

Prairielands Groundwater Conservation District

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Annual Financial Report
For the Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Prairielands Groundwater Conservation District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Prairielands Groundwater Conservation District (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2023, and the respective changes in financial position for the year end 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, budgetary comparison information, schedule of change in Net Pension Liability and Related Ratios, Schedule of Contributions, and Notes to Required Supplementary Information (the Supplementary 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.

Boucher, Morgan & Young

Granbury, Texas
April 15, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Prairielands Groundwater Conservation District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023.

Financial Highlights:

The assets and deferred outflows of the Prairielands Groundwater Conservation District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$3,789,014.

The District's total net position increased by \$291,578 during the fiscal year.

At the end of the current fiscal year, all fund balance of the general fund were assigned (\$1,112,362) or nonspendable (\$11,154).

Overview of Financial Statements:

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by groundwater production fees. The governmental activity of the District consists of conservation, protection and enhancement of groundwater resources.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently maintains one governmental fund.

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

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

At the close of the current fiscal year, the District’s governmental fund reported ending fund balance of \$1,123,516 compared to the \$1,193,809 in the prior year.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-35 of this report.

Governmental-Wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$3,789,014 as of December 31, 2023.

The largest portion of the District’s net position reflects its net investment in capital assets, while the remaining balance is unrestricted.

Prairielands Groundwater Conservation District's Net position:

	Governmental Activities 2022	Governmental Activities 2023
	<u>2022</u>	<u>2023</u>
Current assets	\$ 2,050,345	\$ 2,056,522
Capital assets	3,507,409	3,807,436
Net pension asset	87,046	52,596
Total assets	<u>5,644,800</u>	<u>5,916,554</u>
Deferred outflows	136,709	158,826
Total assets and deferred outflows	<u>5,781,509</u>	<u>6,075,380</u>
Current liabilities	254,237	335,905
Long-term liabilities	1,365,064	1,324,594
Total liabilities	<u>1,619,301</u>	<u>1,660,499</u>
Deferred inflows	664,772	625,867
Total deferred inflows	<u>664,772</u>	<u>625,867</u>
Net position:		
Net investment in capital assets	2,162,567	2,506,201
Unrestricted	1,334,869	1,282,813
Total net position	<u>\$ 3,497,436</u>	<u>\$ 3,789,014</u>

As of December 31, 2023, the District is able to report positive balances in both categories of net position.

Analysis of the District's Operations – The following table provides a summary of the District's operations for the year ended December 31, 2023. Governmental-type activities increased the District's net position by \$291,578.

Prairielands Groundwater Conservation District's Changes in Net position

	Governmental Activities 2022	Governmental Activities 2023
	<u>2022</u>	<u>2023</u>
Revenues:		
Program Revenues:		
Groundwater production fees	\$ 1,715,145	\$ 1,724,983
Application fees	166,500	159,200
Total program revenues	<u>1,881,645</u>	<u>1,884,183</u>
General Revenues:		
Miscellaneous revenue	22,900	28,959
Gain on disposal of capital assets	-	22,643
Interest	10,156	82,203
Total revenues	<u>1,914,701</u>	<u>2,017,988</u>
Expenses:		
Groundwater conservation	<u>1,697,947</u>	<u>1,726,410</u>
Total expenses	<u>1,697,947</u>	<u>1,726,410</u>
Change in net position	216,754	291,578
Net position - beginning of year	<u>3,280,682</u>	<u>3,497,436</u>
Net position - end of year	<u><u>\$ 3,497,436</u></u>	<u><u>\$ 3,789,014</u></u>

Financial Analysis of the Government's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

The general fund is the sole fund of the District. At the end of the current year, all of the District's fund balance was nonspendable or assigned for a particular purpose. The fund balance of the District's general fund decreased \$70,293 for a balance at year-end of \$1,123,516 of which \$1,112,362 was assigned.

General Fund Budgetary Highlights

Significant variations between the original budget and final amended budget included decreases to payroll and benefits, operating expenses, professional services, and public relations totaling \$55,416, \$46,214, \$5,000, and \$13,000, respectively with an increase to capital outlay totaling \$176,580.

