

***PRAIRIELANDS GROUNDWATER
CONSERVATION DISTRICT***

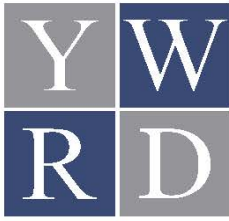
ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2022

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2022

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YWRD, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Tracie Wood, CPA | Joyce Reeve, CPA | Bryan Thomas, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Prairielands Groundwater Conservation District

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of Prairielands Groundwater Conservation District, as of December 31, 2022, 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.

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 these 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 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, schedule of changes in pension liability and related ratios and schedule of contributions 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
May 12, 2023

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, 2022.

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 \$3,497,436 (net position), of which \$1,334,869 is unrestricted and available for use within the District's policies.
- The District's total net position increased by \$216,754.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$326,458 or 17.3% 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 9-10 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 9-11 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 12-30 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 32-33 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 \$3,497,436 as of December 31, 2022.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT'S NET POSITION

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 2,137,391	\$ 2,113,569
Capital assets	<u>3,507,409</u>	<u>3,443,695</u>
Total assets	<u>5,644,800</u>	<u>5,557,264</u>
 Deferred outflows of resources	 <u>136,709</u>	 <u>122,658</u>
 Long term liabilities	 1,365,064	 1,462,652
Other liabilities	<u>254,237</u>	<u>344,218</u>
Total liabilities	<u>1,619,301</u>	<u>1,806,870</u>
 Deferred inflows of resources	 <u>664,772</u>	 <u>592,370</u>
 Net position:		
Net investment in capital assets	2,162,567	1,997,787
Unrestricted	<u>1,334,869</u>	<u>1,282,895</u>
Total net position	<u><u>\$ 3,497,436</u></u>	<u><u>\$ 3,280,682</u></u>

A large portion of the District's net position (62%) reflects its investment in capital assets (e.g., land, construction in progress, building, furniture and equipment, improvements 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, 2022. Governmental activities increased the District's net position by \$216,754.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT'S CHANGES IN NET POSITION

	<u>2022</u>	<u>2021</u>
Revenues:		
General revenues:		
Groundwater production fees	\$ 1,715,145	\$ 1,777,470
Application fees	166,500	139,800
Interest	10,156	3,340
Other	22,900	25,456
Total revenues	<u>1,914,701</u>	<u>1,946,066</u>
Expenses:		
Governmental activities	1,697,947	1,609,066
Total expenses	<u>1,697,947</u>	<u>1,609,066</u>
Change in net position	216,754	337,000
Net position - beginning	<u>3,280,682</u>	<u>2,943,682</u>
Net position - ending	<u>\$ 3,497,436</u>	<u>\$ 3,280,682</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 \$326,458. Unassigned fund balance represents 17.3% of total general fund expenditures. The fund balance of the District’s general fund increased \$24,598 during the current fiscal year.

General Fund Budgetary Highlights. Significant variations between line items in the original budget and final amended budget can be briefly summarized as follows:

- \$110,000 increase in legal
- \$82,918 decrease in operating
- \$44,232 decrease in capital outlay
- \$60,997 increase in principal retirement

Final budget compared to actual results. Actual general fund revenues of \$1,914,701 exceeded budgeted revenues of \$1,808,921 by \$105,780. Budgeted general fund expenditures of \$2,020,952 exceeded actual expenditures of \$1,890,103 by \$130,849.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of December 31, 2022, amounts to \$3,507,409 (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>2022</u>	<u>2021</u>
Land	\$ 89,447	\$ 89,447
Construction in progress	25,358	7,900
Building	3,086,442	3,168,565
Furniture and equipment	165,205	177,783
Improvements	11,845	-
Vehicles	129,112	-
Total	<u>\$ 3,507,409</u>	<u>\$ 3,443,695</u>

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

- Furniture and equipment additions of approximately \$44,200.
- Vehicle additions of approximately \$138,500.

Additional information on the District's capital assets can be found in note 3.B on page 22 of this report.

Long-term debt. At the end of the current fiscal year, the District had total debt of \$1,344,842, which was comprised of notes payable.

