

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Annual Financial Report
December 31, 2024

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Annual Financial Report For the Year Ended December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Prairielands Groundwater Conservation District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Prairielands Groundwater Conservation District (the District) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2024, and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of change in Net Pension Liability and Related Ratios, Schedule of Contributions, and Notes to Required Supplementary Information (the Supplementary Information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Granbury, Texas
April 16, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Management's Discussion and Analysis

As management of the Prairielands Groundwater Conservation District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2024.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the Prairielands Groundwater Conservation District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$4,325,101.

The District's total net position increased by \$545,186 during the fiscal year.

At the end of the current fiscal year, all fund balance of the general fund were assigned (\$1,143,197) or nonspendable (\$10,939).

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Management's Discussion and Analysis

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

At the close of the current fiscal year, the District's governmental fund reported ending fund balance of \$1,388,560 compared to the \$1,123,516 in the prior year.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-26 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$4,325,101 as of December 31, 2024.

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT'S NET POSITION

	Governmental Activities 2023	Governmental Activities 2024
Current assets	\$ 2,056,522	\$ 2,206,413
Capital assets	3,807,436	3,991,360
Net pension asset	52,596	86,271
Total assets	5,916,554	6,284,044
Deferred outflows	158,826	141,003
Total assets and deferred outflows	6,075,380	6,425,047
Current liabilities	335,905	817,853
Long-term liabilities	1,324,594	1,246,626
Total liabilities	1,660,499	2,064,479
Deferred inflows	625,867	35,467
Total deferred inflows	625,867	35,467
Net position:		
Net investment in capital assets	2,506,201	2,779,706
Unrestricted	1,282,813	1,545,395
Total net position	<u>\$ 3,789,014</u>	<u>\$ 4,325,101</u>

As of December 31, 2024, the District is able to report positive balances in both categories of net position.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Management's Discussion and Analysis

Analysis of the District's Operations – The following table provides a summary of the District's operations for the year ended December 31, 2024. Governmental-type activities increased the District's net position by \$545,186.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities 2023	Governmental Activities 2024
Revenues:		
Program Revenues:		
Groundwater production fees	\$ 1,724,983	\$ 2,054,123
Application fees	159,200	124,000
Total program revenues	1,884,183	2,178,123
General Revenues:		
Miscellaneous revenue	28,959	35,742
Gain on disposal of capital assets	22,643	-
Interest	82,203	105,151
Total revenues	2,017,988	2,319,016
Expenses:		
Groundwater conservation	1,726,410	1,773,830
Total expenses	1,726,410	1,773,830
Change in net position	291,578	545,186
Net position - beginning of year, as originally stated	3,497,436	3,789,014
Prior period adjustment	-	(9,099)
Net position - beginning of year, as restated	3,497,436	3,779,915
Net position - end of year	\$ 3,789,014	\$ 4,325,101

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

The general fund is the sole fund of the District. At the end of the current year, unassigned fund balance of the general fund was \$234,424 or 11% of total general fund expenditures. The fund balance of the District's general fund increased \$265,044 for a balance at year-end of \$1,388,560 of which \$1,143,197 was assigned.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant variations between the original budget and final amended budget included decreases to operating expenses totaling \$53,949 with an increase to capital outlay, principal retirement, and interest expense totaling \$50,000, \$45,660, and \$9,590, respectively.

Actual general fund revenues of \$2,319,016 exceeded final budgeted revenues of \$2,236,340. Budgeted expenditures of \$2,624,439 exceeded actual expenditures of \$2,053,972.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Management's Discussion and Analysis

CAPITAL ASSETS

The Prairielands Groundwater Conservation District's investment in capital assets as of December 31, 2024, amounts to \$3,991,360 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, furniture and equipment, improvements, and monitoring wells.

CAPITAL ASSETS AT YEAR-END NET OF ACCUMULATED DEPRECIATION

	Governmental - Type Activities 2023	Governmental - Type Activities 2024
Land	\$ 89,447	\$ 89,447
Building	3,004,320	2,922,198
Furniture and equipment	130,853	102,987
Monitoring wells	394,010	693,415
Improvements	87,395	109,603
Vehicles	101,411	73,710
Total	<u>\$ 3,807,436</u>	<u>\$ 3,991,360</u>

Depreciation expense on all assets amounted to \$187,849 for the year.

