

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended September 30, 2023

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Victoria County Groundwater Conservation District
Victoria, 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 Victoria County Groundwater Conservation District (the District), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2023, and the respective changes in financial position 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.

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 4–8 and 30–35 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 July 19, 2024, 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.

July 19, 2024

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

As management of Victoria County 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, 2023. 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 revenues 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, 2023. 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.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

Financial Highlights

- The assets of Victoria County Groundwater Conservation District exceeded its liabilities at the close of the fiscal year ended September 30, 2023 by \$3,871,974 (net position). Of this amount, \$3,849,028 in unrestricted net position is available to meet the District's ongoing obligations.
- At September 30, 2023, the District's General Fund reported a combined ending fund balance of \$3,841,230 of which \$717,765 is committed for legal contingencies, \$2,153,296 is committed for groundwater research and management which includes groundwater conservation, groundwater monitoring, groundwater research, groundwater management, groundwater protections, and groundwater planning and \$970,169 is unassigned.
- At September 30, 2023, unassigned fund balance for the General Fund was \$970,169 or 156% of total General Fund expenditures.
- The total cost of all District activities was \$722,301 for the fiscal year.

Government-wide Overall Financial Analysis

**Victoria County Groundwater Conservation District
Components of Net Position
September 30, 2023
With Comparative Totals for September 30, 2022
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>		
Current and other assets	\$ 3,989	\$ 3,579	\$ 3,989	\$ 3,579	\$ 410	11%
Capital assets	23	32	23	32	(9)	-28%
Total assets	<u>4,012</u>	<u>3,611</u>	<u>4,012</u>	<u>3,611</u>	401	11%
Deferred outflows of resources related to pension expense	<u>85</u>	<u>52</u>	<u>85</u>	<u>52</u>	33	63%
Total deferred outflows of resources	<u>85</u>	<u>52</u>	<u>85</u>	<u>52</u>	33	63%
Total assets and deferred outflows of resources	<u>4,097</u>	<u>3,663</u>	<u>4,097</u>	<u>3,663</u>	434	12%
Current and other liabilities	<u>157</u>	<u>118</u>	<u>157</u>	<u>118</u>	39	33%
Total liabilities	<u>157</u>	<u>118</u>	<u>157</u>	<u>118</u>	39	33%
Deferred inflows of resources	<u>68</u>	<u>67</u>	<u>68</u>	<u>67</u>	1	1%
Total deferred inflows of resources	<u>68</u>	<u>67</u>	<u>68</u>	<u>67</u>	1	1%
Net position:						
Net investment in capital assets	23	32	23	32	(9)	-28%
Unrestricted	<u>3,849</u>	<u>3,446</u>	<u>3,849</u>	<u>3,446</u>	403	12%
Total net position	<u>\$ 3,872</u>	<u>\$ 3,478</u>	<u>\$ 3,872</u>	<u>\$ 3,478</u>	\$ 394	11%

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

Government-wide Overall Financial Analysis (Continued)

The total net position increased by approximately \$394,000. Cash and investment balances increased by approximately \$464,000, taxes receivable increased by \$19,000, other receivables increased by \$16,000, prepayments decreased by \$18,000, net pension asset decreased by \$54,000, right of use asset decreased by \$17,000 and fixed assets decreased by \$9,000 primarily due to the impact of asset disposals and depreciation. Deferred outflows of resources associated with the District's pension increased by \$33,000. Accounts payable decreased by \$1,000, accrued liabilities decreased by \$11,000, net pension liability increased by \$69,000, and lease liability decreased by \$17,000.

