



YWRD, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA | Brandon Diviney, CPA

June 4, 2021

To the Board of Directors
Prairielands Groundwater Conservation District

We have audited the financial statements of the governmental activities and general fund of Prairielands Groundwater Conservation District for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 5, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Prairielands Groundwater Conservation District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by Prairielands Groundwater Conservation District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Management's estimate of the allowance for accumulated depreciation is based on the estimated useful life of the capital asset. We evaluated the key factors and assumptions used to develop the allowance for accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the total pension liability is based, in part, on actuarial assumptions. We obtain the actuarial valuation reports prepared by management's specialists and determine the reports are relevant and reliable for financial reporting purposes. We evaluated whether the methods and assumptions used in determining the total pension liability was in accordance with GASB and Actuarial Standards of Practice and were the same as those used by the plan in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements noted during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 4, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Prairielands Groundwater Conservation District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Prairielands Groundwater Conservation District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Board of Directors
Prairielands Groundwater Conservation District
Page Three

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedule of changes in net pension liability and related ratios, and the schedule of contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors of Prairielands Groundwater Conservation District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

YWRD, P.C.

YWRD, P.C.
Certified Public Accountants

***PRAIRIELANDS GROUNDWATER
CONSERVATION DISTRICT***

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2020

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Prairielands Groundwater Conservation District

We have audited the accompanying financial statements of the governmental activities and general fund of Prairielands Groundwater Conservation District ("District"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of Prairielands Groundwater Conservation District, as of December 31, 2020, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 and schedule of changes in pension liability and related ratios and schedule of contributions on pages 30-31 be presented to supplement the basic financial statements. Such information, 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.

YWRD, P.C.

YWRD, P.C.
Certified Public Accountants

Waxahachie, Texas
June 4, 2021

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

As management of the Prairielands Groundwater Conservation District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2020.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$2,943,682 (net position), of which \$896,098 is unrestricted and available for use within the District's policies.
- The District's total net position increased by \$379.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$759,966 or 26.9% of the total general fund expenditures.

Overview of the 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. The government-wide and fund financial statements have been combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements rather than at the bottom of the statements or in an accompanying schedule.

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The governmental activity of the District consists of conservation, protection and enhancement of groundwater resources.

The government-wide financial statements can be found on pages 8-9 of this report.

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 current sources and uses 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 the government's near-term financing decisions. The combined government-wide and fund financial statements provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

All of the District's activity is maintained in one individual governmental fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 8-10 of this report.

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 11-28 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 30-31 of this report.

Government-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 of resources exceeded liabilities and deferred inflows of resources by \$2,943,682 as of December 31, 2020.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT'S NET POSITION

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 1,248,573	\$ 1,630,236
Capital assets	3,532,052	2,029,584
Total assets	<u>4,780,625</u>	<u>3,659,820</u>
 Deferred outflows of resources	 <u>99,535</u>	 <u>83,181</u>
 Long term liabilities	 1,493,930	 276,713
Other liabilities	51,250	522,161
Total liabilities	<u>1,545,180</u>	<u>798,874</u>
 Deferred inflows of resources	 <u>391,298</u>	 <u>824</u>
 Net position:		
Net investment in capital assets	2,047,584	1,767,094
Unrestricted	896,098	1,176,209
Total net position	<u><u>\$ 2,943,682</u></u>	<u><u>\$ 2,943,303</u></u>

A large portion of the District's net position (70%) reflects its investment in capital assets (e.g., land, construction in progress, building, furniture and equipment and vehicles), less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its reporting entities; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Analysis of the District's Operations. The following table provides a summary of the District's operations for the year ended December 31, 2020. Governmental activities increased the District's net position by \$379.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT'S CHANGES IN NET POSITION