Major capital asset events during the fiscal year include completing a monitoring well totaling \$315,218, adding improvements totaling \$37,328 related to a rainwater harvesting demonstration, as well as adding furniture and equipment totaling \$19,227 including miscellaneous field equipment.

LONG-TERM DEBT

At the end of the current fiscal year, the District had total debt of \$1,211,654, which comprised of notes payable. This compares to a balance in the previous year of \$1,301,235. The decrease is related to principal payments totaling \$89,581 during the year.

ECONOMIC FACTORS FOR NEXT YEAR

The original budget for the 2025 fiscal year shows projected revenues of \$2,400,979 and expenditures of \$2,588,176 with the difference being funded by previous years fund balance. This budget includes increased revenues from its 2024 budgeted revenues of approximately 10% with groundwater production fees making up about 90% of total budgeted revenues.

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

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

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Statement of Net Position

December 31, 2024

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 2,194,561
Accounts receivable	788
Prepaid items	10,939
Other assets	125
Total current assets	<u>2,206,413</u>
Non-current assets:	
Capital assets:	
Non-depreciable	89,447
Depreciable, net	3,901,913
Net pension asset	86,271
Total assets	<u>6,284,044</u>
DEFERRED OUTFLOWS:	
Deferred outflows related to pension	141,003
Total deferred outflows	<u>141,003</u>
Total assets and deferred outflows	<u>\$ 6,425,047</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 190,696
Payroll liabilities	17,332
Unearned revenue - production fees	609,825
Non-current liabilities:	
Due within one year	64,107
Due in more than one year	1,182,519
Total liabilities	<u>2,064,479</u>
DEFERRED INFLOWS:	
Deferred inflows related to pension	35,467
Total deferred inflows	<u>35,467</u>
NET POSITION	
Net investment in capital assets	2,779,706
Unrestricted	1,545,395
Total net position	<u>\$ 4,325,101</u>

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Statement of Activities For The Year Ended December 31, 2024

		Program Revenues	Net (Expense) Revenue and Changes in Net Position Primary Government
	Expenses	Charges for Services	Governmental Activities
Primary Government			
Governmental Activities			
General government	\$ 1,773,830	\$ 2,178,123	\$ 404,293
Total governmental	<u>1,773,830</u>	<u>2,178,123</u>	<u>404,293</u>
General revenues			
Miscellaneous revenue			35,742
Interest			<u>105,151</u>
Total general revenues			<u>140,893</u>
Change in net position			<u>545,186</u>
Net position - beginning, as originally stated			3,789,014
Prior period adjustment			<u>(9,099)</u>
Net position - beginning, as restated			3,779,915
Net position - ending			<u><u>\$ 4,325,101</u></u>

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Balance Sheet - Governmental Fund December 31, 2024

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,194,561
Accounts receivable	788
Prepaid items	10,939
Other assets	125
Total assets	<u>\$ 2,206,413</u>
LIABILITIES	
Accounts payable	\$ 190,696
Payroll liabilities	17,332
Unearned revenue - production fees	609,825
Total liabilities	<u>817,853</u>
FUND BALANCE	
Nonspendable	10,939
Assigned	1,143,197
Unassigned	234,424
Total fund balance	<u>1,388,560</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,816,238</u>

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Reconciliation of The Governmental Fund Balance Sheet To The Statement of Net Position December 31, 2024

Total Fund Balance - Governmental Fund	\$	1,388,560
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Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds balance sheet.		3,991,360
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The statement of net position includes the District's proportionate share of the TCDRS net pension liability (asset) as well as certain pension related transactions accounted for as Deferred Inflows and Outflows of resources.