**Victoria County Groundwater Conservation District
Condensed Statement of Activities
For the Year Ended September 30, 2023
With Comparative Totals for the Year Ended September 30, 2022
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>		
Revenues						
General revenues						
Taxes	\$ 751	\$ 669	\$ 751	\$ 669	\$ 82	12%
Interest	75	12	75	12	63	525%
Other income	290	257	290	257	33	13%
Total revenues	<u>1,116</u>	<u>938</u>	<u>1,116</u>	<u>938</u>	<u>178</u>	<u>19%</u>
Expenses						
Personnel	529	384	529	384	145	38%
Professional fees	60	52	60	52	8	15%
Contracted services	58	55	58	55	3	5%
Telecommunications	12	15	12	15	(3)	-20%
Administrative	33	22	33	22	11	50%
Sponsorships and cost-sharing	-	15	-	15	(15)	-100%
Repairs and maintenance	2	2	2	2	-	0%
Interest expense - leases	2	2	2	2	-	0%
Depreciation	9	8	9	8	1	13%
Depreciation on right of use asset	17	17	17	17	-	0%
Total expenses	<u>722</u>	<u>572</u>	<u>722</u>	<u>572</u>	<u>150</u>	<u>26%</u>
Excess of revenues over expenditure/expenses before non-operating revenue	<u>394</u>	<u>366</u>	<u>394</u>	<u>366</u>	<u>28</u>	<u>8%</u>
Change in net position	394	366	394	366	28	8%
Beginning net position	3,478	3,112	3,478	3,112	366	12%
Ending net position	<u>\$ 3,872</u>	<u>\$ 3,478</u>	<u>\$ 3,872</u>	<u>\$ 3,478</u>	<u>\$ 394</u>	<u>11%</u>

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

Government-wide Overall Financial Analysis (Concluded)

Total revenues increased by \$178,000 primarily due to an increase in tax revenue of \$82,000, an increase in interest revenue of \$63,000, an increase in District support fees of \$31,000, and an increase in other income of \$2,000.

Total expenses increased by \$150,000 primarily due to an increase in personnel fees of \$145,000, due in part to increases in wages and pension contribution rates, an increase in professional fees of \$8,000, an increase in contracted services of \$3,000, a decrease in telecommunication expense of \$3,000, an \$11,000 increase in administrative expenses, a decrease in sponsorship and cost-sharing expense of \$15,000, and an increase of \$1,000 in depreciation expense.

Budgetary Highlights

Actual revenues in the General Fund were greater than budgeted revenues by \$139,376. Actual General Fund expenditures were \$321,301 less than budgeted expenditures. The District did not amend its budget for the General Fund during the fiscal year.

Capital Assets

At September 30, 2023 the District had \$22,946 invested in net capital assets. Depreciation on assets was \$8,818 for the year.

**Victoria County Groundwater Conservation District
Capital Assets
(net of accumulated depreciation)
September 30, 2023
With Comparative Totals for September 30, 2022
(in thousands)**

	Governmental Activities		Total Government		Amount Change	% Change
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>		
Office remodel	\$ 13	\$ 13	\$ 13	\$ 13	\$ -	0%
Vehicle and equipment	108	119	108	119	(11)	-9%
Subtotal	<u>121</u>	<u>132</u>	<u>121</u>	<u>132</u>	<u>(11)</u>	<u>-8%</u>
Accumulated depreciation	<u>98</u>	<u>100</u>	<u>98</u>	<u>100</u>	<u>(2)</u>	<u>-2%</u>
Capital assets, net	<u>\$ 23</u>	<u>\$ 32</u>	<u>\$ 23</u>	<u>\$ 32</u>	<u>\$ (9)</u>	<u>-28%</u>

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

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

Debt Outstanding

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

Economic Factors and Next Year's Budgets and Rates

The District's property tax rate for 2023/2024 is \$0.00699 per \$100 valuation. The net taxable value is \$10,709,585,122 for total tax revenue of \$748,600.

The District budgeted \$1,034,900 in revenues and \$907,300 in expenditures for 2023/2024.

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 at 2805 N. Navarro, Suite 210, Victoria, Texas 77901.