Actual general fund revenues of \$2,027,295 exceeded budgeted revenues of \$1,901,700. Budgeted expenditures of \$2,306,249 exceeded actual expenditures of \$2,097,588.

Capital Assets

The Prairielands Groundwater Conservation District's investment in capital assets as of December 31, 2023, amounts to \$3,807,436 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, vehicles, furniture and equipment, improvements, and monitoring wells.

Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental - Type Activities 2022	Governmental - Type Activities 2023
Land	\$ 89,447	\$ 89,447
Construction in progress	25,358	-
Building	3,284,906	3,284,906
Furniture and equipment	479,599	463,468
Monitoring wells	-	395,328
Improvements	12,468	96,964
Vehicles	226,841	174,005
Total	<u>\$ 4,118,619</u>	<u>\$ 4,504,118</u>

Depreciation expense on all assets amounted to \$171,025 for the year.

Major capital asset events during the fiscal year include completing a monitoring well totaling \$395,328, adding improvements totaling \$84,496 including audio/visual upgrades to the board room, a new security gate, and a new carport, as well as adding furniture and equipment totaling \$25,893 including a new server and security system. Two trucks were sold at auction for total proceeds of \$31,950.

Long-term Debt

At the end of the current fiscal year, the District had total debt of \$1,301,235, which comprised of notes payable. This compares to a balance in the previous year of \$1,344,842. The decrease is related to regular principal payments totaling \$43,607 during the year.

Economic Factors for Next Year

The original budget for the 2024 fiscal year shows projected revenues of \$2,185,039 and expenditures of \$2,573,138 with the difference being funded by previous years fund balance. This budget includes increased revenues from its 2023 budgeted revenues of approximately 15% with groundwater production fees making up about 90% of total budgeted revenues.

The Board believes it is very prudent to recognize the litigious nature of the process of DFC adoptions and issues related to rules which contain permit limitations on non-exempt water wells. In addition, the revenues from water usage could decline if certain situations occur. Therefore, the Board deems it wise to accumulate sufficient funds to cover operations and unexpected expenses should they lose any major fee payers.

The District's immediate and long-term financial goals are to fund necessary water conservation and monitoring programs with program revenues and to safeguard the cash on hand for future needs.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If you have questions about this report or need any additional information, contact Prairielands Groundwater Conservation, 208 Kimberly Dr., Cleburne, Texas 76031.

BASIC FINANCIAL STATEMENTS

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 2,038,056
Accounts receivable	3,571
Prepaid items	11,154
Other assets	3,741
Total current assets	2,056,522
Non-current assets:	
Capital assets:	
Non-depreciable	89,447
Depreciable, net	3,717,989
Net pension asset	52,596
Total assets	5,916,554
DEFERRED OUTFLOWS:	
Deferred outflows related to pension	158,826
Total deferred outflows	158,826
Total assets and deferred outflows	\$ 6,075,380
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 319,869
Payroll liabilities	16,036
Non-current liabilities:	
Due within one year	69,241
Due in more than one year	1,255,353
Total liabilities	1,660,499
DEFERRED INFLOWS:	
Unavailable revenue - production fees	597,101
Deferred inflows related to pension	28,766
Total deferred inflows	625,867
NET POSITION	
Net investment in capital assets	2,506,201
Unrestricted	1,282,813
Total net position	\$ 3,789,014

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

**PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position Primary Government</u>
		<u>Charges for Services</u>	<u>Governmental Activities</u>
Primary Government			
Governmental Activities			
General government	\$ 1,726,410	\$ 1,884,183	\$ 157,773
Total governmental	<u>1,726,410</u>	<u>1,884,183</u>	<u>157,773</u>
General revenues			
Miscellaneous revenue			28,959
Gain on disposal of capital assets			22,643
Interest			82,203
Total general revenues			<u>133,805</u>
Change in net position			<u>291,578</u>
Net position - beginning			<u>3,497,436</u>
Net position - ending			<u>\$ 3,789,014</u>