	<u>2020</u>	<u>2019</u>
Revenues:		
General revenues:		
Groundwater production fees	\$ 1,108,805	\$ 1,236,709
Application fees	123,425	96,450
Interest	10,625	17,414
Other	27,620	3,404
Total revenues	<u>1,270,475</u>	<u>1,353,977</u>
Expenses:		
Governmental activities	1,270,096	1,200,445
Total expenses	<u>1,270,096</u>	<u>1,200,445</u>
Change in net position	379	153,532
Net position - beginning	<u>2,943,303</u>	<u>2,789,771</u>
Net position - ending	<u>\$ 2,943,682</u>	<u>\$ 2,943,303</u>

Financial Analysis of Governmental Funds

Governmental Funds. The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The general fund is the sole fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$759,966. Unassigned fund balance represents 26.9% of total general fund expenditures. The fund balance of the District’s general fund decreased \$315,355 during the current fiscal year.

General Fund Budgetary Highlights. Significant variations between the original budget and final amended budget (\$1,215,000 increase) can be briefly summarized as follows:

- \$82,600 decrease in payroll and benefits
- \$30,000 decrease in field and technical
- \$25,000 increase in office
- \$63,300 increase in professional services
- \$23,000 decrease in public relations
- \$1,263,000 increase in capital outlay
- \$1,237,510 increase in loan proceeds

Final budget compared to actual results. Budgeted general fund revenues of \$1,314,550 exceeded actual revenues of \$1,273,098 by \$41,452. Budgeted general fund expenditures of \$3,562,800 exceeded actual expenditures of \$2,825,963 by \$736,837.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of December 31, 2020, amounts to \$3,532,052 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, furniture and equipment and vehicles.

Prairielands Groundwater Conservation District's Capital Assets (net of depreciation)

	<u>2020</u>	<u>2019</u>
Land	\$ 89,447	\$ 89,447
Construction in progress	-	1,843,242
Building	3,250,688	-
Furniture and equipment	184,817	82,695
Vehicles	7,100	14,200
Total	<u>\$ 3,532,052</u>	<u>\$ 2,029,584</u>

Major capital asset events during the current fiscal year included the following:

- Building construction completion of approximately \$3,285,000.
- Furniture and equipment additions of approximately \$144,000.

Additional information on the District's capital assets can be found in note 3.B on page 20 of this report.

Long-term debt. At the end of the current fiscal year, the District had total debt of \$1,484,468, which was comprised of notes payable.

Prairielands Groundwater Conservation District's Outstanding Debt

	<u>2020</u>	<u>2019</u>
Note payable	<u>\$ 1,484,468</u>	<u>\$ 262,490</u>

Additional information on the District's debt can be found in note 3.D on page 21 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2021 Budget, General Fund revenues increased approximately 28% from its 2020 budgeted revenues with groundwater production fees make up about 91% of general fund budgeted revenues.

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Prairielands Groundwater Conservation District, 208 Kimberly Drive, Cleburne, Texas 76031.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
December 31, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 1,112,792	\$ -	\$ 1,112,792
Accounts receivable	92,538	-	92,538
Prepaid items	18,163	-	18,163
Capital assets:			
Non-depreciable	-	89,447	89,447
Depreciable (net of accumulated depreciation)	-	3,442,605	3,442,605
Net pension asset	-	25,080	25,080
Total Assets	<u>1,223,493</u>	<u>3,557,132</u>	<u>4,780,625</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	-	99,535	99,535
Total Deferred Outflows of Resources	<u>-</u>	<u>99,535</u>	<u>99,535</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,223,493</u>		
LIABILITIES			
Accounts payable	36,855	-	36,855
Accrued expenses	14,395	-	14,395
Noncurrent liabilities:			
Due within one year	-	37,783	37,783
Due in more than one year	-	1,456,147	1,456,147
Total Liabilities	<u>51,250</u>	<u>1,493,930</u>	<u>1,545,180</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-production fees	394,114	(5,749)	388,365
Deferred inflows of resources related to pension	-	2,933	2,933
Total Deferred Inflows of Resources	<u>394,114</u>	<u>(2,816)</u>	<u>391,298</u>
FUND BALANCE			
Nonspendable:			
Prepaid items	18,163	(18,163)	-
Unassigned			
Total Fund Balance	<u>759,966</u>	<u>(759,966)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 1,223,493</u>		
NET POSITION			
Net investment in capital assets		2,047,584	2,047,584
Unrestricted		896,098	896,098
Total Net Position		<u>\$ 2,943,682</u>	<u>\$ 2,943,682</u>

