procedures for the proper cutoff of accounts payable.

Auditee's Response: The District concurs with the recommendation.

Schedule Reference: 2022-003 – Controls over Cutoff Procedures of Accounts Receivable

Criteria: Proper accrual of transactions in accordance with generally accepted accounting principles requires the recording of revenues using the modified accrual basis of accounting where revenue is recorded when the related deposit is earned.

Condition: Accounts receivable cutoff testing procedures revealed that various cash receipt transactions were received after the end of the year that had been incurred during the year being audited. These transactions were recorded as revenue in the subsequent year.

Effect: The District may recognize revenue in the incorrect period which is applicable.

Recommendation: Management should establish a formal monitoring process and related policies and procedures for the proper cutoff of accounts payable.

Auditee's Response: The District concurs with the recommendation.

Siesta Shores Water Improvement District
Schedule of Findings and Responses (Continued)
For Year Ended September 30, 2022

Schedule Reference: 2022-004 – Controls over Reporting of Capital Assets

Criteria: Capital assets are not adequately recorded in accordance with the generally accepted accounting principles required, due to no written policies or procedures as well as lack of beginning balance of inventory being documented by the District.

Condition: Management and employees were unaware of state regulatory requirements for documentation of capital assets. The District currently does not require department heads to certify inventory.

Effect: Without adequate internal controls to ensure proper safeguarding, assets are at risk and vulnerable to misappropriation, misuse, or loss, which would not be detected in a timely manner, if at all. Financial information is also inaccurately recorded for capitalized assets.

Recommendation: To ensure proper reporting, management should develop written policies and procedures to record capitalized assets.

Auditee's Response: The District concurs with the recommendation.

Siesta Shores Water Improvement District
Schedule of Prior Year Audit Findings
For Year Ended September 30, 2022

Schedule Reference: (2021-001) Recording of Accruals

Criteria: The District's year-end cutoff process should incorporate appropriate cutoff procedures to ensure receipts and disbursements (or invoices) are recorded in the correct period. All revenue and related receivables and expenditure and related payable transactions should be posted in the correct period to ensure proper cutoff.

Condition: The District did not have proper cutoff to ensure revenues and expenditures are recognized in the proper period.

Effect: The lack of proper cutoff results in revenues and expenditure not being posted in the proper period which resulted in misstatements.

Recommendations: The District should develop processes and procedures as part of its fiscal year end closing process to ensure all revenues and expenditures are recognized in the proper period. These processes and procedures should include reviewing supporting documentation in more detail to determine the period the revenues and expenditure pertain to.

Auditee's Response: Management concurs with auditor's finding and recommendation.

Schedule Reference: (2021-002) Expenditures over Appropriations

Criteria: Texas Code establishes the law governing budget requirements for the District.

Condition: The District's Fund had excess expenditures over appropriations.

Effect: The District was not in compliance with Texas Code.

Recommendations: The District should review their budget throughout the year and propose amendments to ensure compliance with State Law.

Auditee's Response: Management concurs with auditor's finding and recommendation.

Sec. 26.18. POSTING OF TAX RATE AND BUDGET INFORMATION BY TAXING UNIT ON WEBSITE. Each taxing unit shall maintain an Internet website or have access to a generally accessible Internet website that may be used for the purposes of this section. Each taxing unit shall post or cause to be posted on the Internet website the following information in a format prescribed by the comptroller:

- (1) the name of each member of the governing body of the taxing unit;
- (2) the mailing address, e-mail address, and telephone number of the taxing unit;
- (3) the official contact information for each member of the governing body of the taxing unit, if that information is different from the information described by Subdivision (2);
- (4) the taxing unit's budget for the preceding two years;
- (5) the taxing unit's proposed or adopted budget for the current year;
- (6) the change in the amount of the taxing unit's budget from the preceding year to the current year, by dollar amount and percentage;
- (7) in the case of a taxing unit other than a school district, the amount of property tax revenue budgeted for maintenance and operations for:
 - (A) the preceding two years; and
 - (B) the current year;
- (8) in the case of a taxing unit other than a school district, the amount of property tax revenue budgeted for debt service for:
 - (A) the preceding two years; and
 - (B) the current year;
- (9) the tax rate for maintenance and operations adopted by the taxing unit for the preceding two years;

(10) in the case of a taxing unit other than a school district, the tax rate for debt service adopted by the taxing unit for the preceding two years;

(11) in the case of a school district, the interest and sinking fund tax rate adopted by the district for the preceding two years;

(12) the tax rate for maintenance and operations proposed by the taxing unit for the current year;

(13) in the case of a taxing unit other than a school district, the tax rate for debt service proposed by the taxing unit for the current year;

(14) in the case of a school district, the interest and sinking fund tax rate proposed by the district for the current year; and

(15) the most recent financial audit of the taxing unit.