BASIC FINANCIAL STATEMENTS

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2023**

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets				
Cash and investments	\$ 3,834,587	\$ 3,834,587	\$ -	\$ 3,834,587
Taxes receivable	60,681	60,681	-	60,681
Other receivables	59,700	59,700	-	59,700
Right of use asset (net of accumulated depreciation)	-	-	34,034	34,034
Capital assets (net of accumulated depreciation)	-	-	22,946	22,946
Total assets	<u>3,954,968</u>	<u>3,954,968</u>	<u>56,980</u>	<u>4,011,948</u>
Deferred outflows of resources				
Actual experience vs. expectations	-	-	11,597	11,597
Pension contributions made subsequent to the measurement date	-	-	43,857	43,857
Actual experience vs. projections	-	-	14,595	14,595
Changes in assumptions	-	-	14,931	14,931
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>84,980</u>	<u>84,980</u>
Total assets and deferred outflows of resources	<u>\$ 3,954,968</u>	<u>\$ 3,954,968</u>	<u>\$ 141,960</u>	<u>\$ 4,096,928</u>

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

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
September 30, 2023**

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Liabilities				
Accounts payable	\$ 1,822	\$ 1,822	\$ -	\$ 1,822
Accrued liabilities	37,629	37,629	-	37,629
Lease liability	-	-	34,996	34,996
Net pension liability	-	-	68,763	68,763
Payroll and other taxes payable	13,976	13,976	-	13,976
Total liabilities	<u>53,427</u>	<u>53,427</u>	<u>103,759</u>	<u>157,186</u>
Deferred inflows of resources				
Actual experience vs. expectations	-	-	22,528	22,528
Changes in assumptions	-	-	235	235
Amortization of prior year outflows	-	-	45,005	45,005
Unavailable taxes	60,311	60,311	(60,311)	-
Total deferred inflows of resources	<u>60,311</u>	<u>60,311</u>	<u>7,457</u>	<u>67,768</u>
Fund balance				
Committed	2,871,061	2,871,061	(2,871,061)	-
Unassigned	970,169	970,169	(970,169)	-
Total fund balance	<u>3,841,230</u>	<u>3,841,230</u>	<u>(3,841,230)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 3,954,968</u>	<u>\$ 3,954,968</u>		
Net position:				
Net investment in capital assets			22,946	22,946
Unrestricted			3,849,028	3,849,028
Total net position			<u>\$ 3,871,974</u>	<u>\$ 3,871,974</u>

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

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF NET POSITION AND BALANCE
SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2023**

Amounts reported for governmental activities in the Statement of Net Position (pages 9-10) are different because:

Total fund balance - governmental funds (pages 9-10)	\$ 3,841,230
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	22,946
Delinquent taxes receivable are not considered available to pay for current period expenditures and, therefore, are deferred in the funds.	60,311
The net pension liability is not an available resource and, therefore, is not reported in the funds.	(68,763)
Deferred outflows of resources related to pension expense are not due and payable in the current period and, therefore, are not reported in the funds.	84,980
Deferred inflows of resources related to pension expense are not due and receivable in the current period and, therefore, are not reported in the funds.	(67,768)
Lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34,034
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities are comprised of the following:	
Lease liability	<u>(34,996)</u>
Net position of governmental activities	<u><u>\$ 3,871,974</u></u>

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

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/NET POSITION - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023**

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues				
Property taxes	\$ 731,823	\$ 731,823	\$ 19,580	\$ 751,403
Interest income	74,701	74,701	-	74,701
District support fees	287,910	287,910	-	287,910
Miscellaneous income	2,315	2,315	-	2,315
Total revenues	<u>1,096,749</u>	<u>1,096,749</u>	<u>19,580</u>	<u>1,116,329</u>
Expenditures/expenses				
Service operations:				
Personnel	439,309	439,309	89,917	529,226
Professional fees	60,373	60,373	-	60,373
Contracted services	58,432	58,432	-	58,432
Telecommunications	11,562	11,562	-	11,562
Administrative	33,309	33,309	-	33,309
Sponsorships and cost-sharing	281	281	-	281
Repair and maintenance	2,009	2,009	-	2,009
Principal payments - leases	16,664	16,664	(16,664)	-
Interest expense - leases	1,432	1,432	(135)	1,297
Depreciation	-	-	8,818	8,818
Depreciation on right of use asset	-	-	16,994	16,994
Total expenditures/expenses	<u>623,371</u>	<u>623,371</u>	<u>98,930</u>	<u>722,301</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>473,378</u>	<u>473,378</u>	<u>(79,350)</u>	<u>394,028</u>
Net change in fund balance/net position	473,378	473,378	(79,350)	394,028
Fund balance/net position:				
Beginning of the year	<u>3,367,852</u>	<u>3,367,852</u>	<u>110,094</u>	<u>3,477,946</u>
End of the year	<u>\$ 3,841,230</u>	<u>\$ 3,841,230</u>	<u>\$ 30,744</u>	<u>\$ 3,871,974</u>