See accompanying notes to financial statements.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Groundwater production fees	\$ 1,111,428	\$ (2,623)	\$ 1,108,805
Application fees	123,425	-	123,425
Interest	10,625	-	10,625
Other	27,620	-	27,620
Total Revenues	<u>1,273,098</u>	<u>(2,623)</u>	<u>1,270,475</u>
EXPENDITURES/EXPENSES			
Current:			
Payroll and benefits	633,620	(37,489)	596,131
Field and technical	18,192	(7,828)	10,364
Insurance	12,904	-	12,904
Legal	190,738	-	190,738
Meeting, travel and training	13,264	-	13,264
Office	100,447	(6,043)	94,404
Operating	40,057	-	40,057
Professional services	168,793	-	168,793
Public relations	16,328	-	16,328
Depreciation	-	82,941	82,941
Capital outlay	1,571,538	(1,571,538)	-
Debt service:			
Principal retirement	15,532	(15,532)	-
Interest	44,550	(378)	44,172
Total Expenditures/Expenses	<u>2,825,963</u>	<u>(1,555,867)</u>	<u>1,270,096</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(1,552,865)	1,553,244	379
OTHER FINANCING SOURCES (USES)			
Loan proceeds	1,237,510	(1,237,510)	-
Total Other Financing Sources	<u>1,237,510</u>	<u>(1,237,510)</u>	<u>-</u>
Net Change in Fund Balance	(315,355)	315,355	-
Change in Net Position	-	379	379
Fund Balance/Net Position, Beginning of Year	<u>1,093,484</u>	<u>1,849,819</u>	<u>2,943,303</u>
Fund Balance/Net Position, End of Year	<u>\$ 778,129</u>	<u>\$ 2,165,553</u>	<u>\$ 2,943,682</u>

See accompanying notes to financial statements.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Groundwater production fees	\$ 1,210,250	\$ 1,210,250	\$ 1,111,428	\$ (98,822)
Application fees	93,000	93,000	123,425	30,425
Interest	8,000	8,000	10,625	2,625
Other	3,300	3,300	27,620	24,320
Total revenues	<u>1,314,550</u>	<u>1,314,550</u>	<u>1,273,098</u>	<u>(41,452)</u>
EXPENDITURES				
Current:				
Payroll and benefits	827,100	744,500	633,620	(110,880)
Field and technical	63,000	33,000	18,192	(14,808)
Insurance	16,300	16,300	12,904	(3,396)
Legal	170,000	165,000	190,738	25,738
Meeting, travel and training	24,500	17,500	13,264	(4,236)
Office	80,500	105,500	100,447	(5,053)
Operating	41,000	42,300	40,057	(2,243)
Professional services	161,000	224,300	168,793	(55,507)
Public relations	59,400	36,400	16,328	(20,072)
Capital outlay	850,000	2,113,000	1,571,538	(541,462)
Debt service:				
Principal retirement	25,000	35,000	15,532	(19,468)
Interest	30,000	30,000	44,550	14,550
Total expenditures	<u>2,347,800</u>	<u>3,562,800</u>	<u>2,825,963</u>	<u>(736,837)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,033,250)	(2,248,250)	(1,552,865)	695,385
OTHER FINANCING SOURCES				
Loan proceeds	-	1,237,510	1,237,510	-
Total other financing sources	<u>-</u>	<u>1,237,510</u>	<u>1,237,510</u>	<u>-</u>
Net change in fund balance	(1,033,250)	(1,010,740)	(315,355)	695,385
Fund Balance, Beginning of Year	<u>1,034,000</u>	<u>1,034,000</u>	<u>1,093,484</u>	<u>59,484</u>
Fund Balance, End of Year	<u>\$ 750</u>	<u>\$ 23,260</u>	<u>\$ 778,129</u>	<u>\$ 754,869</u>

See accompanying notes to financial statements.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental activities* are supported by revenues from the various taxing entities.

