

**PINEYWOODS GROUNDWATER CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**PINEYWOODS GROUNDWATER CONSERVATION DISTRICT**

**Financial Statements  
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## **Independent Auditor’s Report**

Members of the Board of Directors  
Pineywoods Groundwater Conservation District

### **Opinion**

We have audited the accompanying financial statements of Pineywoods Groundwater Conservation District (District), which comprise the statement of assets, liabilities, and fund balance—modified cash basis as of December 31, 2023, and the related statements of revenues, expenses, and changes in fund balance—modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of the District as of December 31, 2023, and its revenues, expenses and changes in fund balance for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

### **Basis for Opinion**

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

### **Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

## **Independent Auditor's Report**

Members of the Board of Directors

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### **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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

*Goff & Herrington, P. C.*

Goff & Herrington, P. C.  
Certified Public Accountants

May 6, 2024

## **Financial Statements**

**PINEYWOODS GROUNDWATER CONSERVATION DISTRICT  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE  
MODIFIED CASH BASIS**

**December 31, 2023**

(With comparative totals for December 31, 2022)

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash	132,627	91,941
Investments	125,797	99,776
Vehicles and equipment	47,379	47,379
Accumulated depreciation	(23,575)	(15,561)
Total Assets	282,228	223,535
<b>LIABILITIES</b>		
Payroll related liabilities	1,941	1,788
Total Liabilities	1,941	1,788
<b>FUND BALANCE</b>		
Unassigned fund balance	280,287	221,747
Total Liabilities and Fund Balance	282,228	223,535

See accompanying notes to the financial statements.

**PINEYWOODS GROUNDWATER CONSERVATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE**  
**MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(With comparative totals for the year ended December 31, 2022)

	<b>2023</b>	<b>2022</b>
<b>REVENUES</b>		
Production fees	172,580	166,364
Permit and registration fees	45,025	46,100
Other	8,511	1,500
Total revenues	226,116	213,964
 <b>EXPENSES</b>		
Salaries and wages	101,254	96,900
Fringe benefits	35,895	34,672
Supplies	8,623	5,397
Maintenance	999	452
Professional services	6,217	5,350
Insurance	4,483	4,283
Depreciation	8,013	8,014
Other operating	7,632	7,446
Total expenses	173,116	162,514
Operating Income	53,000	51,450
 <b>OTHER INCOME (EXPENSE)</b>		
Gain on sale of assets	190	9,000
Interest income	5,351	537
Total other income (expense)	5,541	9,537
 Excess of revenues over expenses	58,541	60,987
 Fund balance, beginning of the year	221,746	160,760
 Fund balance, end of year	280,287	221,747

See accompanying notes to the financial statements.

# **PINEYWOODS GROUNDWATER CONSERVATION DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Activities**

The Pineywoods Groundwater Conservation District (District) is a governmental agency created under Section 59, Article XVI of the Texas Constitution to provide conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and to control subsidence within Angelina and Nacogdoches counties. The District's programs are financed primarily through water production fees and well drilling and operating permits.

#### **Significant Accounting Policies**

##### **Basis of Accounting**

The financial statements of the District, which report the activities of its proprietary fund, have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. In addition to reporting revenues when collected and expenses when paid, depreciation expense on equipment and payroll liabilities resulting from payroll expenses paid during the period are recognized in these financial statements.

Revenue recognition - The District receives a production fee of \$0.025 per 1,000 gallons for certain nonexempt wells. The District also charges a fee for a permit to drill a well ranging from \$100 to \$1,000, depending on the well casing size, as well as a fee to operate the well ranging from \$100 to \$550, depending on the well casing size. Other fees charged on non-exempt wells include permit amendment fees ranging from \$100 to \$225. Additionally, the District receives a \$100 fee to register an exempt well. These fees are recognized as revenue when received. Generally accepted accounting principles would require these fees to be recognized when earned.

Expenses are recognized when paid, with the exception of capitalizing equipment purchases and recognizing depreciation on the equipment. Generally accepted accounting principles would require expenses to be recognized when incurred.