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

**PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2023**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,038,056
Accounts receivable	3,571
Prepaid items	11,154
Other assets	<u>3,741</u>
Total assets	<u><u>\$ 2,056,522</u></u>
LIABILITIES	
Accounts payable	\$ 319,869
Payroll liabilities	<u>16,036</u>
Total liabilities	<u>335,905</u>
DEFERRED INFLOWS	
Unavailable revenue - production fees	597,101
FUND BALANCE	
Nonspendable	11,154
Assigned	1,112,362
Unassigned	<u>-</u>
Total fund balance	<u>1,123,516</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 2,056,522</u></u>

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

**PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Total Fund Balance - Governmental Fund		\$ 1,123,516
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds balance sheet.		3,807,436
<p>The statement of net position includes the District's proportionate share of the TCDRS net pension liability (asset) as well as certain pension related transactions accounted for as Deferred Inflows and Outflows of resources.</p>		
Net pension asset (liability)	52,596	
Deferred inflows of resources	(28,766)	
Deferred outflows of resources	158,826	182,656
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(1,324,594)
Net Position of Governmental Activities		\$ 3,789,014

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

**PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	General Fund
Revenues:	
Groundwater production fees	\$ 1,724,983
Application fees	159,200
Interest	82,203
Sale of capital assets	31,950
Other	28,959
Total revenues	2,027,295
Expenditures:	
Current:	
Payroll and benefits	923,085
Field and technical	25,427
Insurance	21,921
Legal	216,020
Meeting, travel and training	28,132
Office	122,431
Operating	61,013
Professional services	105,494
Public relations	74,193
Capital outlay	429,268
Debt service:	
Principal retirement	43,607
Interest	46,997
Total expenditures	2,097,588
Net change in fund balance	(70,293)
Fund balance - beginning of year	1,193,809
Fund balance - end of year	\$ 1,123,516

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

**PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Total Net Change in Fund Balance - Governmental Fund	\$	(70,293)
<p>Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2023 capital outlays is to increase net position.</p>		
		480,359
<p>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.</p>		
		(171,025)
<p>Net pension (assets) liabilities as well as the related deferred inflows and outflows of resources generated from those assets are not payable from current resources and therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount.</p>		
		21,374
<p>The repayment of principal on long-term debt consumes the current financial resources of governmental funds but has no impact on net position. The amount of current year debt repayment increases net position.</p>		
		43,607
<p>Increase in compensated absences is not an expenditure in the governmental funds but is recorded as a liability in the statement of net position. The net increase in the liability decreases net position.</p>		
		(3,137)
<p>Governmental funds recognize all amounts received on the sale of capital assets as revenue. However, in the statement of activities, the amount received as proceeds for a capital asset would be recorded as a gain/(loss) on disposal and would be offset by the remaining net book value of the disposed</p>		
		(9,307)
Change in Net Position of Governmental Activities	\$	<u>291,578</u>

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

NOTES TO FINANCIAL STATEMENTS

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2023

1. Organization

The Prairielands Groundwater Conservation District (the “District”) is a political subdivision of the state of Texas created to conserve, protect and enhance the groundwater resources of Ellis, Hill, Johnson and Somervell Counties in Texas.

2. Summary of Significant Accounting Policies

Prairielands Groundwater Conservation District prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, in conformity with authoritative pronouncements of the Governmental Accounting Standards Board (GASB).

The District applies the criteria set forth in GASB Statement No. 61, *The Financial Reporting Entity*, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected official’s accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The District has no component units included within its reporting entity.

A. Basis of Presentation – Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all the activities of the District. There are only governmental activities, which normally are supported by taxes and governmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – Fund Financial Statements

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with self-balancing set accounts. Fund accounting segregates funds according to their purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District reports the following major governmental fund: The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

There are no proprietary funds of the District generating significant operating revenues, such as charges for services, resulting from exchange transactions associated with the principal activity of the fund.

