

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended September 30, 2022

**PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
For the Year Ended September 30, 2022**

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ANNUAL FILING AFFIDAVIT

COPY

STATE OF TEXAS }

COUNTY OF DEWITT }

I, Darnell Knippa
(Name of Duly Authorized District Representative)

of the Pecan Valley Groundwater Conservation District
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 20th day of December, 2022 its annual audit report for the fiscal year ended September 30, 2022 and that copies of the annual audit report have been filed in the District's office, located at DeWitt County, Texas.

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

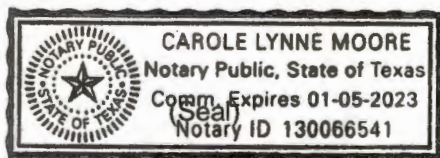
Date: December 20, 2022

By: Darnell Knippa
(Signature of District Representative)

Darnell Knippa, President
(Typed Name & Title of District Representative)

Sworn to and subscribed to before me this

20th day of December, 20 22



Carole Lynne Moore
(Signature of Notary)

My Commission Expires On: 01/05/2023
Notary Public in the State of Texas

Goldman, Hunt & Notz, L.L.P.

Certified Public Accountants

DONALD G. GOLDMAN, CPA
D. DALE HUNT, CPA
JAMIE K. NOTZ, CPA, CVA*

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA, CISA*
STEPHANIE S. KOCH, CPA

*CERTIFIED VALUATION ANALYST

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

*CERTIFIED INFORMATION SYSTEMS AUDITOR

INDEPENDENT AUDITOR'S REPORT

To Management and Board of Directors
Pecan Valley Groundwater Conservation District
Cuero, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Pecan Valley Groundwater Conservation District (the District) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, 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 Pecan Valley Groundwater Conservation District, as of September 30, 2022, and the respective changes in financial position, thereof 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the District adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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 and *Government 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 and *Government 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 and Texas County and District Retirement System (TCDRS) on pages 5-9 and 31-36 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.



Goldman, Hunt & Notz, L.L.P.

December 8, 2022

**PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022**

As management of Pecan Valley Groundwater Conservation District (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 September 30, 2022. This discussion and analysis is intended to be an easily readable analysis of the District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

In addition to the Management's Discussion and Analysis (MD&A), the report consists of basic financial statements, notes to the financial statements, and required supplementary information. The basic financial statements are highly condensed and present a government-wide view of the District's finances. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the District. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide basic financial statements.

Basic Financial Statements

- The Statement of Net Position and Balance Sheet - Governmental Funds is the first of two governmental fund and government-wide financial statements which focus on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the District owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. The presentation is similar to a private-sector business.
- The second governmental fund and government-wide financial statement is called the Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds. This statement summarizes the District's income and expenditures for the year. Once again, the presentation is similar to a private-sector business.
- The notes to the financial statements provide additional disclosure required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

The discussion and analysis of the District's financial performance provides an overall review of its financial activities for the year ended September 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

**PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022**

Financial Highlights

- The assets of Pecan Valley Groundwater Conservation District exceeded its liabilities at the close of the fiscal year ended September 30, 2022 by \$3,688,247. Of this amount, \$2,945,287 of unrestricted net position is available to meet the District's ongoing obligations.
- At September 30, 2022, the District's General Fund reported a combined ending fund balance of \$2,900,718 of which \$1,567 is non-spendable, \$1,370,000 is committed for legal expenses, \$400,000 is committed for groundwater studies, \$50,000 is committed for future technology, and \$1,079,151 is unassigned.
- At September 30, 2022, unassigned fund balance for the General Fund was \$1,079,151 or 371% of total General Fund expenditures.
- The total cost of all District activities was \$287,000 for the fiscal year.

District as a Whole

Government-Wide Financial Statements

A condensed version of the Statement of Net Position at September 30, 2022 and 2021 follows:

**Pecan Valley Groundwater Conservation District
Components of Net Position
September 30, 2022
With Comparative Totals for September 30, 2021
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	2022	2021	2022	2021		
Current and other assets	\$ 3,231	\$ 3,007	\$ 3,231	\$ 3,007	\$ 224	7%
Capital assets	743	761	743	761	(18)	-2%
Total assets	<u>3,974</u>	<u>3,768</u>	<u>3,974</u>	<u>3,768</u>	<u>206</u>	5%
Deferred outflows of resources related to pension expense	15	17	15	17	(2)	-12%
Total deferred outflows of resources	<u>15</u>	<u>17</u>	<u>15</u>	<u>17</u>	<u>(2)</u>	-12%
Total assets and deferred outflows of resources	<u>3,989</u>	<u>3,785</u>	<u>3,989</u>	<u>3,785</u>	<u>204</u>	5%
Other liabilities	219	193	219	193	26	13%
Total liabilities	<u>219</u>	<u>193</u>	<u>219</u>	<u>193</u>	<u>26</u>	13%
Deferred inflows of resources related to pension expense	82	7	82	7	75	1071%
Total deferred inflows of resources	<u>82</u>	<u>7</u>	<u>82</u>	<u>7</u>	<u>75</u>	1071%
Net investment in capital assets	743	761	743	761	(18)	-2%
Unrestricted	2,945	2,824	2,945	2,824	121	4%
Total net position	<u>\$ 3,688</u>	<u>\$ 3,585</u>	<u>\$ 3,688</u>	<u>\$ 3,585</u>	<u>\$ 103</u>	3%

**PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022**

Financial Highlights (Continued)

The District experienced an approximate \$103,000 increase in net position, primarily due to an increase in cash of \$130,000, a decrease in accrued interest receivable of \$2,000, a decrease due from other funds of \$2,000, an increase in net pension asset of \$98,000, a decrease in net capital assets of \$18,000 due to depreciation, a \$2,000 net decrease in deferred outflows of resources associated with pension, an increase in accounts payable of \$21,000, an increase in unearned revenue of \$4,000, and an increase in deferred inflows of resources associated with pension of \$76,000.

A condensed version of the Statement of Activities at September 30, 2022 and 2021 follows:

**Pecan Valley Groundwater Conservation District
Condensed Statement of Activities
For the Year Ended September 30, 2022
With Comparative Totals for the Year Ended September 30, 2021
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	2022	2021	2022	2021		
Revenues						
General revenues						
Taxes	\$ 198	\$ 252	\$ 198	\$ 252	\$ (54)	-21%
Registration, production, and transport	165	185	165	185	(20)	-11%
Interest	26	30	26	30	(4)	-13%
Miscellaneous	1	3	1	3	(2)	-67%
Total revenues	<u>390</u>	<u>470</u>	<u>390</u>	<u>470</u>	<u>(80)</u>	-17%
Expenses						
Personnel	146	159	146	159	(13)	-8%
Professional fees	27	42	27	42	(15)	-36%
Contracted services	4	4	4	4	-	0%
Utilities	4	3	4	3	1	33%
Repairs and maintenance	5	7	5	7	(2)	-29%
Water level monitoring	47	3	47	3	44	1467%
Travel and vehicle	6	4	6	4	2	50%
Well plugging program	4	3	4	3	1	33%
Administrative	21	23	21	23	(2)	-9%
Miscellaneous	3	-	3	-	3	100%
Depreciation	20	20	20	20	-	0%
Total expenses	<u>287</u>	<u>268</u>	<u>287</u>	<u>268</u>	<u>19</u>	7%
Increase (decrease) in net position	<u>103</u>	<u>202</u>	<u>103</u>	<u>202</u>	<u>(99)</u>	-49%
Net position - beginning	<u>3,585</u>	<u>3,383</u>	<u>3,585</u>	<u>3,383</u>	<u>202</u>	6%
Net position - ending	<u>\$ 3,688</u>	<u>\$ 3,585</u>	<u>\$ 3,688</u>	<u>\$ 3,585</u>	<u>\$ 103</u>	3%

**PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022**

Financial Highlights (Concluded)

Change in net position decreased by \$99,000 from prior year. During the year, revenue from property taxes decreased by \$54,000, revenue from registration decreased \$20,000, interest income decreased \$4,000, miscellaneous income decreased by \$2,000, personnel expenses decreased by \$12,000, professional fees decreased by \$14,000, repair and maintenance expense decreased \$2,000, water level monitoring increased by \$45,000, travel and vehicle expense increased \$2,000, administrative expense decreased by \$3,000, and miscellaneous expense increased by \$3,000.

Budgetary Highlights

The District's original budget reported \$344,801 in revenue and \$400,764 in expenditures. This budget was amended during the course of the year with the final budget reporting \$334,801 in revenue and \$400,764 in expenses. Increases in budgeted revenue and expense line items were offset by decreases in other revenue and expense line items, resulting in the total revenue and expense balances being unchanged from the original budget. Actual revenues in the General Fund were greater than budgeted by \$55,348. Actual General Fund expenditures were less than budgeted by \$109,596.

Capital Assets

At September 30, 2022, the District had \$742,960 invested in net capital assets. The District added \$2,174 in assets during the year, and recognized depreciation expense of \$19,898.

**Pecan Valley Groundwater Conservation District
Capital Assets
(net of accumulated depreciation)
September 30, 2022
With Comparative Totals for September 30, 2021
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	2022	2021	2022	2021		
Land	\$ 118	\$ 118	\$ 118	\$ 118	\$ -	0%
Building	637	636	637	636	1	0%
Vehicle	16	16	16	16	-	0%
Equipment	55	54	55	54	1	2%
Subtotal	826	824	826	824	2	0%
Accumulated depreciation	83	63	83	63	20	32%
Capital assets, net	<u>\$ 743</u>	<u>\$ 761</u>	<u>\$ 743</u>	<u>\$ 761</u>	<u>\$ (18)</u>	-2%

Additional information on the District's capital assets can be found in the notes to the financial statements.

**PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022**

Debt Administration

At year-end, the District had no debt outstanding.

Economic Factors and Next Year's Budgets and Rates

The District's property tax rate for 2022/2023 is \$0.00276 per \$100 valuation. The net taxable value is \$7,117,427,536 for total tax revenue of \$196,441.

The District budgeted \$344,569 in revenues and \$377,760 in expenditures for 2022/2023.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District Manager, 1009 N. Esplanade St., Cuero, Texas 77954.