##### **Use of Estimates**

Management uses estimates and assumptions in preparing the financial statements in accordance with the modified cash basis of accounting. Accordingly, actual results could differ significantly from those estimates.

##### **Cash and Cash Equivalents**

Cash and cash equivalents include all monies in the District's depository banks.



# **PINEYWOODS GROUNDWATER CONSERVATION DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

### **Vehicle and Equipment**

The purchased vehicle and furniture and equipment are recorded at cost. Depreciation is computed using the straight line method with estimated useful lives ranging from three to ten years.

### **Contributed Facilities and Services**

The District occupies, without charge, premises located in government owned buildings. The estimated fair rental value of the premises is not reported in these financial statements.

### **Comparative Financial Information**

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified and restated in order to be consistent with the current year's presentation.

### **Subsequent Events**

Management has evaluated subsequent events through May 6, 2024, the date that these financial statements were available to be issued.

### **NOTE B - DEPOSITS AND INVESTMENTS**

**Legal and Contractual Provisions Governing Deposits and Investments.** The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

**PINEYWOODS GROUNDWATER CONSERVATION DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

The following are disclosed concerning risks:

**Deposits**

**Custodial Credit Risk** - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is that the funds of the District must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The District's cash deposits at December 31, 2023 were entirely covered by FDIC insurance.

**Investments**

**Credit Risk** - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District was not exposed to credit risk at December 31, 2023.

**Custodial Credit Risk** - Deposits are exposed to custodial credit risk if they are not covered by depository insurance, are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

The District's demand and certificates of deposit are maintained at local financial institutions and the balances at December 31, 2023 are entirely covered by federal depository insurance.

**Concentration of Credit Risk** - This risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The District was not exposed to concentration of credit risk for its deposits as all are covered by depository insurance as of December 31, 2023.

**Interest Rate Risk** - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District was not exposed to interest rate risk at December 31, 2023.

**Foreign Currency Risk** - This is the risk that exchange rates will adversely affect the fair value of an investment. The District was not exposed to foreign currency risk at December 31, 2023.

**PINEYWOODS GROUNDWATER CONSERVATION DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**NOTE C - VEHICLE AND EQUIPMENT**

A summary of vehicle and equipment as of December 31, 2023 is as follows:

	<b>Balance December 31, 2022</b>	<b>Additions</b>	<b>Adjustments/ Retirements</b>	<b>Balance December 31, 2023</b>
Vehicle	\$ 39,383	\$ -	\$ -	\$ 39,383
Furniture and equipment	5,269	-	-	5,269
Computers and software	2,727	-	-	2,727
Totals	47,379	-	-	47,379
Less: Accumulated depreciation	15,562	8,013	-	23,575
Net property and equipment	\$ 31,817	\$ (8,013)	\$ -	\$ 23,804

Depreciation expense of \$8,013 and \$8,014 for the years ending December 31, 2023 and 2022 is included in the financial statements.

**NOTE D - EMPLOYEE RETIREMENT PLAN**

**Plan Description**

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 601 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034, and online at [www.tcdrs.org](http://www.tcdrs.org).

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer. Cost of living adjustments are provided at the discretion of the governing body of the District.

# **PINEYWOODS GROUNDWATER CONSERVATION DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can 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 contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

### **Funding Policy**

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act the contribution rate of the employer is actuarially determined annually. It was 8.44% and 8.67% for 2023 and 2022, respectively. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The District's TCDRS retirement contribution for the year ended December 31, 2023 and 2022 was \$8,546 and \$8,401, respectively, which equaled the required contribution for the years.

### **Annual Pension Cost**

The required contribution was determined as part of the December 31, 2023 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2023 included (a) 7.50 percent investment rate of return (net of investment and administrative expenses), and (b) projected salary increases of 3.00 percent. Both (a) and (b) included an inflation component of 2.50 percent. The actuarial value of the assets was determined using techniques that spread the effects of short term volatility in the market value of investments over a ten year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2023 was 0.0 years.