C. Measurement Focus and Basis of Accounting

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the District considered revenues to be available if they are collected within sixty days of the end of the current fiscal period. Groundwater production fees and application fees estimated to be collectible within sixty days after the balance sheet date are considered to be susceptible to accrual and thus are recognized as revenues of the current fiscal period.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Expenditures are generally recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers highly liquid investments with a maturity of three months or less to be cash equivalents.

The District invests in TexPool and TexPool Prime, which are external investment pools that are not registered with the Securities and Exchange Commission (SEC). The State Comptroller of Public Accounts oversees TexPool and TexPool Prime. Federal Investors is the full service provider to the pools managing the assets, providing participant services, and arranging for all custody and other functions in support of the pools' operations under a contract with the Comptroller.

In accordance with state law, TexPool and TexPool Prime operate in conformity with all of the requirements of the SEC's Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool and TexPool Prime qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

TexPool and TexPool Prime are managed conservatively to provide safe, efficient, and liquid investment alternatives to Texas governments. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. TexPool and TexPool Prime invest in U.S. Treasury and government agency securities, repurchase agreements, and AAA-rated no-load money market mutual funds; TexPool Prime may also invest in commercial paper and certificates of deposit. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool and TexPool Prime, like their participants, are governed by the Texas Public Funds Investment Act.

E. Accounts Receivable

Accounts receivable consists of production fees receivable that are shown net of allowance for uncollectible accounts. No allowance for uncollectible accounts was considered necessary at December 31, 2023.

F. Prepaid Items

Certain payments to vendors reflects costs applicable to future periods and are recorded as prepaid items in both government-wide and fund financial statements.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2023

2. Summary of Significant Accounting Policies (continued)

G. Capital Assets, Depreciation, and Amortization

Capital assets, which include land, construction in progress, building, furniture and equipment, monitoring wells, and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Maintenance and repairs which do not materially improve or extend the lives of the respective assets are charged to expense as incurred.

Land and construction in progress are not depreciated. Other capital assets are depreciated using the straight-line method over the following estimated useful lives:

Vehicles	5 years
Furniture and equipment	3-7 years
Improvements	5-15 years
Monitoring wells	25 years
Building	40 years

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

H. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financial sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Net Position Flow Assumption

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows on the government-wide financial statements. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws and/or regulations of other governments. Unrestricted net position is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

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

K. Fund Balance Flow Assumption

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

Nonspendable - Resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Restricted – Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – Resources which are subject to limitations the government imposes upon itself at its highest level of decision making (resolution), and that remain binding unless removed in the same manner.

Assigned - Resources neither restricted nor committed for which a government has a stated intended use as established by the Board of Directors, or an official to which to the Board of Directors has delegated the authority to assign amounts for specific purposes.

Unassigned – Resources which cannot be properly classified in one of the other four categories. The General fund is the only fund that reports a positive unassigned fund.

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

L. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government funds only if they have matured, for example, as a result of employee resignations and retirements.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

M. Pensions

For purposes of measuring the net pension asset, deferred outflows and deferred inflows related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS' Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. 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.

N. Budget

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The legal level of budgetary control is the fund level.

O. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from those estimates.

P. Implementation of New Accounting Standard

In 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The objective of this statement is to better meet the needs of financial statement users by improving accounting and financial reporting for SBITAs by governments. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The District did not have any SBITAs that met the criteria of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for fiscal year 2023.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2023

3. Deposits and Investments with Financial Institutions

As of December 31, 2023, the book balance of the District's cash and cash equivalents were comprised of the following:

Demand deposits	\$ 405,828
TexPool Prime	1,061,233
TexPool	570,795
Petty cash	200
	<u>\$2,038,056</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of the state of Texas and its agencies that have a market value of not less than the principal amount of the deposits. As of December 31, 2023, the bank balance of the demand deposit accounts of \$407,563, \$250,000 of which was covered by federal depository insurance and the remaining \$157,563 was fully collateralized by collateral pledged in the District's name. The District believes it is not exposed to any significant credit risk on its cash and certificates of deposit balance.