B. Reporting entity

The Prairielands Groundwater Conservation District (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. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

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 presently has no component units included within its reporting entity.

C. Basis of presentation - government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The government activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds. The statement of net position reports all financial and capital resources. The statement of activities demonstrates what the District provided with the revenues raised.

D. Basis of presentation - fund financial statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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 economical resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Groundwater production fees and application fees estimated to be collectible within sixty days after balance sheet date are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

2. Receivables

Accounts receivable consists of production fees receivable that are shown net of allowance for uncollectibles. No allowance for uncollectible accounts was considered necessary.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

3. Prepaid items

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

4. Capital assets

Capital assets, which include land, construction in progress, building, furniture and equipment and vehicles are reported in the governmental activities columns 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Land and construction in progress are not depreciated. Building, furniture and equipment and vehicles are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Building	40
Furniture and equipment	3-7
Vehicles	5

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

5. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) the difference between the expected and actual experience data used by the actuary, (2) changes in actuarial assumptions of the District's defined benefit plan, and (3) contributions made to the District's defined benefit plan between the measurement date of the net pension asset from that plan and the end of the District's fiscal year. The difference between the expected and actual experience data is attributed to pension expense over a total of 13 years, including the current year. The change in actuarial assumptions is attributed to pension expense over a total of 10 years. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

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. Deferred inflows of resources reported in this year's financial statements include (1) the difference between the expected and actual experience data used by the actuary, and (2) the differences between the projected and actual investment earnings for the District's multiple-employer defined benefit plan. This deferred inflow of resources is attributed to pension expense over a total of 9 years, including the current year. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from production fees are reported in the governmental funds balance sheet.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

6. 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 statements 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.

7. Net position flow assumption

Net position represent the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position —This amount 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.

8. Fund balance flow assumption

The governmental fund financial statements present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

Nonspendable fund balance—amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of restricted, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, 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, restricted fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenue and expenditures/expenses

1. *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 governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

2. *Pensions*

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows or resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County & District Retirement System (TCDRS) and additions to/deductions from TCERS's 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.

H. Budgetary information

1. *Budgetary basis of accounting*

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.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The combined statement of net position and the governmental funds balance sheet and the combined statement of activities and governmental funds revenues, expenditures and changes in fund balance include an adjustments column that reconciles the amounts reported in the governmental funds to show how each would change when reported on the accrual basis of accounting.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)

Amounts reported for governmental activities in the statement of net position are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds, and because long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The adjustments to report these amounts are shown below:

Non-depreciable	\$ 89,447
Depreciable (net of accumulated depreciation)	\$3,442,605
Net pension asset	\$ 25,080
Noncurrent liabilities	\$1,493,930

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. The adjustment for this amount is a reduction in deferred inflows or resources of \$5,749.

Deferred outflows of resources related to pension are not reported in the governmental funds. The adjustment to report these amounts includes an increase of deferred outflows of resources of \$99,535.

Deferred inflows of resources related to pension are not reported in the governmental funds. The adjustment to report these amounts includes an increase of deferred inflows of resources of \$2,933.

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. \$1,585,409 of capital outlay is recorded as capital assets in the current period.

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense of \$82,941 is not reported as an expenditure in governmental funds.

The issuance of long-term debt (e.g. notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. \$1,221,978 is the net effect of these differences in the treatment of long-term debt.

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The adjustment to report this amount is a decrease in groundwater production fees of \$2,623.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)

Pension contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual GASB 68 pension amounts. The adjustment to report these amounts is a decrease in payroll and benefits of \$32,728.