Prairielands Groundwater Conservation District's Outstanding Debt

	<u>2022</u>	<u>2021</u>
Note payable	<u>\$ 1,344,842</u>	<u>\$ 1,445,908</u>

Additional information on the District's debt can be found in note 3.D on page 23 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2023 Budget, General Fund revenues increased approximately 18% from its 2022 budgeted revenues with groundwater production fees make up about 92% 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, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 2,038,191	\$ -	\$ 2,038,191
Accounts receivable	803	-	803
Prepaid items	11,351	-	11,351
Capital assets:			
Non-depreciable	-	114,805	114,805
Depreciable (net of accumulated depreciation)	-	3,392,604	3,392,604
Net pension asset	-	87,046	87,046
Total Assets	<u>2,050,345</u>	<u>3,594,455</u>	<u>5,644,800</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	-	136,709	136,709
Total Deferred Outflows of Resources	-	136,709	136,709
Total Assets and Deferred Outflows of Resources	<u>\$ 2,050,345</u>		
LIABILITIES			
Accounts payable	\$ 228,695	-	228,695
Accrued expenses	25,542	-	25,542
Noncurrent liabilities:			
Due within one year	-	63,114	63,114
Due in more than one year	-	1,301,950	1,301,950
Total Liabilities	<u>254,237</u>	<u>1,365,064</u>	<u>1,619,301</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-production fees	602,299	-	602,299
Deferred inflows of resources related to pension	-	62,473	62,473
Total Deferred Inflows of Resources	<u>602,299</u>	<u>62,473</u>	<u>664,772</u>
FUND BALANCE			
Nonspendable:			
Prepaid items	11,351	(11,351)	-
Assigned:			
Operating reserve	856,000	(856,000)	-
Unassigned			
Total Fund Balance	<u>1,193,809</u>	<u>(1,193,809)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 2,050,345</u>		
NET POSITION			
Net investment in capital assets		2,162,567	2,162,567
Unrestricted		1,334,869	1,334,869
Total Net Position		<u>\$ 3,497,436</u>	<u>\$ 3,497,436</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, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Groundwater production fees	\$ 1,715,145	\$ -	\$ 1,715,145
Application fees	166,500	-	166,500
Interest	10,156	-	10,156
Other	22,900	-	22,900
Total Revenues	<u>1,914,701</u>	<u>-</u>	<u>1,914,701</u>
EXPENDITURES/EXPENSES			
Current:			
Payroll and benefits	898,454	(27,377)	871,077
Field and technical	26,223	-	26,223
Insurance	23,225	-	23,225
Legal	249,060	-	249,060
Meeting, travel and training	28,025	-	28,025
Office	110,907	-	110,907
Operating	11,436	-	11,436
Professional services	153,581	(22,150)	131,431
Public relations	73,728	(26,652)	47,076
Depreciation	-	148,952	148,952
Capital outlay	163,863	(163,863)	-
Debt service:			
Principal retirement	101,066	(101,066)	-
Interest	50,535	-	50,535
Total Expenditures/Expenses	<u>1,890,103</u>	<u>(192,156)</u>	<u>1,697,947</u>
Net Change in Fund Balance	24,598	(24,598)	-
Change in Net Position	-	216,754	216,754
Fund Balance/Net Position, Beginning of Year	<u>1,169,211</u>	<u>2,111,471</u>	<u>3,280,682</u>
Fund Balance/Net Position, End of Year	<u>\$ 1,193,809</u>	<u>\$ 2,303,627</u>	<u>\$ 3,497,436</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, 2022

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Groundwater production fees	\$ 1,666,421	\$ 1,666,421	\$ 1,715,145	\$ 48,724
Application fees	110,000	110,000	166,500	56,500
Interest	4,000	4,000	10,156	6,156
Other	28,500	28,500	22,900	(5,600)
Total revenues	<u>1,808,921</u>	<u>1,808,921</u>	<u>1,914,701</u>	<u>105,780</u>
EXPENDITURES				
Current:				
Payroll and benefits	903,686	903,686	898,454	(5,232)
Field and technical	37,500	37,500	26,223	(11,277)
Insurance	23,500	23,500	23,225	(275)
Legal	132,000	242,000	249,060	7,060
Meeting, travel and training	30,000	30,000	28,025	(1,975)
Office	117,450	117,450	110,907	(6,543)
Operating	119,300	36,382	11,436	(24,946)
Professional services	170,000	177,150	153,581	(23,569)
Public relations	88,000	98,000	73,728	(24,272)
Capital outlay	247,915	203,683	163,863	(39,820)
Debt service:				
Principal retirement	40,000	100,997	101,066	69
Interest	50,604	50,604	50,535	(69)
Total expenditures	<u>1,959,955</u>	<u>2,020,952</u>	<u>1,890,103</u>	<u>(130,849)</u>
Net change in fund balance	(151,034)	(212,031)	24,598	236,629
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>1,169,211</u>	<u>1,169,211</u>
Fund Balance, End of Year	<u>\$ (151,034)</u>	<u>\$ (212,031)</u>	<u>\$ 1,193,809</u>	<u>\$ 1,405,840</u>