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

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE/NET POSITION – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023**

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

Net change in fund balance - total governmental funds (page 12)	\$ 473,378
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.	(8,818)
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 and deferred outflows of resources related to pension expense. This is the amount by which pension contributions exceeded pension expense in the current period.	(89,917)
Some revenue reported in the governmental funds was earned in prior periods and is not reported in the government-wide statement of activities.	19,580
Governmental funds report the payment of lease principal when the current financial resources are available and payments are due.	16,664
Depreciation expense on lease assets reported in the government-wide financial statements of activities and changes in net assets does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(16,994)
Accrued interest expense associated with leases is not recognized in the fund financial statements, but is recognized in the government-wide financial statements.	135
Change in net position of governmental activities	<u>\$ 394,028</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING

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.

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

The governmental fund financial statements and government-wide financial statements are combined in the Statement of Net Position and Balance Sheet - Governmental Funds and the 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. Fiduciary activities of the District are not included in these statements.

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, 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 and Balance Sheet - Governmental Funds. The Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds presents changes in fund balance/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 regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in two categories: 1) property taxes, 2) investment earnings and 3) fees charged.

Governmental fund financial statements are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and current deferred inflows of resources are included on the Statement of Net Position and Balance Sheet - Governmental Funds. The Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds 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 property tax and interest income. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Continued)**

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.

B. Fund Balance Classification

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 purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Committed

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

Assigned

Amounts the District intends to use for a specific purpose but does not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Directors or by an official to which the District delegates the authority.

Unassigned

All other spendable amounts.

C. Restricted Resources

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

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposits with maturity dates of 12 months or less.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Continued)

E. Budget

The Board of Directors prepares and votes on the adopted budget. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP) in the United States of America. Any revisions to the budget are approved by the Board of Directors. The original budget and final amended budget (when applicable) for the General Fund are used in this report.

F. Personal Leave

Personal leave is accrued by an employee of the District during the time the employee begins their employment period with the District and may be used, subject to authorization by the employee's supervisor, to compensate for scheduled work hours not worked by the employee or to compensate for scheduled work hours not worked by the employee due to illness. Employees with less than six years of service accrue fifteen days of leave per year, while employees with more than six years of service accrue fifteen days per year plus one additional day for each additional year of service. Personal leave is accrued at the end of each monthly pay period. Upon termination of employment, employees shall be compensated at their present hourly pay rate for all unused, accrued personal leave. At year end, accrued personal leave was \$21,140 and is included with accrued liabilities.

G. 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 Victoria County Tax Assessor/Collector collects and remits the property taxes to the District on a monthly basis. No allowance for uncollectable taxes has been provided as such amounts are not expected to be material.

The tax rate for 2022/2023 was \$0.00800 per \$100 valuation. The taxable value was \$9,281,514,177. All tax monies are used for maintenance and operations.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Continued)**

H. 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 several 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. Deferred inflows of resources arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred inflows of resources also arise when the District receives resources before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred inflows of resources is removed from the balance sheet and revenue is recognized. The District has several items that qualify for reporting in this category. The first set is related to deferred future pension expense related to the net pension liability. Deferred future pension income results from the difference in expected and actual experience, the amortization of prior year outflows, the difference in actual earnings vs projections, and changes in assumptions. The second set of deferred inflows 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.

I. 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:

Vehicle and equipment	5 – 7 years
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**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING
(Concluded)**

J. Contracts

Interlocal Cooperation Agreement

The District has entered into interlocal cooperation agreements with Texana Groundwater Conservation District (TGCD), Calhoun County Groundwater Conservation District (CGCD), and Refugio Groundwater Conservation District (RGCD) to provide office and field equipment incidental to the operation of TGCD, CGCD, and RGCD. TGCD, CGCD, and RGCD shall compensate the District for the services provided. The District earned total revenue of \$85,904 from TGCD, \$89,559 from CGCD, and \$66,090 from RGCD in performance of these services during the fiscal year ended September 30, 2023. These contracts are renewed annually.