Net pension asset (liability)	86,271	
Deferred inflows of resources	(35,467)	
Deferred outflows of resources	141,003	191,807

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,246,626)
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Net Position of Governmental Activities	<u>\$</u>	<u>4,325,101</u>
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PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Statement of Revenues, Expenditures, And Changes in Fund Balance - Governmental Fund For The Year Ended December 31, 2024

	General Fund
<hr/>	
REVENUES:	
Groundwater production fees	\$ 2,054,123
Application fees	124,000
Interest	105,151
Other	35,742
Total revenues	<hr/> 2,319,016 <hr/>
EXPENDITURES:	
Current:	
Payroll and benefits	985,570
Field and technical	50,604
Insurance	22,519
Legal	188,387
Meeting, travel and training	30,743
Office	108,143
Operating	34,723
Professional services	73,804
Public relations	98,404
Capital Outlay	315,218
Debt Service:	
Principal retirement	89,581
Interest	56,276
Total expenditures	<hr/> 2,053,972 <hr/>
Net change in fund balance	265,044
Fund balance - beginning of year	<hr/> 1,123,516 <hr/>
Fund balance - end of year	<hr/> \$ 1,388,560 <hr/>

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Reconciliation of The Governmental Funds Statement of Reconciliation Revenues, Expenditures And Changes in Fund Balance to The Statement of Activities For The Year Ended December 31, 2024

Total Net Change in Fund Balance - Governmental Fund	\$	265,044
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2024 capital outlays is to increase net position.		371,773
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(187,849)
Net pension (assets) liabilities as well as the related deferred inflows and outflows of resources generated from those assets are not payable from current resources and therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount.		9,151
The repayment of principal on long-term debt consumes the current financial resources of governmental funds but has no impact on net position. The amount of current year debt repayment increases net position.		89,581
Increase in compensated absences is not an expenditure in the governmental funds but is recorded as a liability in the statement of net position. The net increase in the liability decreases net position.		(2,514)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>545,186</u>

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

NOTES TO FINANCIAL STATEMENTS

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

NOTE 1. ORGANIZATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation – Government-Wide Statements

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

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

B. Basis of Presentation – Fund Financial Statements

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

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

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Cash and Cash Equivalents

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

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

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

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Accounts Receivable

Accounts receivable consists of production fees receivable that are shown net of allowance for uncollectible accounts. No allowance for uncollectible accounts was considered necessary at December 31, 2024.

F. Prepaid Items

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

G. Capital Assets, Depreciation, and Amortization

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

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

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

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

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

H. Deferred Outflows and Inflows of Resources

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

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Long-Term Obligations

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

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

J. Net Position Flow Assumption

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

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

K. Fund Balance Flow Assumption

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

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

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

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

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

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Fund Balance Flow Assumption (continued)

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

L. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick benefits. All vacation and sick pay is accrued for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means and leave that has been used, but not yet paid in cash or settled through noncash means.

M. Pensions

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

N. Budget

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

O. Estimates

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

P. Implementation of New Accounting Standard

In 2024, the District implemented GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet information needs of financial statement by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences for leave that has been used but not yet paid in cash or settled through noncash means as well as for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements

NOTE 3. DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

As of December 31, 2024, the book balance of the District's cash and cash equivalents were comprised of the following:

Demand deposits	\$ 264,392
TexPool Prime	1,119,049
TexPool	810,920
Petty cash	200
	<u>\$ 2,194,561</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of the state of Texas and its agencies that have a market value of not less than the principal amount of the deposits. As of December 31, 2024, the bank balance of the demand deposit accounts of \$585,993, \$250,000 of which was covered by federal depository insurance and the remaining amount was fully collateralized by collateral pledged in the District's name. The District believes it is not exposed to any significant credit risk on its cash and certificates of deposit balance.

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

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2024, both TexPool and TexPool Prime were rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024, was as follows:

	Balance 12/31/2023	Additions	Retirements/ Adjustments	Balance 12/31/2024
GOVERNMENTAL ACTIVITIES				
Non-depreciable assets:				
Land	\$ 89,447	\$ -	\$ -	\$ 89,447
Total non-depreciable assets	89,447	-	-	89,447
Capital assets being depreciated:				
Building	3,284,906	-	-	3,284,906
Furniture and equipment	463,468	19,227	-	482,695
Monitoring wells	395,328	315,218	-	710,546
Improvements	96,964	37,328	-	134,292
Vehicles	174,005	-	-	174,005
Total capital assets being depreciated	4,414,671	371,773	-	4,786,444
Less accumulated depreciation:				
Building	(280,586)	(82,122)	-	(362,708)
Furniture and equipment	(332,615)	(47,093)	-	(379,708)
Monitoring wells	(1,318)	(15,813)	-	(17,131)
Improvements	(9,569)	(15,120)	-	(24,689)
Vehicles	(72,594)	(27,701)	-	(100,295)
Total accumulated depreciation	(696,682)	(187,849)	-	(884,531)
Total capital assets being depreciated, net	3,717,989	183,924	-	3,901,913
Governmental activities capital assets, net	\$ 3,807,436	\$ 183,924	\$ -	\$ 3,991,360