See accompanying notes to financial statements.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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, 2022

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. Investments

Investments of the District are reported at fair value (generally based on quoted market prices) except for the position in TexPool Prime.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In accordance with state law, TexPool Prime operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool Prime qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool Prime is subject to regulatory oversight by the State Comptroller, although it is not registered with the SEC.

The State Comptroller of Public Accounts oversees TexPool Prime. Federated 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.

TexPool Prime is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. TexPool Prime investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. TexPool Prime is rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool Prime, like its participants, is governed by the Texas Public Funds Investment Act, and is in full compliance with the Act.

3. Receivables

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

4. 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.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. 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
Improvements	15
Vehicles	5

6. 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, and (2) 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 11 years, including the current year. 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.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, (2) the differences between the projected and actual investment earnings for the District's multiple-employer defined benefit plan, and (3) changes in actuarial assumptions of the District's defined benefit plan. The difference between the expected and actual experience data is attributed to pension expense over a total of 12 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. The change in actuarial assumptions is attributed to pension expense over a total of 11 years. 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.

7. 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.

8. 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.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

9. 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:

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.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Operating Reserve Fund

The Operating Reserve Fund was established and adopted by resolution of the Board of Directors on December 20, 2021, and was legislated to set aside resources to cover unanticipated deficits or revenue reductions that may be caused by adverse economic conditions or public emergency. The Operating Reserve 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 Operating Reserves.

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.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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	\$ 114,805
Depreciable (net of accumulated depreciation)	\$3,392,604
Net pension asset	\$ 87,046
Noncurrent liabilities	\$1,365,064

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 \$136,709.

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 \$62,473.

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. \$212,665 of capital outlay is recorded as capital assets in the current period.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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

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 \$148,952 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. \$101,066 is the net effect of these differences in the treatment of long-term debt.

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 \$30,855.

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 adjustment to report this amounts includes an increase in payroll and benefits for compensated absences in the amount of \$3,478.

NOTE 3 – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and investments

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 \$1,033,749, Of the bank balance, \$256,065 was covered by federal depository insurance and the remaining balance, \$777,684, 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 bank's agent and had a fair value of approximately \$2,000,000.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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

A. Deposits and investments (continued)

2. Investments

Public funds of the District may be invested in obligations of, or guaranteed by, governmental entities, including: 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 the 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; g) other interest-bearing banking deposits; h) local government investment pools which meet the requirements of the Public Funds Investment Act and rated no lower than AAA or its equivalent; and i) local government investment pool created to function as a money market mutual fund.

The Texas Local Government Investment Pool (TexPool Prime) operates in accordance with state law, which requires them to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note 1.F.2, *Investments*, for a discussion of how the shares in the Pool are valued. TexPool invests in high quality portfolios of debt securities investments legally permissible for local governments and school districts in the state.

Investment Type	Fair Value
TexPool Prime	\$ 1,006,869

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, 2022, the District's investment in TexPool Prime is rated AAAM by Standard & Poor's.