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The adjustments to report these amounts included a decrease in payroll and benefits for compensated absences in the amount of \$4,761 and a decrease in interest in the amount of \$378.

NOTE 3 – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits

1. Deposits

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year end, the District's bank balance was \$1,128,083. Of the bank balance, \$418,542 was covered by federal depository insurance and the remaining balance, \$709,541, was covered by collateral pledged in the District's name. The collateral was held in the District's name by the safekeeping department of the pledging banks' agent and had a fair value of approximately \$1,500,000.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 3 – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (continued)

B. Capital assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 89,447	\$ -	\$ -	\$ 89,447
Construction in progress	1,843,242	1,441,664	(3,284,906)	-
Total capital assets not being depreciated	<u>1,932,689</u>	<u>1,441,664</u>	<u>(3,284,906)</u>	<u>89,447</u>
Capital assets being depreciated:				
Building	-	3,284,906	-	3,284,906
Furniture and equipment	254,302	143,745	(9,466)	388,581
Vehicles	88,336	-	-	88,336
Total capital assets being depreciated	<u>342,638</u>	<u>3,428,651</u>	<u>(9,466)</u>	<u>3,761,823</u>
Less accumulated depreciation				
Building	-	(34,218)	-	(34,218)
Furniture and equipment	(171,607)	(41,623)	9,466	(203,764)
Vehicles	(74,136)	(7,100)	-	(81,236)
Total accumulated depreciation	<u>(245,743)</u>	<u>(82,941)</u>	<u>9,466</u>	<u>(319,218)</u>
Total capital assets being depreciated (net)	<u>96,895</u>	<u>3,345,710</u>	<u>-</u>	<u>3,442,605</u>
Governmental activities capital assets, net	<u>\$ 2,029,584</u>	<u>\$ 4,787,374</u>	<u>\$ (3,284,906)</u>	<u>\$ 3,532,052</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities	<u>\$ 82,941</u>
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C. 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; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 3 – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (continued)

D. Long-term liabilities

Note Payable

Note payable currently outstanding and reported as liabilities of the District's governmental activities is:

<u>Note Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balance</u>	<u>Secured By</u>
\$ 1,500,000	7/31/2045	3.60%	\$ 1,484,468	All assets

The debt service requirements for the District's note payable is as follows:

<u>Year Ending December 31</u>	<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 37,783	\$ 52,821
2022	39,165	51,439
2023	40,598	50,005
2024	42,084	48,519
2025	43,624	46,979
2026-2030	243,273	209,744
2031-2035	291,172	161,845
2036-2040	348,503	104,515
2041-2045	398,266	35,839
Total note payments	<u>\$ 1,484,468</u>	<u>\$ 761,706</u>

Compensated Absences

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid upon termination.

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable	\$ 262,490	\$ 1,237,510	\$ (15,532)	\$ 1,484,468	\$ 37,783
Compensated absences	14,223	23,576	(28,337)	9,462	-
	<u>\$ 276,713</u>	<u>\$ 1,261,086</u>	<u>\$ (43,869)</u>	<u>\$ 1,493,930</u>	<u>\$ 37,783</u>

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 – DEFINED BENEFIT PENSION PLANS

A. Plan description

The Texas County & District Retirement System (TCDRS) is a statewide, agent multiple-employer, public-employee retirement system. The system serves 800 participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing body of each employer, within the options available in the TCERS Act. Because of that, the District has the flexibility and local control to select benefits and pay for those benefits based on its needs and budgets.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered a tax-qualified plan under Section 401(a) of the Internal Revenue Code. All eligible employees (except temporary staff) of the District must be enrolled in the plan. TCERS issues a publicly available comprehensive annual financial report that can be obtained at www.tcdrs.org.