1. Internet Website Required. The Legislature has mandated that beginning in 2020, District's publish tax and budget information and on the District's internet website.¹ Therefore, having an internet website is no longer optional.
2. Information Required on an Internet Website by Texas Government Code Chapter 2051² and Texas Tax Code § 26.18 :
 - 2.1 The district's contact information, including:*
 - i. mailing address
 - ii. telephone number
 - iii. e-mail address
 - 2.2 The names of each Director³*
 - 2.3 The contact information for each Director*
 - 2.4 The date of the next election of Directors
 - 2.5 The location of the next election of Directors (polling / voting places)
 - 2.6 The requirements / qualifications for serving on the Board. This must be continuously posted for at least / no less than one year before the election day.⁴
 - (a) The Secretary of State is of the opinion that this includes the application form and procedure (where to file).
 - (b) The Secretary of State says that the Texas Ethics Commission has advised the Secretary of State that "this posting need not refer to Ethics Commission filings"
 - 2.6 The deadline for filing for a place on the ballot /deadline for filing for candidacy. This must be continuously posted for at least / no less than one year before the election day⁴
 - 2.8 Although not mentioned, in my opinion the election order would be posted on the Website when adopted by the Board. Likewise, the order canceling the election would be posted on the Website when adopted by the Board.
 - 2.9 Each notice of a meeting / agenda of the political subdivision's governing body
 - (a) The 72 hour posting requirement applies to posting on the website.⁵
 - (b) The District is no longer required to post the agenda /meeting notice at the Courthouse if it is posted on the website

- (c) The District still has to post the agenda / meeting notice at the District office 72 hours prior to the meeting⁶, but if posted on the website it only has to be accessible to the public during business hours.⁷ That is, the District can elect to eliminate the outside bulletin boards / display cases.
- 2.10 Each record / minutes of a meeting of the political subdivision's governing body⁸
- 2.11 The budget for the preceding two years*
- 2.12 The proposed budget; replaced by adopted budget*
- 2.13 The change in the amount of the taxing unit's budget from the preceding year to the current year, by dollar amount and percentage*
- 2.14 The amount of property tax revenue budgeted for maintenance and operations for:*(
 - (A) the preceding two years; and
 - (B) the current year;)
- 2.15 The amount of property tax revenue budgeted for debt service for:*(
 - (A) the preceding two years; and
 - (B) the current year;)
- 2.16 The tax rate for maintenance and operations for the preceding two years*;
- 2.16 The tax rate for debt service adopted by the taxing unit for the preceding two years*;
- 2.17 The tax rate for maintenance and operations proposed by the taxing unit for the current year*;
- 2.18 The tax rate for debt service proposed by the taxing unit for the current year*;
- 2.19 The most recent financial audit of the taxing unit*.

*in a format prescribed by the comptroller
- 3. Tax and budget Information Required on an Internet Website (in addition to Tax Code 26.18—must be posted prominently on home page
 - 3.1 Will have to post the tax calculation worksheets
 - 3.2 Notice of Tax Hearing)

NOTES

1. 86th Legislature: Tax Code 26.18, as added by section 57 of SB 2, effective, with some exceptions as to certain provisions, January 1, 2020;
2. 86th Legislature: Tax Code 26.18, as added by section 57 of SB 2 and Texas Government Code Chapter 2051, as amended by HB 305,
3. Although Chapter 2051 uses the term “elected officer”, in this context, officer means director, as opposed to the President, Vice-President, Secretary. Directors are elected; even though a vacancy is filled by appointment, the office to which the appointment is made is elected.
4. The one year requirement does not apply if the website is activated less than one year before an election.
5. Government Code ¶ 2051.152 (5): it must be on the website for no less than 72 hours before the scheduled meeting (standard: District must make a good faith attempt to continuously post the agenda / meeting notice on the internet for the required period of time).
6. A governmental body shall give written notice of the date, hour, and subject of each meeting held by the governmental body, Government Code §551.041; the agenda / meeting notice for a regular meeting must be posted for no less than / for at least 72 hours before the scheduled meeting, Government Code §551.043; the agenda / meeting notice must be posted at a place convenient to the public in the administrative office of the district, Government Code §551.054 (a)(1), §551.043(2)
7. If the governmental body makes a good-faith attempt to continuously post the notice on the Internet during the prescribed period (72 hours), the notice physically posted [at the district’s administrative office] . . . must be readily accessible to the general public during normal business hours, Government Code §551.043(3)
8. The statute does not say whether minutes of meetings prior to activation of the web site have to be posted