BASIC FINANCIAL STATEMENTS

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2022

	General Fund	Total	Adjustments	Statement of Net Position
Assets				
Cash and investments	\$ 3,100,966	\$ 3,100,966	\$ -	\$ 3,100,966
Taxes receivable, net	8,727	8,727	-	8,727
Accounts receivable	4,860	4,860	-	4,860
Accrued interest receivable	12,069	12,069	-	12,069
Prepaid expenses	1,467	1,467	-	1,467
Rent and utility deposits	100	100	-	100
Net pension asset	-	-	102,801	102,801
Capital assets (net of accumulated depreciation)	-	-	742,960	742,960
Total assets	<u>3,128,189</u>	<u>3,128,189</u>	<u>845,761</u>	<u>3,973,950</u>
Deferred outflows of resources				
Pension contributions made subsequent to the measurement date	-	-	7,284	7,284
Pension assumption changes	-	-	7,652	7,652
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>14,936</u>	<u>14,936</u>
Total assets and deferred outflows of resources	<u>\$ 3,128,189</u>	<u>\$ 3,128,189</u>	<u>\$ 860,697</u>	<u>\$ 3,988,886</u>

The notes to the financial statements are an integral part of this statement.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND BALANCE SHEET – GOVERNMENTAL FUNDS (Continued)
September 30, 2022

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Liabilities				
Accounts payable	\$ 27,781	\$ 27,781	\$ -	\$ 27,781
Accrued expenses	21,940	21,940	-	21,940
Unearned revenue for registration, production, and transport	169,022	169,022	-	169,022
Total liabilities	<u>218,743</u>	<u>218,743</u>	<u>-</u>	<u>218,743</u>
Deferred inflows of resources				
Deferred tax revenues	8,728	8,728	(8,728)	-
Pension investment experience	-	-	25,067	25,067
Pension actual experience vs. expected	-	-	56,829	56,829
Total deferred inflows of resources	<u>8,728</u>	<u>8,728</u>	<u>73,168</u>	<u>81,896</u>
Fund balance/net position				
Non-spendable	1,567	1,567	(1,567)	-
Committed	1,820,000	1,820,000	(1,820,000)	-
Unassigned	1,079,151	1,079,151	(1,079,151)	-
Total fund balance	<u>2,900,718</u>	<u>2,900,718</u>	<u>(2,900,718)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 3,128,189</u>	<u>\$ 3,128,189</u>		
Net position:				
Net investment in capital assets			742,960	742,960
Unrestricted			2,945,287	2,945,287
Total net position			<u>\$ 3,688,247</u>	<u>\$ 3,688,247</u>

The notes to the financial statements are an integral part of this statement.

**PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2022**

Amounts reported for governmental activities in the Statement of Net Position (pages 10-11) are different because:

Total fund balance - governmental funds (pages 10-11)	\$ 2,900,718
Capital assets used in governmental activities are reported as expenditures in governmental funds when purchased or constructed. Therefore, they are not reported as assets in the funds.	742,960
Delinquent taxes receivable are not considered available to pay for current period expenditures and, therefore, are deferred in the funds.	8,728
The net pension asset is not an available resource and, therefore, is not reported in the funds.	102,801
Deferred outflows and deferred inflows of resources related to pension expense are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(66,960)</u>
Net position of governmental activities	<u><u>\$ 3,688,247</u></u>

The notes to the financial statements are an integral part of this statement.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/NET POSITION – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues				
Property taxes, penalty and interest	\$ 198,455	\$ 198,455	\$ (170)	\$ 198,285
Registration, production, and transport	164,835	164,835	-	164,835
Interest	26,339	26,339	-	26,339
Miscellaneous	520	520	-	520
Total revenues	<u>390,149</u>	<u>390,149</u>	<u>(170)</u>	<u>389,979</u>
Expenditures/expenses				
Service operations:				
Personnel	169,606	169,606	(22,028)	147,578
Professional fees	27,155	27,155	-	27,155
Contracted services	3,526	3,526	-	3,526
Utilities	4,292	4,292	-	4,292
Repairs and maintenance	5,310	5,310	-	5,310
Water level monitoring	47,120	47,120	-	47,120
Travel and vehicle	5,664	5,664	-	5,664
Well plugging program	3,327	3,327	-	3,327
Administrative	20,468	20,468	-	20,468
Miscellaneous	2,526	2,526	-	2,526
Capital outlay	2,174	2,174	(2,174)	-
Depreciation	-	-	19,898	19,898
Total expenditures/expenses	<u>291,168</u>	<u>291,168</u>	<u>(4,304)</u>	<u>286,864</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>98,981</u>	<u>98,981</u>	<u>4,134</u>	<u>103,115</u>
Net change in fund balance/net position	98,981	98,981	4,134	103,115
Fund balance/net position:				
Beginning of the year	2,801,737	2,801,737	783,395	3,585,132
End of the year	<u>\$ 2,900,718</u>	<u>\$ 2,900,718</u>	<u>\$ 787,529</u>	<u>\$ 3,688,247</u>

The notes to the financial statements are an integral part of this statement.

**PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/NET POSITION OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022**

Amounts reported for governmental activities in the Statement of Activities (page 12)
are different because:

Net change in fund balances - total governmental funds	\$ 98,981
Some revenue reported in the governmental funds was earned in prior periods and is not reported in the government-wide statement of activities.	(170)
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	2,174
Governmental funds report contributions made to the pension plan as expenditures. However, in the statement of activities, pension expense is affected by changes in the net pension asset, deferred outflows and deferred inflows of resources related to pension expense. This is the amount by which pension contributions exceeded pension expense in the current period.	22,028
Depreciation expense on capital assets reported in the government-wide statement of activities does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	<u>(19,898)</u>
Change in net position of governmental activities	<u><u>\$ 103,115</u></u>

The notes to the financial statements are an integral part of this statement.

**PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
September 30, 2022**

	Groundwater Management Area 15 Custodial Fund	Total
ADDITIONS		
Contributions from participating districts	\$ -	\$ -
Total additions	<u>-</u>	<u>-</u>
DEDUCTIONS		
Groundwater consultation	23,836	23,836
Refund to participating districts	3,083	3,083
Total deductions	<u>26,919</u>	<u>26,919</u>
Change in net position	(26,919)	(26,919)
Net position, beginning	<u>26,919</u>	<u>26,919</u>
Net position, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Pecan Valley Groundwater Conservation District is located in DeWitt County, Texas and was created on September 1, 2001 under and subject to the authority, conditions, and restrictions of Section 59, Article XVI, Texas Constitution. It has the same boundaries as DeWitt County, which covers an area of 910 square miles and is in the West Gulf Coast Plain of south-central Texas. The District's mission is to develop, promote, and implement water conservation, augmentation, and management strategies in order to protect water resources for the benefit of the citizens, economy, and environment of DeWitt County, Texas.

The District is governed by a Board of five directors. Directors are elected and serve staggered four-year terms. Of the five directors, three are elected as officers of the District: Chairman, Vice Chairman, and Secretary/Treasurer.

B. Basis of Accounting/Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the District are described below.

C. Governmental Fund Financial Statements and Government-Wide Financial Statements

The governmental fund financial statements and government-wide financial statements are combined and include a Statement of Net Position and Balance Sheet - Governmental Funds and a Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds. These statements present summaries of governmental activities for the District.

The government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as general revenues for the District are: 1) property taxes, 2) investment earnings, and 3) registration, production, and transportation fees.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING (Continued)

C. Governmental Fund Financial Statements and Government-Wide Financial Statements (Concluded)

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet. (The District's deferred inflows of resources are noncurrent.) The Governmental Funds Revenues, Expenditures, and Changes in Fund Balances/Net Position present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are charges for water and well registration, property tax, and interest income. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The following is the District's Governmental Fund type:

General Fund

The General Fund is the general operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Additionally, the following is the District's Fiduciary Fund type:

Groundwater Management Area 15 Custodial Fund

The Groundwater Management Area 15 Agency Fund accounts for assets held by Pecan Valley Groundwater Conservation District in a trustee capacity or as an agent on behalf of other governments. The Groundwater Management Area 15 Custodial Fund accounts for the receipts, disbursements, and cash balances of the groundwater conservation districts delegated to manage the groundwater of the thirteen representing counties.

D. Budget

The District Board members follow these procedures in establishing the District budgets:

- a. Thirty to sixty days prior to the beginning of each fiscal year, the District Manager submits to the Board members a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at which comments concerning the budget are heard.
- c. The budget is legally enacted by the Board members prior to the beginning of the fiscal year.
- d. Any revisions that alter the total expenditures of any fund must be approved by the Board members.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventory

There is no inventory at September 30, 2022.

F. Vacation and Sick Leave

The District employs two full-time employees. After one year of employment, a full-time employee is granted, on their anniversary date, 80 hours vacation per year. Vacation days are earned based on the anniversary date of an employee. Vacation days can be carried over to the next year, not to exceed 50% of earned vacation days. At year end, accrued vacation was \$4,798 and is included with accounts payable. All regular full-time employees are granted sick leave at a rate of four hours per pay period and may accumulate a maximum of 192 hours. Employees are not entitled to their accrued sick leave if they terminate their employment with the District. Therefore, an accrued liability for sick leave is not recorded.

G. Restricted Resources

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Property Tax

The Appraisal District annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest ultimately imposed for the year on the property. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based upon the aggregate appraisal value.

Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 and attach as an enforceable lien on the property as of July 1 of the following year. The DeWitt County Tax Assessor/Collector collects and remits the property taxes to the District on a monthly basis. Property taxes not collected within 60 days are deemed past due, so an allowance for doubtful accounts has been established as 10% of the tax receivable.

During the year ended September 30, 2022, the District levied an ad valorem tax for maintenance and operations at a rate of 0.004410 per \$100 of assessed value. A total tax levy of \$196,538 resulted, based on a net taxable valuation of \$4,455,362,041 for the 2021 tax year.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING (Continued)

I. 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 or fund balance that applies to a future period(s) and thus, will *not* be recognized as an outflow of resources (expenditure) until that time. The District has two items that qualify for reporting in this category. They are related to the deferred future pension expense related to the net pension asset. Deferred future pension expense results from the difference in expected and actual experience, the difference in assumption changes, and pension contributions remitted after the measurement date. All differences are based on actuarial gains or losses. These amounts are deferred and amortized over their respective remaining recognition period.