B. Benefits provided

A brief description of benefit terms:

1. All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
2. The plan provides retirement, disability and survivor benefits.
3. TCERS is a savings-based plan. For the district's plan, 5% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 250%) and is then converted to an annuity.
4. There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
5. Benefit terms are established under the TCERS Act. They may be amended as of January 1 of each year, but must remain in conformity with the Act.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 – DEFINED BENEFIT PENSION PLANS (continued)

B. Benefits provided (continued)

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees entitled to, but not yet receiving benefits	1	
Active employees	7	
	8	

C. Contributions

A combination of three elements funds each employer's plan: employee deposits, employer contributions, and investment income.

- The deposit rate for employees is 4.00%, 5.00%, 6.00% and 7.00% of compensation, as adopted by the employer's governing body.
- Participating employer's are required, by law, to contribute at actuarially determined rates, which are determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method.
- Investment income funds a large part of the benefits employees earn.

Employers have the option of paying more than the required contribution rate each year. Additional contributions can help employer's "pre-fund" benefit increases, such as cost-of-living adjustment to retirees, and they can be used to help offset or mitigate future increases in the required rate due to negative plan experience. There are two approaches for making additional contributions:

- (a) paying an elected contribution rate higher than the required rate and
- (b) making a lump-sum contribution to the employer account.

Employees for the District were required to contribute 5.00% of their annual gross earnings during the year. The contribution rate for the District was 9.10% in calendar year 2020. The District's contributions to TCDRS for the year ended December 31, 2020 were \$41,135.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 – DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension (asset) liability

The District's Net Pension (Asset) Liability (NPL) was measured as of December 31, 2019 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions

The actuarial assumptions that determine the TPL as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68.

Key assumptions used in the December 31, 2019 actuarial valuation are as follows:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	4.90%
Investment Rate of Return	8.1% (Gross of administrative expenses)
Cost of Living Adjustments	Cost-of-living adjustments for the District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The long-term expected rate of return of TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The target allocation and best estimate of geometric real rate of return for each major asset class are summarized in the following table:

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 – DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension (asset) liability (continued)

Asset Class	Benchmark	Target Allocation	Geometrical Real Rate of Return (Expected Minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Inde	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Develop	MSCI World Ex USA (net)	7.00%	5.20%
International Equities - Emergin	MSCI Emerging Markets (net) Inde	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregat Bond Index	3.00%	-0.20%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Inde	12.00%	3.14%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Inde	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Inde	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressec Securities Index	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Inde	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Inde	2.00%	8.40%
Private Real Estate Partnership	Cambridge Associates Real Estate Inde	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund o Funds Composite Inde	8.00%	2.30%

Discount rate

The discount rate used to measure the TPL was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 – DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension (asset) liability (continued)

Changes in the net pension (asset) liability

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension (Asset) Liability (A) - (B)
Balance at 12/31/2018	\$ 168,318	\$ 174,915	\$ (6,597)
Changes for the year:			
Service cost	27,654	-	27,654
Interest	15,532	-	15,532
Effect of economic/demographic gains or losses	31,079	-	31,079
Refund of contributions	(8,606)	-	(8,606)
Benefit payments	-	(8,606)	8,606
Administrative expense	-	(197)	197
Employer contributions	-	41,685	(41,685)
Member contributions	-	20,712	(20,712)
Net investment income	-	28,670	(28,670)
Other	-	1,878	(1,878)
Net Changes	65,659	84,142	(18,483)
Balance at 12/31/2019	\$ 233,977	\$ 259,057	\$ (25,080)

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

The following presents the NPL of the District, calculated using the discount rate of 8.10%, as well as what the District's NPL would be if it were calculated using a discount rate that is one percentage point lower (7.10%) or one percentage point higher (9.10%) than the current rate:

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
District's net pension (asset) liability	\$ 8,133	\$ (25,080)	\$ (52,322)

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 – DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension (asset) liability (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled \$6,677.

E. Pension expense and deferred outflows/inflows of resources related to pensions

For the fiscal year ended December 31, 2020, the District recognized pension expense of \$8,409.