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

TexPool Prime is considered a cash equivalent on the Government-wide Statement of Net Position and on the Balance Sheet of the Fund Financial Statements.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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

B. Capital assets

Capital asset activity for the year ended December 31, 2022, 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	7,900	31,058	(13,600)	25,358
Total capital assets not being depreciated	<u>97,347</u>	<u>31,058</u>	<u>(13,600)</u>	<u>114,805</u>
Capital assets being depreciated:				
Building	3,284,906	-	-	3,284,906
Furniture and equipment	435,364	44,235	-	479,599
Improvements	-	12,468	-	12,468
Vehicles	88,336	138,505	-	226,841
Total capital assets being depreciated	<u>3,808,606</u>	<u>195,208</u>	<u>-</u>	<u>4,003,814</u>
Less accumulated depreciation				
Building	(116,341)	(82,123)	-	(198,464)
Furniture and equipment	(257,581)	(56,813)	-	(314,394)
Improvements	-	(623)	-	(623)
Vehicles	(88,336)	(9,393)	-	(97,729)
Total accumulated depreciation	<u>(462,258)</u>	<u>(148,952)</u>	<u>-</u>	<u>(611,210)</u>
Total capital assets being depreciated (net)	<u>3,346,348</u>	<u>46,256</u>	<u>-</u>	<u>3,392,604</u>
Governmental activities capital assets, net	<u>\$ 3,443,695</u>	<u>\$ 77,314</u>	<u>\$ (13,600)</u>	<u>\$ 3,507,409</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities	<u>\$ 148,952</u>
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Construction commitments

The District has an active construction project for building improvements as of December 31, 2022. This project is evidenced by contractual commitments with \$25,358 spent to date and \$10,580 of commitment remaining.

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, 2022

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%	\$ 1,344,842	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>
2023	\$ 42,892	\$ 47,711
2024	44,462	46,141
2025	46,090	44,514
2026	47,776	42,827
2027	49,525	41,078
2028-2032	276,178	176,839
2033-2037	330,556	122,461
2038-2042	395,641	57,377
2043-2046	111,722	2,728
Total note payments	<u>\$ 1,344,842</u>	<u>\$ 581,676</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, 2022, 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	\$ 1,445,908	\$ -	\$ (101,066)	\$ 1,344,842	\$ 42,892
Compensated absences	16,744	36,867	(33,389)	20,222	20,222
	<u>\$ 1,462,652</u>	<u>\$ 36,867</u>	<u>\$ (134,455)</u>	<u>\$ 1,365,064</u>	<u>\$ 63,114</u>

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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

E. Subsequent events

Subsequent to year end, the District approved an agreement for professional services for approximately \$61,000.

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 830 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.tcders.org.

All eligible employees (except temporary staff) of the District must be enrolled in the plan.

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.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2022

NOTE 4 – DEFINED BENEFIT PENSION PLANS (continued)

B. Benefits provided (continued)

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 TCDRS Act. They may be amended as of January 1 of each year, but must remain in conformity with the Act.

Employees covered by benefit terms

At the December 31, 2021 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	9
	10
	10

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 10.64% in calendar year 2022. The District's contributions to TCDRS for the year ended December 31, 2022 were \$71,053.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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, 2021 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, 2021 were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, except where required to be different by GASB 68.

Key assumptions used in the December 31, 2021 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	2.50%
Salary Increases	4.70%
Investment Rate of Return	7.50% (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	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

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, 2022

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 Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities - Developed	MSCI World Ex USA (net)	5.00%	3.80%
International Equities - Emerging	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

Discount rate

The discount rate used to measure the TPL was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in 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, 2022

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	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(A)	(B)	(A) - (B)
Balance at 12/31/2020	\$ 298,057	\$ 329,095	\$ (31,038)
Changes for the year:			
Service cost	72,899	-	72,899
Interest	27,752	-	27,752
Effect of economic/demographic gains or losses	9,668	-	9,668
Effect of assumption changes or inputs	(3,831)	-	(3,831)
Refund of contributions	(11,802)	-	(11,802)
Benefit payments	-	(11,802)	11,802
Administrative expense	-	(260)	260
Employer contributions	-	52,705	(52,705)
Member contributions	-	27,827	(27,827)
Net investment income	-	80,186	(80,186)
Other	-	2,038	(2,038)
Net Changes	94,686	150,694	(56,008)
Balance at 12/31/2021	\$ 392,743	\$ 479,789	\$ (87,046)

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 7.60%, as well as what the District's NPL would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	(6.60%)	(7.60%)	(8.60%)
District's net pension (asset) liability	\$ (28,630)	\$ (87,046)	\$ (135,048)

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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 \$9,809.

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

For the fiscal year ended December 31, 2022, the District recognized pension expense of \$40,199.