NOTE 5. RISK MANAGEMENT

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

NOTE 6. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2024, was as follows:

	Balance 12/31/2023 *	Additions	Reductions	Balance 12/31/2024	Due Within One Year
Note payable	\$ 1,301,235	\$ -	\$ (89,581)	\$ 1,211,654	\$ 37,389
Compensated absences	32,458	2,514	-	34,972	26,718
	\$ 1,333,693	\$ 2,514	\$ (89,581)	\$ 1,246,626	\$ 64,107

* Balance was restated for implementation of GASB 101

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

The District's note payable, the initial amount of which was \$1,500,000, bears interest at 5.50%, is secured by all of the District's assets, and matures on July 31, 2045. The debt service requirements for the note payable are as follows:

Year Ending December 31	Note Payable	
	Principal	Interest
2025	\$ 37,389	\$ 65,823
2026	39,503	63,709
2027	41,736	61,476
2028	43,923	59,289
2029	46,579	56,633
2030-2034	275,342	240,715
2035-2039	362,525	153,532
2040-2044	364,657	35,375
	<u>\$ 1,211,654</u>	<u>\$ 736,552</u>

During the fiscal year, the District made an additional principal payment of \$50,000, which will result in early payoff of the related note prior to its scheduled maturity in 2045.

NOTE 7. FUND BALANCE CLASSIFICATIONS

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

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

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

The Board has assigned the 2024 fund balance as follows:

Operating Reserve Fund	\$856,000
Regulatory and Compliance Contingency Fund	100,000
2025 Budgetary Deficit	187,197

NOTE 8. DEFINED BENEFIT PENSION PLAN

Plan Description

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 5 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more, when vested. Members are vested after 5 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can expect to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes, including automatic COLAs.

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	5
Active employees	9
	<u>17</u>

Contributions

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

The District contributed using the elected contribution rate of 10.64% for the calendar year ending 2024. The deposit rate payable by the employee members for calendar year 2024 is the rate of 5% as adopted by the governing body of the employer. The employee and employer deposit rates may be changed by the governing body of the District within the options available in the TCDRS Act.

Net Pension (Asset) Liability

The District's Net Pension (Asset) Liability (NPL) for the year ended December 31, 2024, was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension (Assets) Liability was determined by an actuarial valuation as of that date.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension (Asset) Liability (continued)

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020 and were adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2023. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

The long-term expected rate of return of 7.60% is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2024 information for a 10-year time horizon and are re-assessed at a minimum of every four years, and is set based on a long-term time horizon. Best estimates of geometric real rates of return (net of inflation, assumed at 2.20%) for each major asset class included in the target asset allocation (per Cliffwater's 2024 capital market assumptions) were adopted at the March 2024 TCDRS board meeting and are summarized below:

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension (Asset) Liability (continued)

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus inflation)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
Int'l Equities - Developed Markets	MSCI World Ex USA (net)	5.00%	4.75%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.65%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	7.25%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.75%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.60%
Total		100.00%	

Discount Rate

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

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension (Asset) Liability (continued)

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 491,866	\$ 544,461	\$ (52,595)
Changes for the year:			
Service cost	105,761	-	105,761
Interest on total pension liability	44,799	-	44,799
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(11,273)	-	(11,273)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	(16,603)	(16,603)	-
Administrative expenses	-	(366)	366
Member contributions	-	34,465	(34,465)
Net investment income	-	60,739	(60,739)
Employer contributions	-	73,341	(73,341)
Other	-	4,784	(4,784)
Net changes	\$ 122,684	\$ 156,360	\$ (33,676)
Balance at 12/31/2023	\$ 614,550	\$ 700,821	\$ (86,271)

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (6.60%)	Current Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total pension liability	\$ 700,820	\$ 614,550	\$ 542,041
Fiduciary net position	700,821	700,821	700,821
Net pension liability (asset)	\$ (1)	\$ (86,271)	\$ (158,780)

Pension Plan Fiduciary Net Position

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the fiscal year ended December 31, 2024, the District recognized pension expense of \$69,034.