### **Funding Status and Funded Progress**

As of December 31, 2023, the most recent actuarial valuation date, the plan was 106.7 percent funded. The actuarial accrued liability for benefits was \$317,556 and the actuarial value of assets was \$338,734, resulting in an overfunded actuarial accrual liability (OAAL) of \$21,178. The covered payroll (annual payroll of active employees covered by the plan) was \$101,254 and the ratio of the UAAL to the covered payroll was 20.92 percent.

**PINEYWOODS GROUNDWATER CONSERVATION DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Funded Ratio</b>	<b>Unfunded AAL (UAAL)</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
12/31/19	\$ 289,259	\$ 303,225	95.4%	(13,966)	\$ 98,805	(14.13)%
12/31/20	\$ 312,941	\$ 292,915	106.8%	20,026	\$ 90,406	22.15%
12/31/21	\$ 332,355	\$ 304,158	109.3%	28,197	\$ 94,050	29.98%
12/31/22	\$ 324,102	\$ 299,670	108.2%	24,432	\$ 96,900	25.21%
12/31/23	\$ 338,734	\$ 317,556	106.7%	21,178	\$ 101,254	20.92%

The District participates in a cost sharing multiple-employer defined group-term life insurance plan operated by the TCDRS known as the Supplemental Death Benefits Fund (SDBF). The death benefit provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death).

The District contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree life insurance during employees’ entire careers. Under the TCDRS Act, the SDBF contribution rate of the employer is actuarially determined annually. It was 0.27% and 0.31% for 2023 and 2022, respectively. The District’s TCDRS SDBF contribution for the year ended December 31, 2023 and 2022 was \$272 and \$300, respectively, which equaled the required contribution for the years.

**NOTE E - 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. They maintain commercial insurance coverage covering risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses.

**NOTE F - CONCENTRATIONS**

Financial instruments that potentially subject the District to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. The District maintains cash balances at a financial institution located in East Texas. The balances did not exceed federally insured limits as of December 31, 2023. Other concentrations include sources of revenue, which is primarily from municipal production and geographic area, which is limited to Angelina and Nacogdoches counties.

**Required Supplementary Schedule**

**PINEYWOODS GROUNDWATER CONSERVATION DISTRICT  
SCHEDULE OF RETIREMENT CONTRIBUTIONS  
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>Year Ending December 31,</b>	<b>Actuarially Determined Contribution*</b>	<b>Actual Employer Contribution*</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll**</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2014	10,176	10,176	-	87,501	11.63%
2015	11,602	11,602	-	90,503	12.82%
2016	11,980	11,980	-	91,290	13.12%
2017	11,172	11,172	-	95,240	11.73%
2018	11,623	11,623	-	98,000	11.86%
2019	12,236	12,236	-	98,805	12.38%
2020	11,572	11,572	-	90,406	12.80%
2021	12,217	12,217	-	94,050	12.99%
2022	8,401	8,401	-	96,900	8.67%
2023	8,546	8,546	-	101,254	8.44%

\* - TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

\*\* - Payroll is calculated based on contributions reported to TCDRS.

See accompanying notes to the financial statements

**PINEYWOODS GROUNDWATER CONSERVATION DISTRICT  
SCHEDULE OF OPEB CONTRIBUTIONS  
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>Year Ending December 31,</b>	<b>Actuarially Determined Contribution*</b>	<b>Actual Employer Contribution*</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll**</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2014	516	516	-	87,501	0.59%
2015	479	479	-	90,503	0.53%
2016	518	518	-	91,290	0.57%
2017	524	524	-	95,240	0.55%
2018	568	568	-	98,000	0.58%
2019	612	612	-	98,805	0.62%
2020	642	642	-	90,406	0.71%
2021	327	327	-	94,050	0.35%
2022	300	300	-	96,900	0.31%
2023	272	272	-	101,254	0.27%

\* - TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 75 indicates the employer should report employer contribution amounts on a fiscal year basis.

\*\* - Payroll is calculated based on contributions reported to TCDRS.

See accompanying notes to the financial statements