K. 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.

NOTE 2: THE FINANCIAL REPORTING ENTITY

Creation of District

Victoria County Groundwater Conservation District operates with a Board of Directors form of government. The District was created on June 17, 2005, under and subject to the authority, conditions, and restrictions of Section 59, Article XVI, Texas Constitution. It has the same boundaries as Victoria County, which covers an area of 889 square miles and is in the West Gulf Coast Plain of South 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 Victoria County, Texas.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial Credit Risk - Deposits

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, 2023. At year-end, the carrying amount of the District's deposits was \$3,834,587 and the respective bank balance totaled \$3,839,548. Of the total bank balance, \$500,000 was covered by Federal Depository Insurance (\$250,000 for demand deposits and \$250,000 for time deposits). The remaining \$3,339,548 was covered by additional securities pledged to the District at September 30, 2023. The fair market value of the pledged securities at year end was \$3,853,897.

Investments

In accordance with the Texas Government Code, Subtitle F, Chapter 2256, Subchapter A, Authorized Investments for Governmental Entities, the District can invest in the following, subject to requirements within the Code:

1. Obligations of, or guaranteed by Governmental Entities
2. Certificates of Deposit and share certificates
3. Repurchase agreements
4. Securities Lending Programs
5. Banker's Acceptance
6. Commercial Paper
7. Mutual Funds
8. Guaranteed Investment Contracts
9. Investment pools

The District categorizes its fair value measurements for its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2023 the District had no investments.

Other Investment Risks

As the District does not have investments it is not exposed to Credit Risk, Concentration of Credit Risk, or Interest Rate Risk.

NOTE 4: TAXES RECEIVABLE

At September 30, 2023, ad valorem taxes receivable of \$60,311 was considered delinquent and reported as unavailable revenue in the Governmental Fund financial statement.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

NOTE 5: CHANGES IN CAPITAL ASSETS

	Primary Government			Balance 9/30/2023
	Balance 10/1/2022	Additions	Retirements	
Governmental activities:				
Capital assets:				
Office remodel	\$ 13,000	\$ -	\$ -	\$ 13,000
Vehicle and equipment	118,869	-	11,313	107,556
Total capital assets at historical cost	131,869	-	11,313	120,556
Less accumulated depreciation for:				
Office remodel	8,450	1,300	-	9,750
Vehicle and equipment	91,655	7,518	11,313	87,860
Total accumulated depreciation	100,105	8,818	11,313	97,610
Governmental activities capital assets, net	<u>\$ 31,764</u>	<u>\$ (8,818)</u>	<u>\$ -</u>	<u>\$ 22,946</u>

Depreciation expense was charged to primary government in the amount of \$8,818.

NOTE 6: LEASE AGREEMENTS

During the fiscal year ended September 30, 2022, the District implemented GASB 87 regarding the treatment of lease transactions. The implementation of this new standard did not have an impact on the beginning net position of the District, and as such a restatement of net position is not considered necessary.

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance Year Ending September 30, 2023
Governmental-type <u>activities</u>						
Victoria County office space	10/1/2021	4 years	\$ 18,096	3.25%	\$ 67,974	\$ 34,996

The District entered into a lease agreement with Victoria County, Texas on December 1, 2020, to lease 1,305 square feet of office space at 2805 N. Navarro St, Suite 210, Victoria, TX 77901. Payments are due monthly at a rate of \$1,508 (\$18,096 annually) through September 30, 2025. The Lessor has the ability to increase this payment amount from year to year based on increased maintenance, repair, cleanup, and utility expenses, provided the increase shall not be more than five percent in any lease year. During the fiscal year ended September 30, 2022, GASB 87 was implemented, and an appropriate lease asset and liability was recognized as of October 1, 2021, based on the remaining term of the lease agreement as of that date.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

NOTE 6: LEASE AGREEMENTS (Concluded)

Annual requirements to amortize long-term obligation and related interest are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2024	\$ 17,214	\$ 882
2025	17,782	315
Total	<u>\$ 34,996</u>	<u>\$ 1,197</u>

Lease assets and related accumulated depreciation under the leases are as follows:

	Governmental Activities
Lease asset	\$ 67,974
Less: accumulated depreciation	<u>(33,940)</u>
Net value	<u>\$ 34,034</u>

NOTE 7: 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, 2023, the District purchased commercial insurance to cover these risks.