Public funds of the District may be invested in the following: (a) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (b) direct obligations of the state of Texas or its agencies and instrumentalities; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the state of Texas or the United States or their respective agencies and instrumentalities; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (e) certificates of deposit issued by a depository institution or broker that has its main office or a branch office in Texas; (f) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, or that meet certain other requirements as defined in the District's investment policy; (g) local government investment pools which meet the requirements of the Public Funds Investment Act, are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, and are authorized by Board resolution; and (h) local government investment pools created to function as a money market mutual fund if the pool marks its portfolio to the market daily and, to the extent possible, stabilizes at a \$1.00 net asset value.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2023, both TexPool and TexPool Prime were rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2023

3. Deposits and Investments with Financial Institutions (continued)

The District's investment policy contains no limitations on the amount that can be invested in authorized local government investment pools.

4. Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

	<u>Balance</u> 12/31/2022	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance</u> 12/31/2023
Governmental activities:				
Non-depreciable assets:				
Land	\$ 89,447	\$ -	\$ -	\$ 89,447
Construction in progress	25,358	10,578	(35,936)	-
Total non-depreciable assets	<u>114,805</u>	<u>10,578</u>	<u>(35,936)</u>	<u>89,447</u>
Capital assets being depreciated:				
Building	3,284,906	-	-	3,284,906
Furniture and equipment	479,599	25,893	(42,024)	463,468
Monitoring wells	-	395,328	-	395,328
Improvements	12,468	84,496	-	96,964
Vehicles	226,841	-	(52,836)	174,005
Total capital assets being depreciated	<u>4,003,814</u>	<u>505,717</u>	<u>(94,860)</u>	<u>4,414,671</u>
Less accumulated depreciation:				
Building	(198,464)	(82,122)	-	(280,586)
Furniture and equipment	(314,394)	(50,938)	32,717	(332,615)
Monitoring wells	-	(1,318)	-	(1,318)
Improvements	(623)	(8,946)	-	(9,569)
Vehicles	(97,729)	(27,701)	52,836	(72,594)
Total accumulated depreciation	<u>(611,210)</u>	<u>(171,025)</u>	<u>85,553</u>	<u>(696,682)</u>
Total capital assets being depreciated, net	<u>3,392,604</u>	<u>334,692</u>	<u>(9,307)</u>	<u>3,717,989</u>
Governmental activities capital assets, net	<u>\$ 3,507,409</u>	<u>\$ 345,270</u>	<u>\$ (45,243)</u>	<u>\$ 3,807,436</u>

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2023

5. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and the litigious nature of the political environment in which it operates. The District is covered through third-party insurance policies, and risk is also mitigated by the protections afforded it through the Texas Water Code, Chapter 36, Sections 36.066, 36.251 and 36.253. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

6. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023	Due Within One Year
Note payable	\$ 1,344,842	\$ -	\$ (43,607)	\$ 1,301,235	\$ 45,882
Compensated absences	20,222	23,359	(20,222)	23,359	23,359
	<u>\$ 1,365,064</u>	<u>\$ 23,359</u>	<u>\$ (63,829)</u>	<u>\$ 1,324,594</u>	<u>\$ 69,241</u>

The District's note payable, the initial amount of which was \$1,500,000, bears interest at 3.50%, is secured by all of the District's assets, and matures on July 31, 2045. The debt service requirements for the note payable are as follows:

Year Ending December 31	Note Payable	
	Principal	Interest
2024	\$ 45,882	\$ 44,722
2025	47,514	43,090
2026	49,204	41,400
2027	50,954	39,650
2028	52,766	37,838
2029-2033	293,351	159,666
2034-2038	349,365	103,653
2039-2043	412,199	36,941
	<u>\$ 1,301,235</u>	<u>\$ 506,960</u>

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2023

8. Fund Balance Classifications

The District’s Board of Directors established and adopted the Operating Reserve Fund by resolution on December 20, 2021, for the purpose of setting aside resources to cover unanticipated deficits or revenue reductions that may be caused by adverse economic conditions or public emergency.