As of December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 32,680	\$ 39,589
Changes of assumptions	2,787	12,216
Net difference between projected and actual earnings	-	11,013
Contributions subsequent to the measurement date	N/A	78,185
Total	\$ 35,467	\$ 141,003

\$78,185 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Valuation year ended December 31:	
2024	\$ 4,763
2025	5,695
2026	16,209
2027	(713)
2028	288
Thereafter	1,109

NOTE 9. 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.

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT
Notes to Financial Statements

NOTE 10. PRIOR PERIOD ADJUSTMENT

As the result of implementing GASB Statement No. 101, Compensated Absences, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of January 1, 2024 by \$9,099. The decrease results from recognizing a liability for sick leave that was attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The effect of this change as of December 31, 2023 is an increase of \$9,099 in long-term liabilities and a corresponding decrease in net position.

	Governmental Activities
Net Position January 1, 2024, as originally stated	\$ 3,789,014
Prior period adjustment - change in accounting principle	<u>(9,099)</u>
Net Position January 1, 2024, as restated	<u><u>\$ 3,779,915</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund For The Year Ended December 31, 2024

	GAAP Basis			Variance
	Budgeted Amounts			Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Groundwater production fees	\$ 1,974,539	\$ 1,974,539	\$ 2,054,123	\$ 79,584
Application fees	122,000	122,000	124,000	2,000
Interest	50,000	100,000	105,151	5,151
Sale of capital assets	-	1,301	1,301	-
Other	38,500	38,500	34,441	(4,059)
Total revenues	<u>2,185,039</u>	<u>2,236,340</u>	<u>2,319,016</u>	<u>82,676</u>
EXPENDITURES:				
Current:				
Payroll and benefits	1,061,234	1,061,234	985,570	75,664
Field and technical	68,100	68,100	50,604	17,496
Insurance	25,500	25,500	22,519	2,981
Legal	312,000	312,000	188,387	123,613
Meeting, travel and training	33,500	33,500	30,743	2,757
Office	125,200	125,200	108,143	17,057
Operating	174,000	120,051	34,723	85,328
Professional services	214,000	214,000	73,804	140,196
Public relations	119,000	119,000	98,404	20,596
Capital Outlay	350,000	400,000	315,218	84,782
Debt Service:				
Principal retirement	43,604	89,264	89,581	(317)
Interest	47,000	56,590	56,276	314
Total Expenditures	<u>2,573,138</u>	<u>2,624,439</u>	<u>2,053,972</u>	<u>570,467</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(388,099)</u>	<u>(388,099)</u>	<u>265,044</u>	<u>653,143</u>
Fund balance - beginning of year	<u>1,123,516</u>	<u>1,123,516</u>	<u>1,123,516</u>	<u>1,123,516</u>
Fund balance - end of year	<u>\$ 735,417</u>	<u>\$ 735,417</u>	<u>\$ 1,388,560</u>	<u>\$ 1,776,659</u>

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Schedule of Change in Net Pension (Asset) Liability And Related Ratios

Last 10 Measurement Years (will ultimately be displayed)