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 57,162	\$ 695
Net difference between projected and actual earnings	-	2,238
Changes of assumptions	1,238	-
Contributions made subsequent to the measurement date	41,135	-
	<u>\$ 99,535</u>	<u>\$ 2,933</u>

\$41,135 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2020	\$ 6,331
2021	5,873
2022	6,611
2023	3,739
2024	6,200
Thereafter	26,713
Total	<u>\$ 55,467</u>

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 5 – OTHER INFORMATION

A. 457 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. The total employee contributions for 2020 were \$7,400.

REQUIRED SUPPLEMENTARY INFORMATION

This supplementary schedule is included to supplement the basic financial statements as required by Governmental Accounting Standards Board.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Calendar Years (will ultimately be displayed)

	2015	2016	2017	2018	2019
Total Pension (Asset) Liability					
Service cost	\$ 16,835	\$ 42,028	\$ 24,538	\$ 24,914	\$ 27,654
Interest on the total pension liability	681	3,088	6,986	10,994	15,532
Effect of plan changes	93	-	-	-	-
Effect of assumption changes or inputs	221	-	1,582	-	-
Effect of economic/demographic (gains) or losses	(312)	(924)	15,998	21,596	31,079
Benefit payments/refunds of contributions	-	-	-	-	(8,606)
Net Change in Total Pension Liability	17,518	44,192	49,104	57,504	65,659
Total Pension (Asset) Liability - Beginning	-	17,518	61,710	110,814	168,318
Total Pension (Asset) Liability - Ending (a)	\$ 17,518	\$ 61,710	\$ 110,814	\$ 168,318	\$ 233,977
Plan Fiduciary Net Position					
Employer contributions	\$ 11,210	\$ 40,706	\$ 31,393	\$ 28,857	\$ 41,685
Member contributions	5,708	13,550	13,925	15,855	20,712
Investment income net of investment expenses	(144)	1,279	11,476	(1,940)	28,670
Benefit payments/refunds of contributions	-	-	-	-	(8,606)
Administrative expense	(6)	(14)	(87)	(140)	(197)
Other	(1)	1,337	606	1,345	1,878
Net Change in Plan Fiduciary Net Position	16,767	56,858	57,313	43,977	84,142
Plan Fiduciary Net Position - Beginning	-	16,767	73,625	130,938	174,915
Plan Fiduciary Net Position - Ending (b)	\$ 16,767	\$ 73,625	\$ 130,938	\$ 174,915	\$ 259,057
Net Pension Liability (Asset) - Ending (a) - (b)	\$ 751	\$ (11,915)	\$ (20,124)	\$ (6,597)	\$ (25,080)
Plan Fiduciary Net Position as a Percentage of Total Pension (Asset) Liability	95.71%	119.31%	118.16%	103.92%	110.72%
Covered Payroll	273,976	270,995	278,498	317,110	414,238
Net Pension (Asset) Liability as a Percentage of Covered Payroll	0.27%	(4.40%)	(7.23%)	(2.08%)	(6.05%)

Notes to Schedule:

N/A

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

	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	\$11,210	\$26,612	\$25,343	\$27,113	\$35,997	\$43,055
Contributions in relation to the actuarially determined contribution	11,210	40,706	31,393	28,857	41,685	41,135
Contribution deficiency (excess)	-	(14,094)	(6,050)	(1,744)	(5,688)	1,920
Covered payroll	114,157	270,995	278,498	317,110	414,238	473,128
Contributions as a percentage of covered payroll	9.8%	15.0%	11.3%	9.1%	10.1%	8.7%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of 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	20.0 years (based on contribution rate calculated in the 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, 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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Plan Provisions Reflected in the Schedule*	2015: No changes in plan provisions. 2016: No changes in plan provisions. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions. 2019: No changes in plan provisions.

* Only changes effective 2015 and later are shown in the Notes to Schedule