The District’s Board of Directors established and adopted the Regulatory and Compliance Contingency Fund by resolution on November 21, 2022, for the purpose of setting aside resources to cover unforeseen expenses resulting from any actual or anticipated challenges to the Rules or Regulations of the District such as legal matters or other issues requiring the use of arbitration to defend the District.

The Operating Reserve Fund and the Regulatory and Compliance Contingency Fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for one of these funds.

The Board has assigned the 2023 fund balance as follows:

Operating Reserve Fund	\$856,000
Regulatory and Compliance Contingency Fund	100,000
2024 Budgetary Deficit	156,362

9. Defined Benefit Pension Plan

Plan Description

The District provides retirement benefits for all of its full-time and part-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, TX 78768-2034 or at www.tcdrs.org.

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 age 60 and above with 5 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 75 or more, when vested. Members are vested after 5 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 are not entitled to any amounts contributed by their employer.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2023

9. Defined Benefit Pension Plan (continued)

Benefits Provided (continued)

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 expect 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 contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes, including automatic COLAs.

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	2
Active employees	10
	<hr/>
	15
	<hr/> <hr/>

Contributions

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

The District contributed using the elected contribution rate of 10.64% for the calendar year ending 2023. The deposit rate payable by the employee members for calendar year 2023 is the rate of 5% as adopted by the governing body of the employer. The employee and employer deposit rates may be changed by the governing body of the District within the options available in the TCDRS Act.

Net Pension (Asset) Liability

The District’s Net Pension (Asset) Liability (NPL) for the year ended December 31, 2023, was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension (Assets) Liability was determined by an actuarial valuation as of that date.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2023

9. Defined Benefit Pension Plan (continued)

Net Pension (Asset) Liability (continued)

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	4.70% per year
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and .50% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

Mortality rates for depositing members were based on 135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality Table for females as appropriate, projected with 100% of the MP-2021 Ultimate scale after 2010. Service retirees, beneficiaries, and non-depositing members were based on 135% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for females as appropriate, projected with 100% of the MP-2021 Ultimate scale after 2010. Disabled retirees were based on 160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females as appropriate, projected with 100% of the MP-2021 Ultimate scale after 2010.

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020 and were adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2022. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2023

9. Defined Benefit Pension Plan (continued)

Net Pension (Asset) Liability (continued)

The long-term expected rate of return of 7.60% 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 2023 information for a 10-year time horizon and are re-assessed at a minimum of every four years, and is set based on a long-term time horizon. Best estimates of geometric real rates of return (net of inflation, assumed at 2.30%) for each major asset class included in the target asset allocation (per Cliffwater's 2023 capital market assumptions) were adopted at the March 2023 TCDRS board meeting and are summarized below:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus inflation)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
Int'l Equities - Developed Markets	MSCI World Ex USA (net)	5.00%	4.95%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	7.60%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%
Total		100.00%	

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2023

9. Defined Benefit Pension Plan (continued)

Net Pension (Asset) Liability (continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.6%. Using the alternative method, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments based on the funding requirements under the District's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the unfunded actuarial accrued liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the District is legally required to make the contribution specified in the funding policy.
3. The District assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the District is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and the net pension liability of the District is equal to the long-term assumed rate of return on investments.

	Increase (Decrease)		
	Total Pension Plan Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 392,743	\$ 479,789	\$ (87,046)
Changes for the year:			
Service cost	92,045	-	92,045
Interest on total pension liability	36,225	-	36,225
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(12,544)	-	(12,544)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	(16,603)	(16,603)	-
Administrative expenses	-	(319)	319
Member contributions	-	33,390	(33,390)
Net investment income	-	(35,617)	35,617
Employer contributions	-	71,053	(71,053)
Other	-	12,769	(12,769)
Net changes	\$ 99,123	\$ 64,673	\$ 34,450
Balance at 12/31/2022	\$ 491,866	\$ 544,462	\$ (52,596)