	2023	2022	2021
Total Pension Liability			
Service Cost	\$ 105,761	\$ 92,045	\$ 72,899
Interest on total pension liability	44,799	36,225	27,752
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	-	-	(3,831)
Effect of economic/demographic (gains) or losses	(11,273)	(12,544)	9,668
Benefit payments/refunds of contributions	(16,603)	(16,603)	(11,802)
Net Change in Total Pension Liability	122,684	99,123	94,686
Total Pension Liability, beginning	491,866	392,743	298,057
Total Pension Liability, ending (a)	<u>\$ 614,550</u>	<u>\$ 491,866</u>	<u>\$ 392,743</u>
Fiduciary Net Position			
Employer contributions	\$ 73,341	\$ 71,053	\$ 52,705
Member contributions	34,465	33,390	27,827
Investment income net of investment expenses	60,739	(35,617)	80,186
Benefit payments/refunds of contributions	(16,603)	(16,603)	(11,802)
Administrative expenses	(366)	(319)	(260)
Other	4,784	12,769	2,038
Net Change in Fiduciary Net Position	156,360	64,673	150,694
Fiduciary Net Position, beginning	544,461	479,789	329,095
Fiduciary Net Position, ending (b)	<u>\$ 700,821</u>	<u>\$ 544,462</u>	<u>\$ 479,789</u>
Net Pension (Asset) Liability, ending = (a) - (b)	\$ (86,271)	\$ (52,596)	\$ (87,046)
Fiduciary net position as a % of total pension liability	114.04%	110.69%	122.16%
Pensionable covered payroll	\$ 667,790	\$ 667,790	\$ 556,547
Net pension (asset) liability as a % of covered payroll	-12.92%	-7.88%	-15.64%

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

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Schedule of Change in Net Pension (Asset) Liability

And Related Ratios - continued

Last 10 Measurement Years (will ultimately be displayed)

2020	2019	2018	2017	2016	2015
\$ 64,301	\$ 27,654	\$ 24,914	\$ 24,538	\$ 42,028	\$ 16,835
23,269	15,532	10,994	6,986	3,088	681
-	-	-	-	-	93
17,526	-	-	1,582	-	221
(18,557)	31,079	21,596	15,998	(924)	(312)
(22,459)	(8,606)	-	-	-	-
64,080	65,659	57,504	49,104	44,192	17,518
233,977	168,318	110,814	61,710	17,518	-
<u>\$ 298,057</u>	<u>\$ 233,977</u>	<u>\$ 168,318</u>	<u>\$ 110,814</u>	<u>\$ 61,710</u>	<u>\$ 17,518</u>
\$ 41,703	\$ 41,685	\$ 28,857	\$ 31,393	\$ 40,706	\$ 11,210
22,914	20,712	15,855	13,925	13,550	5,708
26,848	28,670	(1,940)	11,476	1,279	(144)
(22,459)	(8,606)	-	-	-	-
(241)	(197)	(140)	(87)	(14)	(6)
1,273	1,878	1,345	606	1,337	(1)
70,038	84,142	43,977	57,313	56,858	16,767
259,057	174,915	130,938	73,625	16,767	-
<u>\$ 329,095</u>	<u>\$ 259,057</u>	<u>\$ 174,915</u>	<u>\$ 130,938</u>	<u>\$ 73,625</u>	<u>\$ 16,767</u>
\$ (31,038)	\$ (25,080)	\$ (6,597)	\$ (20,124)	\$ (11,915)	\$ 751
110.41%	110.72%	103.92%	118.16%	119.31%	95.71%
\$ 458,277	\$ 414,238	\$ 317,110	\$ 278,498	\$ 270,995	\$ 273,976
-6.77%	-6.05%	-2.08%	-7.23%	-4.40%	0.27%

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Schedule of Employer Contributions Last 10 Fiscal Years

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 11,210	\$ 11,210	\$ -	\$ 114,157	9.8%
2016	26,612	40,706	(14,094)	270,995	15.0%
2017	25,343	31,393	(6,050)	278,498	11.3%
2018	27,113	28,857	(1,744)	317,110	9.1%
2019	35,997	41,685	(5,688)	414,238	10.1%
2020	40,145	41,703	(1,558)	458,277	9.1%
2021	52,705	52,705	-	556,547	9.5%
2022	71,053	71,053	-	667,790	10.6%
2023	72,445	73,341	(896)	689,296	10.6%
2024	75,246	78,185	(2,939)	734,823	10.6%

PRAIRIELANDS GROUNDWATER CONSERVATION DISTRICT

Notes to Required Supplementary Information

NOTE 1. BUDGET

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

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

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

NOTE 2. RETIREMENT SCHEDULES

Valuation Date

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2023 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule. 2023: No changes in plan provisions were reflected in the Schedule.