At December 31, 2022, 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	\$ 53,649	\$ 15,902
Net difference between projected and actual earnings	-	46,571
Changes of assumptions	12,007	-
Contributions made subsequent to the measurement date	71,053	-
	<u>\$ 136,709</u>	<u>\$ 62,473</u>

\$71,053 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, 2022. 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	
2022	\$ (4,282)
2023	(7,154)
2024	(4,693)
2025	(3,761)
2026	6,745
Thereafter	16,328
Total	<u>\$ 3,183</u>

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

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 2022 were \$25,061.

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	2020	2021
Total Pension (Asset) Liability							
Service cost	\$ 16,835	\$ 42,028	\$ 24,538	\$ 24,914	\$ 27,654	\$ 64,301	\$ 72,899
Interest on the total pension liability	681	3,088	6,986	10,994	15,532	23,269	27,752
Effect of plan changes	93	-	-	-	-	-	-
Effect of assumption changes or inputs	221	-	1,582	-	-	17,526	(3,831)
Effect of economic/demographic (gains) or losses	(312)	(924)	15,998	21,596	31,079	(18,557)	9,668
Benefit payments/refunds of contributions	-	-	-	-	(8,606)	(22,459)	(11,802)
Net Change in Total Pension Liability	17,518	44,192	49,104	57,504	65,659	64,080	94,686
Total Pension (Asset) Liability - Beginning	-	17,518	61,710	110,814	168,318	233,977	298,057
Total Pension (Asset) Liability - Ending (a)	\$ 17,518	\$ 61,710	\$ 110,814	\$ 168,318	\$ 233,977	\$ 298,057	\$ 392,743
Plan Fiduciary Net Position							
Employer contributions	\$ 11,210	\$ 40,706	\$ 31,393	\$ 28,857	\$ 41,685	\$ 41,703	\$ 52,705
Member contributions	5,708	13,550	13,925	15,855	20,712	22,914	27,827
Investment income net of investment expenses	(144)	1,279	11,476	(1,940)	28,670	26,848	80,186
Benefit payments/refunds of contributions	-	-	-	-	(8,606)	(22,459)	(11,802)
Administrative expense	(6)	(14)	(87)	(140)	(197)	(241)	(260)
Other	(1)	1,337	606	1,345	1,878	1,273	2,038
Net Change in Plan Fiduciary Net Position	16,767	56,858	57,313	43,977	84,142	70,038	150,694
Plan Fiduciary Net Position - Beginning Plan	-	16,767	73,625	130,938	174,915	259,057	329,095
Fiduciary Net Position - Ending (b)	\$ 16,767	\$ 73,625	\$ 130,938	\$ 174,915	\$ 259,057	\$ 329,095	\$ 479,789
Net Pension Liability (Asset) - Ending (a) - (b)	\$ 751	\$ (11,915)	\$ (20,124)	\$ (6,597)	\$ (25,080)	\$ (31,038)	\$ (87,046)
Plan Fiduciary Net Position as a Percentage of Total Pension (Asset) Liability	95.71%	119.31%	118.16%	103.92%	110.72%	110.41%	122.16%
Covered Payroll	273,976	270,995	278,498	317,110	414,238	458,277	556,547
Net Pension (Asset) Liability as a Percentage of Covered Payroll	0.27%	(4.40%)	(7.23%)	(2.08%)	(6.05%)	(6.77%)	(15.64%)

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	2021	2022
Actuarially Determined Contribution	\$ 11,210	\$ 26,612	\$ 25,343	\$ 27,113	\$ 35,997	\$ 40,145	\$ 54,520	\$ 71,053
Contributions in relation to the actuarially determined contribution	11,210	40,706	31,393	28,857	41,685	41,703	54,520	71,053
Contribution deficiency (excess)	-	(14,094)	(6,050)	(1,744)	(5,688)	(1,558)	-	-
Covered payroll	114,157	270,995	278,498	317,110	414,238	458,277	575,713	667,791
Contributions as a percentage of covered payroll	9.82%	15.02%	11.27%	9.10%	10.06%	9.10%	9.47%	10.64%

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	0 years (based on contribution rate calculated in the 12/31/2021 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	7.5%, 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 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. 2020: No changes in plan provisions 2021: No changes in plan provisions

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