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements
December 31, 2023

9. Defined Benefit Pension Plan (continued)

Net Pension (Asset) Liability (continued)

Sensitivity of the net pension (asset) liability to changes in the discount rate

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

	1% Decrease in Discount Rate (6.6%)	Current Discount Rate (7.6%)	1% Increase in Discount Rate (8.6%)
Total pension liability	\$ 558,973	\$ 491,865	\$ 435,277
Fiduciary net position	544,461	544,461	544,461
Net pension liability (asset)	\$ 14,512	\$ (52,596)	\$ (109,184)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS annual comprehensive financial report. The most recent report may be obtained on the internet at www.tcdrs.org.

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

For the fiscal year ended December 31, 2023, the District recognized pension expense of \$51,968.

As of December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 25,631	\$ 46,619
Changes of assumptions	3,135	13,853
Net difference between projected and actual earnings	-	25,013
Contributions subsequent to the measurement date	N/A	73,341
Total	\$ 28,766	\$ 158,826

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2023

9. Defined Benefit Pension Plan (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$73,341 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 fiscal year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Valuation year ended December 31:	
2023	\$ 6,870
2024	9,331
2025	10,263
2026	20,777
2027	3,853
Thereafter	5,625

10. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sec. 457. The plan, which is available to all District employees after one year of service, permits them to defer a portion of their salary to future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The District does not contribute to this plan. Plan assets are held by a trust or custodian for the exclusive benefit of participants and beneficiaries.

REQUIRED SUPPLEMENTARY INFORMATION

**PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	GAAP Basis			Variance Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Groundwater production fees	\$ 1,670,250	\$ 1,670,250	\$ 1,724,983	\$ 54,733
Application fees	115,000	115,000	159,200	44,200
Interest	25,000	50,000	82,203	32,203
Sale of capital assets	-	31,950	31,950	-
Other	34,500	34,500	28,959	(5,541)
Total revenues	<u>1,844,750</u>	<u>1,901,700</u>	<u>2,027,295</u>	<u>125,595</u>
Expenditures:				
Current:				
Payroll and benefits	1,078,845	1,023,429	923,085	100,344
Field and technical	49,700	49,700	25,427	24,273
Insurance	25,500	25,500	21,921	3,579
Legal	250,000	250,000	216,020	33,980
Meeting, travel and training	33,500	33,500	28,132	5,368
Office	129,750	129,750	122,431	7,319
Operating	121,500	75,286	61,013	14,273
Professional services	216,900	211,900	105,494	106,406
Public relations	103,000	90,000	74,193	15,807
Capital outlay	150,000	326,580	429,268	(102,688)
Debt service:				
Principal retirement	41,604	41,604	43,607	(2,003)
Interest	49,000	49,000	46,997	2,003
Total Expenditures	<u>2,249,299</u>	<u>2,306,249</u>	<u>2,097,588</u>	<u>208,661</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(404,549)</u>	<u>(404,549)</u>	<u>(70,293)</u>	<u>334,256</u>
Fund balance - beginning of year	<u>1,193,809</u>	<u>1,193,809</u>	<u>1,193,809</u>	<u>1,193,809</u>
Fund balance - end of year	<u>\$ 789,260</u>	<u>\$ 789,260</u>	<u>\$ 1,123,516</u>	<u>\$ 1,528,065</u>

**PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF CHANGE IN NET PENSION (ASSET) LIABILITY
AND RELATED RATIOS**

Last 10 Measurement Years (will ultimately be displayed)