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.

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.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

NOTE 8: PENSION PLAN

A. Plan Description

The District participates in the Texas County & 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. TCERS is a savings-based plan. For the District's plan, 7% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) 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 TCERS Act. They may be amended as of January 1 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 TCERS funding policy adopted by the TCERS Board of Trustees and must conform with the TCERS Act. The employee contribution rates are set by the District and are currently 7%. The most recent annual comprehensive financial report (ACFR) for TCERS can be found at the following link, www.tcdrs.org.

B. Benefits Provided

The District provides retirement benefits to its employees. The plan provisions are adopted by the Board of Directors, within the options available in the state statutes governing TCERS (TCERS Act). Employees can retire regardless of age with 20 years of service. The "Rule of 80" will determine retirement eligibility. Members are vested after 5 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 TCERS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, 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 TCERS Act.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

NOTE 8: PENSION PLAN (Continued)

B. Benefits Provided (Concluded)

Plan Provisions for the District were as follows:

	Plan Year 2022	Plan Year 2023
Employee deposit rate	5.0%	7.0%
Matching ratio (District to employee)	1.5 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	80/5, 0/20	80/5, 0/20
Updated service credit	0%	0%

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	6
Totals	7

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.

During the fiscal year ended September 30, 2023, employees of the District were required to contribute 5% of their annual gross earnings during the months of October through December, and 7% during the months of January through September due to a change in the plan agreement. The contribution rates for the District were 7.50% in the calendar year 2022 and 14.00% in the calendar year 2023. The District's contributions to TCDRS for the year ended September 30, 2023 were \$55,677.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability/(Asset)

The District's Net Pension Asset (NPA) was measured as of December 31, 2022 and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation:	2.50% per year
Overall payroll growth:	Varies by age & service. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and 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 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 Employee 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 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, 2022 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 2023 information for a 10-year time horizon.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability/(Asset) (Continued)

	Target	Long-Term Expected Real
Asset Class	Allocation	Rate of Return (Arithmetic)
US Equities	11.50%	4.95%
Private Equity	25.00%	7.95%
Global Equities	2.50%	4.95%
International Equities - Developed	5.00%	4.95%
International Equities - Emerging	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%
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 Asset/Liability.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability/(Asset) (Concluded)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balance at December 31, 2021	\$ 344,249	\$ 398,176	\$ (53,927)
Changes for the year:			
Service cost	29,344	-	29,344
Interest on total pension liability	27,920	-	27,920
Effect of plan changes	80,475	-	80,475
Effect of economic/demographic gains or losses	6,895	-	6,895
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(7,271)	(7,271)	-
Benefit payments	(5,407)	(5,407)	-
Administrative expenses	-	(239)	239
Member contributions	-	17,393	(17,393)
Net investment income	-	(25,969)	25,969
Employer contributions	-	26,089	(26,089)
Other	-	4,670	(4,670)
Net changes	131,956	9,266	122,690
Balance at December 31, 2022	<u>\$ 476,205</u>	<u>\$ 407,442</u>	<u>\$ 68,763</u>

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

The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 7.60%, as well as what Victoria County Groundwater Conservation District net pension liability 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	\$ 543,306	\$ 476,205	\$ 419,502
Fiduciary net position	407,442	407,442	407,442
Net pension liability/(asset)	<u>\$ 135,864</u>	<u>\$ 68,763</u>	<u>\$ 12,060</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.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

NOTE 8: PENSION PLAN (Continued)

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

For the year ended September 30, 2023, the District recognized pension expense/(income) of \$89,917.

At September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 22,528	\$ 11,597
Changes in assumptions	235	14,931
Net difference between projected and actual earnings	-	14,595
Contributions made subsequent to measurement date	-	43,857
Total	\$ 22,763	\$ 84,980

Deferred outflows of resources of \$43,857 related to pension resulting from contributions subsequent to the measurement date will be recognized as an addition of the net pension asset for the year ending September 30, 2023. 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
2023	\$ (2,235)
2024	535
2025	1,298
2026	11,231
2027	(277)
Thereafter	7,808
Total	\$ 18,360

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

NOTE 8: PENSION PLAN (Concluded)

F. Group Term Life Fund (GTLF)

The District also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS) known as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The District has elected to not extend this benefit to retired employees.

The GTLF is a separate trust administered by the TCDRS Board of Trustees. TCDRS issues a publicly available ACFR that includes financial statements and required supplementary information for the GTLF. This report may be obtained by writing to TCDRS, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782. TCDRS's ACFR is also available at www.tcdrs.org.

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District contributions to the GTLF for the years ended September 30, 2023, 2022, and 2021 were \$559, \$622, and \$585, respectively, which equaled the contractually required contributions each year.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023**

NOTE 9: FUND BALANCE

The Government committed the following fund balance types through formal action.

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

A schedule of fund balance is provided below:

	General Fund	Total Governmental Funds
FUND BALANCE		
Committed:		
Legal contingencies	\$ 717,765	\$ 717,765
Groundwater conservation	143,553	143,553
Groundwater monitoring	717,765	717,765
Groundwater research	143,553	143,553
Groundwater management	287,106	287,106
Groundwater protections	717,766	717,766
Groundwater planning	143,553	143,553
Unassigned	970,169	970,169
Total fund balance	\$ 3,841,230	\$ 3,841,230

NOTE 10: SUBSEQUENT EVENTS

No material subsequent events were noted for the fiscal year ended September 30, 2023.

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through July 19, 2024, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended September 30, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Property taxes	\$ 696,388	\$ 731,823	\$ 35,435
Interest income	5,000	74,701	69,701
District support fees	255,985	287,910	31,925
Miscellaneous income	-	2,315	2,315
Total revenues	<u>957,373</u>	<u>1,096,749</u>	<u>139,376</u>
Expenditures/expenses			
Service operations:			
Personnel	510,442	439,309	71,133
Professional fees	243,400	60,373	183,027
Contracted services	62,000	58,432	3,568
Telecommunications	19,380	11,562	7,818
Administrative	32,950	33,309	(359)
Sponsorships and cost-sharing	23,000	281	22,719
Repair and maintenance	5,500	2,009	3,491
Principal payments - leases	22,000	16,664	5,336
Interest expense - leases	-	1,432	(1,432)
Capital outlay	26,000	-	26,000
Total expenditures/expenses	<u>944,672</u>	<u>623,371</u>	<u>321,301</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>\$ 12,701</u>	<u>\$ 473,378</u>	<u>\$ 460,677</u>

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2023**

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 did not amend the General Fund budget during the fiscal year.

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (unaudited)
For the Year Ended September 30, 2023**

	Measurement Year								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability									
Service cost	\$ 13,862	\$ 14,780	\$ 16,581	\$ 17,038	\$ 20,789	\$ 21,416	\$ 32,958	\$ 40,438	\$ 29,344
Interest on total pension liability	5,977	7,633	8,435	11,152	13,788	16,812	21,176	26,024	27,920
Effect of plan changes	-	(3,122)	-	-	1,459	-	-	-	80,475
Effect of economic/demographic gains or losses	1,356	(12,147)	(381)	1,079	670	4,108	1,469	(24,555)	6,895
Effect of assumptions changes or inputs	-	668	-	(474)	-	-	18,347	818	-
Refund of contributions	-	-	-	-	-	-	-	-	(7,271)
Benefit payments	-	-	-	-	-	-	-	(901)	(5,407)
Net change in total pension liability	21,195	7,812	24,635	28,795	36,706	42,336	73,950	41,824	131,956
Total pension liability - beginning	66,996	88,191	96,003	120,638	149,433	186,139	228,475	302,425	344,249
Total pension liability - ending (a)	\$ 88,191	\$ 96,003	\$ 120,638	\$ 149,433	\$ 186,139	\$ 228,475	\$ 302,425	\$ 344,249	\$ 476,205

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (unaudited) (CONTINUED)
For the Year Ended September 30, 2023**

	Measurement Year								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Plan fiduciary net position									
Refund of contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7,271)
Benefit payments	-	-	-	-	-	-	-	(901)	(5,407)
Administrative expenses	(54)	(64)	(78)	(106)	(144)	(180)	(219)	(215)	(239)
Member contributions	7,491	8,003	8,495	9,220	11,021	13,039	17,912	13,886	17,393
Net investment income	4,138	(1,365)	7,172	18,168	(2,716)	29,501	24,526	69,067	(25,969)
Employer contributions	8,435	9,123	9,667	9,423	11,594	13,561	19,094	16,320	26,089
Other	(4)	(8)	1,577	249	689	944	1,118	913	4,670
Net change in plan fiduciary net position	20,006	15,689	26,833	36,954	20,444	56,865	62,431	99,070	9,266
Plan fiduciary net position - beginning	59,884	79,890	95,579	122,412	159,366	179,810	236,675	299,106	398,176
Plan fiduciary net position - ending (b)	\$ 79,890	\$ 95,579	\$ 122,412	\$ 159,366	\$ 179,810	\$ 236,675	\$ 299,106	\$ 398,176	\$ 407,442
Net pension liability(asset) - ending (a)-(b)	\$ 8,301	\$ 424	\$ (1,774)	\$ (9,933)	\$ 6,329	\$ (8,200)	\$ 3,319	\$ (53,927)	\$ 68,763
Plan fiduciary net position as a percentage of total pension liability	90.59%	99.56%	101.47%	106.65%	96.60%	103.59%	98.90%	115.67%	85.56%
Covered employee payroll	\$ 149,829	\$ 160,048	\$ 169,893	\$ 184,404	\$ 220,421	\$ 260,784	\$ 358,240	\$ 277,719	\$ 347,859
Net pension liability as a percentage of covered employee payroll	5.54%	0.27%	-1.04%	-5.39%	2.87%	-3.14%	0.93%	-19.42%	19.77%

**VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended September 30, 2023**

	2015	2016	2017	2018	Fiscal Year 2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 8,435	\$ 9,123	\$ 9,667	\$ 9,423	\$ 11,594	\$ 13,561	\$ 19,094	\$ 14,747	\$ 23,202
Contributions in relation to the actuarially determined contribution	<u>9,274</u>	<u>9,976</u>	<u>9,667</u>	<u>9,423</u>	<u>11,594</u>	<u>13,561</u>	<u>19,094</u>	<u>16,320</u>	<u>26,089</u>
Contribution deficiency (excess)	<u>\$ (839)</u>	<u>\$ (853)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,573)</u>	<u>\$ (2,887)</u>
Covered employee payroll	157,318	168,023	169,893	184,404	220,421	260,784	358,240	277,719	347,859
Contributions as a percentage of covered employee payroll	5.90%	5.94%	5.69%	5.11%	5.26%	5.20%	5.33%	5.88%	7.50%

**VICTORIA COUNTY 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, 2020**

Valuation timing:	Actuarially determined contributions 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 (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.5 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5- year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Turnover	0%
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 and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the 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 the Board of Directors
Victoria County Groundwater Conservation District
Victoria, 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 Victoria County Groundwater Conservation District (the District), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 19, 2024.

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 identified certain deficiencies in internal control that we consider 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 it 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.

Victoria County Groundwater Conservation District's Response to Identified Significant Deficiency

While the District does not prepare our financial statements, the District prepares internal financial reports and investment reports, represented on a cash-basis, that accurately represent the account balances, financial transactions, and budget performance information throughout the fiscal year. However, due to limited resources, it is not feasible for Victoria County Groundwater Conservation District to employ qualified personnel who possess the competencies and skills to prepare our own 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*.

Victoria County 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. 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.

July 19, 2024