The District reports deferred inflows of resources on its General Fund balance sheet and Statement of Net Position. This separate financial statement, *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. The District has three items that qualify for reporting in this category. The first two are related to the deferred future pension expense related to the net pension liability and the other is related to unearned revenue. Deferred future pension income results from the difference in projected and actual experience on pension plan investments and the difference in expected vs. actual experience. The third type arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The General Fund reports unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Office furniture	7 years
Vehicles	5 years
Forestry supplies	5 years
Computer and peripherals	3 years

K. Related Party Transactions

There are no related party transactions.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Classification of Fund Balances

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

M. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks. The District also considers all highly liquid investments with maturity of twelve months or less when purchased to be cash equivalents. Carrying values of cash and cash equivalents approximate fair value due to the short-term nature of the instruments.

N. Pensions

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources 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's 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.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

O. Contracts

The District, along with twelve other groundwater districts which make up Groundwater Management Area 15 (GMA15), participates in an interlocal agreement to divide the cost of groundwater studies on behalf of GMA15.

P. Change in Accounting Principle

During the fiscal year ended September 30, 2022, the District adopted GASB Statement No 87, Leases. Under this new accounting standard, the values of leases held by the District were found to be immaterial in nature, and do not warrant further recognition or disclosure.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial Credit Risk

State statutes require that all deposits in financial institutions be fully 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. The District's deposits were fully collateralized at September 30, 2022. At year-end, the carrying amount of the District's deposits was \$3,100,966 and the respective bank balance totaled \$3,127,743. Of the total bank balances, all were covered by Federal Depository Insurance and other collateral.

Texas Government Code authorizes Pecan Valley Groundwater Conservation District to invest in the following eligible securities:

1. A surety bond;
2. An investment security;
3. An ownership or beneficial interest in an investment security, other than an option contract to purchase or sell an investment security;
4. A fixed-rate collateralized mortgage obligation that has an expected weighted average life of ten years or less and does not constitute a high-risk mortgage security;
5. A floating-rate collateralized mortgage obligation that does not constitute a high-risk mortgage security;
6. A letter of credit issued by a federal home loan bank.

Investment securities are defined as:

1. An obligation that in the opinion of the Attorney General of the United States is a general obligation of the United States and backed by its full faith and credit;
2. A general or special obligation issued by a public agency that is payable from taxes, revenues, or a combination of taxes and revenues;
3. A security in which a public entity may invest under Subchapter A, Chapter 2256 of Texas Statutes.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

NOTE 3: TAXES RECEIVABLE

The following is a schedule of taxes receivable at September 30, 2022:

	Amount
Ad valorem taxes receivable	\$ 9,697
Allowance for uncollectible taxes	(970)
Taxes receivable, net	<u>\$ 8,727</u>

NOTE 4: CHANGES IN FIXED ASSETS

Changes in fixed assets for the year ended September 30, 2022 are as follows:

	Primary Government		
	Beginning Balance	Additions	Ending Balance
Governmental activities:			
Capital assets not being depreciated			
Land	\$ 117,629	\$ -	\$ 117,629
Total capital assets not being depreciated	<u>117,629</u>	<u>-</u>	<u>117,629</u>
Capital assets, being depreciated:			
Building	635,822	909	636,731
Vehicle	16,265	-	16,265
Equipment	54,055	1,265	55,320
Total capital assets, being depreciated	<u>706,142</u>	<u>2,174</u>	<u>708,316</u>
Less accumulated depreciation for:			
Building	25,413	12,732	38,145
Vehicle	16,265	-	16,265
Equipment	21,409	7,166	28,575
Total accumulated depreciation	<u>63,087</u>	<u>19,898</u>	<u>82,985</u>
Total capital assets, being depreciated, net	<u>643,055</u>	<u>(17,724)</u>	<u>625,331</u>
Governmental activities capital assets, net	<u>\$ 760,684</u>	<u>\$ (17,724)</u>	<u>\$ 742,960</u>

Total governmental activities depreciation expense was \$19,898.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

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 and natural disasters. During the year ended September 30, 2022, the District purchased commercial insurance to cover general liabilities.

Hurricanes can cause flooding, particularly in coastal areas such as the area where the District is located. Hurricanes can also cause windstorm and other damage and hurricane induced flooding can submerge roadways connecting coastal areas with inland areas, thus preventing the evacuation of people and/or property. If a hurricane (or other natural disaster) destroyed all or part of the area in which the District operates, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or increase in the tax rate. Further, there can be no assurance that a casualty loss will be covered by insurance (certain casualties, including flood, are usually excluded unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged District property. Even if insurance proceeds are available and the District does repair/rebuild damaged assets, there could be a lengthy period in which assessed values within the District could be adversely affected. The Gulf Coast region in which the District is located is subject to occasional destructive weather. There can be no assurance the District will not endure damage from future meteorological events.

In January 2020, a new strain of the coronavirus (COVID-19) began to spread throughout the United States of America. The virus is highly contagious with the impact on an infected individual ranging from being asymptomatic to causing life threatening respiratory issues. The spread of the virus in the United States escalated quickly in March 2020 and was declared a global pandemic by the World Health Organization (WHO) on March 11, 2020. The State of Texas declared a Public Health Disaster, and Governor Greg Abbott issued an Executive Order on April 2, 2020 enforcing social distancing practices for Texas residents and placing material operating restrictions on non-essential businesses. These measures were in place through April 30, 2020 and are being lifted in phases. These restrictions on business activity as well as public concern regarding the spread of the virus resulted in material drops in economic activity in the region in which the District is located, for a portion of the period under audit. The District's operations are considered to be essential services and as such the District has remained open and continues to provide service to the community. A vaccine for the virus has been developed and administered to the public during the course of the year under audit. Ad valorem tax revenue streams were not materially impacted during the year under audit. However, a surge in cases, the development of a new coronavirus strain, or economic uncertainty associated with supply chain issues and growing inflation could potentially have material impacts on the District's activities in future periods.

The District operates in a regulated industry. As a result, various lawsuits, claims, and legal and regulatory proceedings can be instituted or asserted against the District.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

NOTE 6: PENSION PLAN

A. Plan Description

The District participates in the Texas County and District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. 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. The plan provides retirement, disability and survivor benefits. TCDRS is a savings-based plan. For the District's plan, 7% of each employee's pay is deposited into his or her TCDRS 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 125%) and is then converted to an annuity. There are no automatic cost of living adjustments (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. Benefit terms are established under the TCDRS Act. They may be amended as of January 1st each year, but must remain in conformity with the Act. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District's contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the District and are currently 7%. The most recent annual comprehensive financial report for TCDRS can be found at the following link, [TCDRS.org/Employer](https://www.tcdrs.org/Employer).

B. Benefits Provided

The District provides retirement, disability, and survivor benefits. The plan provisions are adopted by the Board of Directors, within the options available in the state statutes governing TCDRS (TCDRS Act). Employees can retire regardless of age with 30 years of service. The "Rule of 80" will determine retirement eligibility. Members are vested after 10 years 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 Board of Directors within the constraints imposed by the TCDRS Act so that the resulting benefits can be expected 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 contribution and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

NOTE 6: PENSION PLAN (Continued)

B. Benefits Provided (Concluded)

Plan Provisions for the District were as follows:

	Plan Year 2021
Employee deposit rate	7.0%
Matching ratio (District to employee)	1.25 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	80/10, 0/30
Updated service credit	20.00%

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 or beneficiaries currently receiving benefits	1
Active employees	2
Totals	3

C. Contributions

The contribution rate for employees in TCDRS is either 4%, 5%, 6%, or 7% of compensation, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. Investment income funds are a large part of the benefits employees earn.

Employees of the District were required to contribute 7% of their annual gross earnings during the fiscal year ended September 30, 2022. The contribution rates for the District were 5.85% in the calendar year 2021 and 8.37% in the calendar year 2022. The District's contributions to TCDRS for the year ended September 30, 2022 were \$8,975.

D. Net Pension Asset

The District's Net Pension Asset (NPA) was measured as of December 31, 2021 and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

**PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022**

NOTE 6: PENSION PLAN (Continued)

D. Net Pension Asset (Continued)

Actuarial assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.50% per year
Overall payroll growth:	Varies by age & service. 4.7% average over career including inflation
Investment rate of return:	7.50%, net of administrative and 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 0.5% 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 is based on 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. Mortality rates for service retirees, beneficiaries and non-depositing members is based on 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. The Mortality rates for disabled retirees is based on 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 actuarial assumptions that determined the total pension liability as of December 31, 2021 were based on the results of an actuarial experience study from the years 2017 through 2020 except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 7.60%. This rate reflects the long-term rate of return funding valuation assumption of 7.50% plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long term time horizon. The TCDRS Board of trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the below table. These capital market assumptions are based on January 2022 information for a 10 year time horizon.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

NOTE 6: PENSION PLAN (Continued)

D. Net Pension Asset (Continued)

	Target	Long-Term Expected Real
Asset Class	Allocation	Rate of Return (Arithmetic)
US Equities	11.50%	3.80%
Global Equities	2.50%	4.10%
International Equities - Developed	5.00%	3.80%
International Equities - Emerging	6.00%	4.30%
Investment - Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	1.77%
Direct Lending	16.00%	6.25%
Distressed Debt	4.00%	4.50%
REIT Equities	2.00%	3.10%
Master Limited Partnerships (MLPs)	2.00%	3.85%
Private Real Estate Partnerships	6.00%	5.10%
Private Equity	25.00%	6.80%
Hedge Funds	6.00%	1.55%
Cash Equivalents	2.00%	-1.05%
Totals	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability 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 Total Pension Liability/Asset.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

NOTE 6: PENSION PLAN (Continued)

D. Net Pension Asset (Concluded)

	Increase (Decrease)		
	Plan		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at December 31, 2020	\$ 204,402	\$ 207,936	\$ (3,534)
Changes for the year:			
Service cost	14,605	-	14,605
Interest on total pension liability	14,397	-	14,397
Effect of economic/demographic gains or losses	(74,586)	-	(74,586)
Effect of assumptions changes or inputs	(321)	-	(321)
Refund of contribution	(57,832)	(57,832)	-
Benefit payments	(2,424)	(2,424)	-
Administrative expense	-	(108)	108
Member contributions	-	7,801	(7,801)
Net investment income/(loss)	-	40,394	(40,394)
Employer contributions	-	6,519	(6,519)
Other	-	(1,244)	1,244
Net changes	(106,161)	(6,894)	(99,267)
Balance at December 31, 2021	<u>\$ 98,241</u>	<u>\$ 201,042</u>	<u>\$ (102,801)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension asset of the District, calculated using the discount rate of 7.60%, as well as what Pecan Valley Groundwater Conservation District net pension asset 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 (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total pension liability	\$ 109,977	\$ 98,241	\$ 88,079
Fiduciary net position	201,041	201,042	201,041
Net pension liability/(asset)	<u>\$ (91,064)</u>	<u>\$ (102,801)</u>	<u>\$ (112,962)</u>

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.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

NOTE 6: PENSION PLAN (Concluded)

E. Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2022 the District recognized pension income of \$13,052.

At September 30, 2022, 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	\$ 57,773	\$ 944
Changes in assumptions	241	7,893
Net difference between projected and actual earnings	25,067	-
Contributions made subsequent to measurement date	-	7,284
Total	\$ 83,081	\$ 16,121

Deferred outflows of resources of \$7,284, related to pension resulting from contributions subsequent to the measurement date, will be recognized as an addition to the net pension asset for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net Deferred Outflows (Inflows) of Resources
2022	\$ (20,205)
2023	(23,190)
2024	(24,998)
2025	(5,559)
2026	(292)
Thereafter	-
Total	\$ (74,244)

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

NOTE 7: FUND BALANCE

The non-spendable fund balance is comprised of the following:

- Amount not in cash form such as prepaid expenses and rent and utility deposits \$1,567

The Government committed the following fund balance types by taking the following action:

<u>Committed Purpose</u>	<u>Amount</u>	<u>Action</u>
Legal expenses	\$1,370,000	Board of Directors approved
Groundwater studies	\$ 400,000	Board of Directors approved
Technology	\$ 50,000	Board of Directors approved

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar spending. Additionally, the Government would first use *committed*, then *assigned*, and lastly *unassigned* amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

A schedule of fund balance at September 30, 2022 is provided below:

	<u>General Fund</u>	<u>Total Governmental Funds</u>
FUND BALANCE:		
Non-spendable:		
Prepaid expenses and rent and utility deposits	\$ 1,567	\$ 1,567
Committed to:		
Future legal expenses	1,370,000	1,370,000
Future groundwater studies	400,000	400,000
Future office building	50,000	50,000
Unassigned	<u>1,079,151</u>	<u>1,079,151</u>
Total fund balance	<u><u>\$ 2,900,718</u></u>	<u><u>\$ 2,900,718</u></u>

NOTE 8: SUBSEQUENT EVENTS

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through December 8, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended September 30, 2022

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance with Final Budget</u>
Revenues				
Property taxes	\$ 197,981	\$ 197,981	\$ 198,455	\$ 474
Registration, production, and transport	116,520	116,520	164,835	48,315
Interest income	20,000	20,000	26,339	6,339
Miscellaneous	300	300	520	220
Total revenues	<u>334,801</u>	<u>334,801</u>	<u>390,149</u>	<u>55,348</u>
Expenditures				
Service operations:				
Personnel	167,654	171,284	169,606	1,678
Professional fees	52,000	52,000	27,155	24,845
Contracted services	4,350	4,350	3,526	824
Utilities	4,000	4,400	4,292	108
Repair and maintenance	13,000	13,000	5,310	7,690
Water level monitoring	103,500	103,500	47,120	56,380
Travel and vehicle	12,000	7,943	5,664	2,279
Well plugging program	7,500	7,500	3,327	4,173
Administrative	29,260	29,260	20,468	8,792
Miscellaneous	2,500	2,527	2,526	1
Capital outlay	5,000	5,000	2,174	2,826
Total expenditures	<u>400,764</u>	<u>400,764</u>	<u>291,168</u>	<u>109,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (65,963)</u>	<u>\$ (65,963)</u>	<u>\$ 98,981</u>	<u>\$ 164,944</u>

**PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2022**

NOTE 1: BUDGET

The budget for the Governmental Fund adopted during the year by the District was prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The General Fund has a legally adopted budget.

The District budgeted an excess of expenditures over revenues. The excess was budgeted to decrease the fund balance. This budget was amended during the course of the year with the final budget reporting \$334,801 in revenue and \$400,764 in expenses.

PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS (unaudited)
For the Year Ended September 30, 2022

	Measurement Year							
	2014	2015	2016	2017	2018	2019	2020	2021
Total pension liability								
Service cost	\$ 12,121	\$ 11,267	\$ 14,002	\$ 13,530	\$ 13,890	\$ 13,493	\$ 12,503	\$ 14,605
Interest on total pension liability	4,629	5,744	7,148	9,169	10,898	12,465	14,212	14,397
Effect of plan changes	-	(2,954)	-	-	-	-	-	-
Effect of economic/demographic gains or losses	1,605	2,212	(227)	(394)	(2,596)	(978)	1,337	(74,586)
Effect of assumptions changes or inputs	-	1,795	-	1,231	-	-	14,632	(321)
Refund of contributions	(4,318)	-	-	-	-	-	-	(57,832)
Benefit payments	(216)	(2,640)	(2,640)	(2,640)	(2,460)	(2,424)	(2,424)	(2,424)
Net change in total pension liability	13,821	15,424	18,283	20,896	19,732	22,556	40,260	(106,161)
Total pension liability - beginning	53,430	67,251	82,675	100,958	121,854	141,586	164,142	204,402
Total pension liability - ending (a)	\$ 67,251	\$ 82,675	\$ 100,958	\$ 121,854	\$ 141,586	\$ 164,142	\$ 204,402	\$ 98,241

**PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS (unaudited) (CONTINUED)
For the Year Ended September 30, 2022**

	Measurement Year							
	2014	2015	2016	2017	2018	2019	2020	2021
Plan fiduciary net position								
Refund of contribution	\$ (4,318)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (57,832)
Benefit payments	(216)	(2,640)	(2,640)	(2,640)	(2,460)	(2,424)	(2,424)	(2,424)
Administrative expenses	(56)	(62)	(73)	(90)	(115)	(136)	(152)	(108)
Member contributions	8,056	6,529	7,316	7,259	7,062	7,048	7,134	7,801
Net investment income	4,904	(45)	6,742	16,051	(2,407)	23,595	18,445	40,394
Employer contributions	6,893	5,546	6,051	5,942	5,881	6,101	6,268	6,519
Other	680	77	1,402	140	327	392	341	(1,244)
Net change in plan fiduciary net position	15,943	9,405	18,798	26,662	8,288	34,576	29,612	(6,894)
Plan fiduciary net position - beginning	64,652	80,595	90,000	108,798	135,460	143,748	178,324	207,936
Plan fiduciary net position - ending (b)	<u>\$ 80,595</u>	<u>\$ 90,000</u>	<u>\$ 108,798</u>	<u>\$ 135,460</u>	<u>\$ 143,748</u>	<u>\$ 178,324</u>	<u>\$ 207,936</u>	<u>\$ 201,042</u>
Net pension liability (asset) - ending (a) - (b)	\$ (13,344)	\$ (7,325)	\$ (7,840)	\$ (13,606)	\$ (2,162)	\$ (14,182)	\$ (3,534)	\$ (102,801)
Plan fiduciary net position as a percentage of total pension liability	119.84%	108.86%	107.77%	111.17%	101.53%	108.64%	101.73%	204.64%
Pensionable covered payroll	\$ 115,081	\$ 103,873	\$ 104,512	\$ 103,703	\$ 100,882	\$ 100,681	\$ 101,915	\$ 111,438
Net pension liability (asset) as a percentage of pensionable covered payroll	-11.60%	-7.05%	-7.50%	-13.12%	-2.14%	-14.09%	-3.47%	-92.25%

For the Year Ended September 30, 2022

	5.71%	5.30%	5.82%	5.84%	5.86%	6.01%	5.87%	7.74%
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**PECAN VALLEY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
NOTES TO SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended September 30, 2022**

Valuation date: 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.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/ demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.60% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-living adjustments for Pecan Valley Groundwater Conservation 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.
Retirement Age	Experienced-based table of rates that are specific to the District's plan of benefits.
Turnover	0.00%
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 retiree, beneficiaries	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.

Other Information:

Notes There were no benefit changes during the year.

SUPPLEMENTARY INFORMATION

Goldman, Hunt & Notz, L.L.P.

Certified Public Accountants

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

To Management and Board of Directors
Pecan Valley Groundwater Conservation District
Cuero, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Pecan Valley Groundwater Conservation District, (the District), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2022.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We consider the following deficiency in internal control to be a significant deficiency:

Lack of Controls over Annual Financial Reporting

We have drafted the annual financial statements and related note disclosures of the District at the District's request. This was done because, due to its limited resources, the District's internal personnel did not possess all of the skills and competencies necessary to prepare its own annual financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. However, we cannot be considered part of the District's internal controls – specifically, we cannot be a part of the financial reporting internal control that addresses the preparation of accurate annual financial statements and related note disclosures. Consequently, the inability of the District to prepare its own financial statements and related note disclosures is considered to be a control deficiency. The fact that we prepare the financial statements may give users more confidence that the financial statements are correct; however, it does not eliminate the control deficiency.

To remedy the control deficiency related to the preparation of the annual financial statements, the District would need to ensure that sufficient personnel are in place and that they have the appropriate knowledge and tools (i.e., current accounting literature, current disclosure checklist, etc.) to be an effective element of the internal control process over financial reporting. We understand that this is not feasible because of the District's size and limited resources. Management may make a conscious decision to accept the degree of risk in this control deficiency because of cost or other considerations.

Pecan Valley Groundwater Conservation District's Response to Identified Significant Deficiency

Due to limited resources, it is not economically feasible for Pecan Valley Groundwater Conservation District to employ qualified personnel who possess the competencies and skills to prepare our own annual financial statements.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pecan Valley Groundwater Conservation District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described previously. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Goldman, Hunt & Notz, L.L.P.
December 8, 2022