Total Pension Liability	2022	2021	2020
Service Cost	\$ 92,045	\$ 72,899	\$ 64,301
Interest on total pension liability	36,225	27,752	23,269
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	-	(3,831)	17,526
Effect of economic/demographic (gains) or losses	(12,544)	9,668	(18,557)
Benefit payments/refunds of contributions	(16,603)	(11,802)	(22,459)
Net Change in Total Pension Liability	99,123	94,686	64,080
Total Pension Liability, beginning	392,743	298,057	233,977
Total Pension Liability, ending (a)	\$ 491,866	\$ 392,743	\$ 298,057
Fiduciary Net Position			
Employer contributions	\$ 71,053	\$ 52,705	\$ 41,703
Member contributions	33,390	27,827	22,914
Investment income net of investment expenses	(35,617)	80,186	26,848
Benefit payments/refunds of contributions	(16,603)	(11,802)	(22,459)
Administrative expenses	(319)	(260)	(241)
Other	12,769	2,038	1,273
Net Change in Fiduciary Net Position	64,673	150,694	70,038
Fiduciary Net Position, beginning	479,789	329,095	259,057
Fiduciary Net Position, ending (b)	\$ 544,462	\$ 479,789	\$ 329,095
Net Pension (Asset) Liability, ending = (a) - (b)	\$ (52,596)	\$ (87,046)	\$ (31,038)
Fiduciary net position as a % of total pension liability	110.69%	122.16%	110.41%
Pensionable covered payroll	\$ 667,790	\$ 556,547	\$ 458,277
Net pension (asset) liability as a % of covered payroll	-7.88%	-15.64%	-6.77%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

**PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF CHANGE IN NET PENSION (ASSET) LIABILITY
AND RELATED RATIOS - continued
Last 10 Measurement Years (will ultimately be displayed)**

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 27,654	\$ 24,914	\$ 24,538	\$ 42,028	\$ 16,835
15,532	10,994	6,986	3,088	681
-	-	-	-	93
-	-	1,582	-	221
31,079	21,596	15,998	(924)	(312)
(8,606)	-	-	-	-
65,659	57,504	49,104	44,192	17,518
168,318	110,814	61,710	17,518	-
\$ 233,977	\$ 168,318	\$ 110,814	\$ 61,710	\$ 17,518
\$ 41,685	\$ 28,857	\$ 31,393	\$ 40,706	\$ 11,210
20,712	15,855	13,925	13,550	5,708
28,670	(1,940)	11,476	1,279	(144)
(8,606)	-	-	-	-
(197)	(140)	(87)	(14)	(6)
1,878	1,345	606	1,337	(1)
84,142	43,977	57,313	56,858	16,767
174,915	130,938	73,625	16,767	-
\$ 259,057	\$ 174,915	\$ 130,938	\$ 73,625	\$ 16,767
\$ (25,080)	\$ (6,597)	\$ (20,124)	\$ (11,915)	\$ 751
110.72%	103.92%	118.16%	119.31%	95.71%
\$ 414,238	\$ 317,110	\$ 278,498	\$ 270,995	\$ 273,976
-6.05%	-2.08%	-7.23%	-4.40%	0.27%

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 11,210	\$ 11,210	\$ -	\$ 114,157	9.8%
2016	26,612	40,706	(14,094)	270,995	15.0%
2017	25,343	31,393	(6,050)	278,498	11.3%
2018	27,113	28,857	(1,744)	317,110	9.1%
2019	35,997	41,685	(5,688)	414,238	10.1%
2020	40,145	41,703	(1,558)	458,277	9.1%
2021	54,520	54,520	-	575,713	9.5%
2022	71,053	71,053	-	667,191	10.6%
2023	72,465	73,341	(876)	689,490	10.6%

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Required Supplementary Information
December 31, 2023

Budget

Annual operating budget is adopted on a basis consistent with generally accepted accounting principles for a governmental fund. The budget lapses at fiscal year-end.

The Board of Directors follows these procedures in establishing budgetary data reflected in the financial statements:

- a. Prior to the beginning of the fiscal year, a proposed budget is submitted by the Finance Committee to the Board for approval.
- b. During the year, the Board may amend the budget.
- c. Budgetary control is maintained at the line item level, subject to adjustments permitted as described above.

Retirement Schedules

Valuation Date

Actuarially determined contribution rates are calculated as of 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
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5-year smoothed market
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
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. 2022: New investment return and inflation 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: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule.