

**PANOLA COUNTY
GROUNDWATER CONSERVATION DISTRICT**
Panola County, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended
December 31, 2022

**Panola County Groundwater Conservation District
Financial Statements
For the Year Ended December 31, 2022**

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Financial Section

Morgan LaGrone, CPA, PLLC
Certified Public Accountant

Telephone: 903.657.0240
Fax: 903.655.1324

116 S Marshall
Henderson TX 75653

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Panola County Groundwater Conservation District
Carthage, TX

Members of the Board:

We have audited the accompanying financial statements of the governmental activities and each major fund of Panola County Groundwater Conservation District as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Opinions

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 Panola County Groundwater Conservation District as of December 31, 2022, and the respective changes in financial position thereof for the year then ended in conformity 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 Panola County Groundwater Conservation 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.

Emphasis of Matter

As described in Note A to the financial statements, Panola County Groundwater Conservation District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Panola County Groundwater Conservation District's 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.

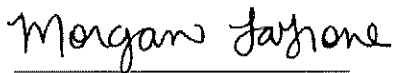
MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated May 22, 2023 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 the District's internal control over financial reporting and compliance.

Respectfully submitted,



Morgan LaGrone
Certified Public Accountant
Henderson, Texas
May 22, 2023

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2022

This section of Panola County Groundwater Conservation District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$913,116 at December 31, 2022.
- During the year, the District's expenses were \$36,216 less than the \$486,140 generated in taxes and other revenues for governmental activities.
- The general fund reported fund balance this year of \$658,875, of which \$632,114 was unassigned, \$20,785 was committed, and \$5,976 was nonspendable.

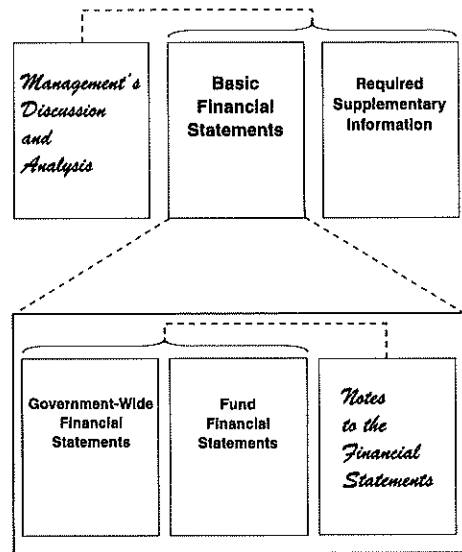
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District's Annual Financial Report



Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- The government-wide financial statements of the District include the governmental activities. All of the District's basic services are included here. Property taxes finance virtually all of the District's activities.

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

The \$618,891 of unrestricted net position represents resources available to fund the programs of the District next year.

Change in net position. The District's total revenues were \$486,140. Of the District's revenue, 93.49% comes from property taxes, 3.94% comes from fees charged to customers, 2.04% comes from lease and rental revenue, and the remaining .53% comes from interest and miscellaneous.

The total cost of all programs and services was \$449,924.

Governmental Activities

Table A-2
Panola County Groundwater Conservation District
Change in Net Position

	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease) 2021-2022</u>	<u>Percentage Change 2021-2022</u>
Program Revenues:				
Charges for Services	\$ 19,147	\$ 16,732	\$ 2,415	14.43%
Operating Grants and Contributions	-	20,000	-	0.00%
General Revenues:				
Tax Revenue	454,511	399,395	55,116	14%
Rental Income	9,919	-	9,919	N/A
Interest and Miscellaneous	2,563	4,653	(2,090)	-44.92%
Total Revenues	<u>\$ 486,140</u>	<u>\$ 440,780</u>	<u>\$ 65,360</u>	<u>14.83%</u>
Expenses:				
General Government	\$ 449,924	\$ 540,563	\$ (90,639)	-16.77%
Total Expenses	<u>\$ 449,924</u>	<u>\$ 540,563</u>	<u>\$ (90,639)</u>	<u>-16.77%</u>
Change in Net Position	<u>\$ 36,216</u>	<u>\$ (99,783)</u>	<u>\$ 155,999</u>	<u>-156.34%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$490,709, an increase of \$23,106 from the preceding year. Property tax revenue increased \$32,862 because of an increase in the District's property values; and because the needs for services remained relatively constant, revenues from the issuance of permits and inspection only slightly decreased to \$12,700 from the prior year's revenue of \$13,004. There was no corporate donation this year.

Expenditures from governmental fund types totaled \$397,854, a decrease of \$133,976 from the preceding year. In the prior year, the District expended significant funds on the safefill permit application, including attorney fees to assist with the application. The decrease in expenditures for the current year is a return to a more typical year's worth of expenditures.

General Fund Budgetary Highlights

During the year, the District revised its budget. During the year, the District did not exceed its final budgeted expenditures.

Fund balance in the General Fund increased by \$92,856.

Basic Financial Statements

Panola County Groundwater Conservation District
Statement of Net Position
December 31, 2022

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$970,775
Taxes Receivable	22,601
Less Allowance for Uncollectible Accounts	(4,520)
Due from Panola County	33,629
Leases Receivable	633
Prepaid Items	5,976
Capital Assets, Net	273,440
Total Assets	\$1,302,534
 <u>Liabilities</u>	
Accounts Payable	\$4,868
Refundable Deposits	3,000
Non-current Liabilities	
Accrued Compensated Absences	32,415
Total Liabilities	\$40,283
 <u>Deferred Inflows of Resources</u>	
Unearned Revenues - Advance Tax Collections	\$336,687
Unearned Deferred Revenue - Property Taxes	4,864
Deferred Inflows of Resources - Leases	7,584
Total Deferred Inflows of Resources	\$349,135
 <u>Net Position</u>	
Net Investment in Capital Assets	\$273,440
Restricted - Scientific Research Program	20,785
Unrestricted	618,891
Total Net Position	\$913,116

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

Panola County Groundwater Conservation District
Balance Sheet - General Fund
December 31, 2022

<u>Assets</u>	
Cash	\$970,775
Taxes Receivable, Net	18,080
Due from Panola County	33,629
Leases Receivable	633
Prepaid Items	<u>5,976</u>
 Total Assets	 <u><u>\$1,029,093</u></u>
 Liabilities, Deferred Inflows of Resources, and Fund Balances	
<u>Liabilities</u>	
Accounts Payable	\$4,868
Refundable Deposits	<u>3,000</u>
 Total Liabilities	 <u>\$7,868</u>
 <u>Deferred Inflows of Resources</u>	
Unearned Revenue - Advance Tax Collections	\$336,687
Deferred Revenues - Property Taxes	18,080
Deferred Inflows of Resources - Leases	<u>7,584</u>
 Total Deferred Inflows of Resources	 <u>\$362,351</u>
 <u>Fund Balances</u>	
Nonspendable - Prepaids	\$5,976
Restricted - Scientific Research Program	20,785
Unassigned	<u>632,114</u>
 Total Fund Balance	 <u>\$658,875</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u><u>\$1,029,095</u></u>

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

Panola County Groundwater Conservation District
Statement of Revenues, Expenditures, and
Changes in Fund Balances-General Fund
For the Year Ended December 31, 2022

<u>Revenues:</u>	
Tax Revenue	\$459,080
Interest	2,478
Rental Income	9,919
Fees, Fines, and Forfeitures	12,700
Well Inspection and Testing	2,832
Export Fees	3,615
Miscellaneous	85
Total Revenues	\$490,709
 <u>Expenditures:</u>	
Accounting	6,700
Assessor Commissions	5,316
Assessment-Appraisal District	5,109
Automobile Expense	13,648
Building Expense	4,171
Consultant	25,230
Dues and Subscriptions	2,638
Election	980
Field Expense	6,145
Insurance	32,719
Legal	40,994
Office Expense	14,140
Payroll and Related Taxes	226,559
Travel and Conferences	2,254
Utilities	8,795
Water Sampling	2,456
Total Expenditures	\$397,854
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$92,856
Net Change in Fund Balance	\$92,856
Fund Balance, January 1, 2022	566,019
Fund Balance, December 31, 2022	\$658,875

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

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements
December 31, 2022

I. Summary of Significant Accounting Policies

Panola County Groundwater Conservation District was created in 2007 by the 80th Texas Legislature with a directive to conserve, protect, and enhance the groundwater resources of Panola County. The District is a political subdivision of the State of Texas organized and existing under Section 59, Article XVI, Texas Constitution, Chapter 36, Texas Water Code, and the District Act. On November 6, 2007, the citizens of Panola County approved the formation of the District to protect and monitor the resources within the District. The District is committed to managing and protecting the groundwater resources within its jurisdiction and to work with other stakeholders to ensure a sustainable, high quality and cost-effective supply of water for future generations. The District is governed by a Board of Directors which is comprise of nine elected individuals. Two directors from each of four precincts are elected along with one at-large director.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government's significant accounting policies are described below.

A. Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units for which the District may be financially accountable and, as such, should be included within the District's financial statements. The District is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial burden on the District. Additionally, the District is required to consider other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based upon the application of those criteria, the District has no component units.

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. Any interfund activity is removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are to be reported separately from business-type activities. Panola County Groundwater Conservation District has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers, citizens, or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Major individual governmental funds are reported as separate columns in the Fund Financial Statements.

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements
December 31, 2022

	General <u>Fund</u>
Current Property Taxes	\$ 6,080
Delinquent Property Taxes	<u>16,521</u>
Total Gross Receivables	\$ 22,601
Less: Allowance for Uncollectible Taxes	<u>(4,520)</u>
Net Total Receivables	<u>\$ 18,081</u>

There are no significant receivables that are not scheduled for collection within one year of year-end.

Any current taxes levied and collected between October 1 and December 31 are not available for use until January 1, the beginning of the next fiscal year. Therefore, all collections of current taxes during this period and all current taxes receivable as of December 31 are recorded as Unearned Revenue and Unearned Deferred Revenue, respectively. These deferred inflows of resources are reflected both in the government-wide financial statements and the fund financial statements, since the tax revenue has not been earned as of December 31, 2022.

	General <u>Fund</u>
<u>Unearned Revenue:</u>	
Advance Tax Collections	<u>\$ 336,686</u>
Total Unearned Revenue:	<u>\$ 336,686</u>
<u>Unearned Deferred Revenue:</u>	
Current Property Taxes Receivable	\$ 6,080
Less: Allowance for Uncollectible Taxes	<u>(1,216)</u>
Net Current Property Taxes Receivable	<u>\$ 4,864</u>

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A capitalization threshold of \$1,000 and an estimated useful life in excess of one year is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	39
Equipment & Software	5-7
Vehicles	10

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements
December 31, 2022

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

5. Net Position

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position invested in capital assets, net of any related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets, and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

6. Implementation of New Standard

In the current year, the District implemented the following new standard. The applicable provisions of the new standard is summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 87, Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use of an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

II. Stewardship, Compliance, and Accountability

Budgetary Information

Prior to January 1, the District discusses and considers an operating budget for the fiscal year commencing the following January 1. The operating budget includes expenditures and the means of financing them for the upcoming year. The budget for 2022 was approved on August 25, 2021.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Board of Directors. Amendments are presented to the Board at its regular meetings. Each amendment must have Board

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements
December 31, 2022

Demand Deposit Accounts	\$ 717,078
Time Deposit Accounts	253,697
	<u>\$ 970,775</u>

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

- **Credit Risk**

Credit risk 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.

- **Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits 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.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. The District was not exposed to custodial credit risk.

- **Concentration of Credit Risk**

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District was not exposed to concentration of credit risk.

- **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.

- **Foreign Currency Risk**

This is the risk that exchange rates will adversely affect the fair value of an investment. The District does not engage in foreign currency transactions. The District was not exposed to foreign currency risk.

B. Lease Receivable

The District has entered into multiple rental agreements with businesses. Two of the rental agreements are for a period of twelve months plus a renewal option period. The monthly lease payments total \$633 for two leases of office space. The amount of lease revenue recognized from the leases for the year ended December 31, 2022 was \$7,314, and interest revenue totaled \$12. If neither the business nor the District give notification in writing of termination 30 days in advance of the end of the lease, the lease

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements
December 31, 2022

The District has provided for the liability of accrued vacation and sick leave in the government-wide financial statements. Changes in the compensated absences for the year are as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
1/1/2022			12/31/2022	
\$ 5,033	\$ 27,382	\$ -	\$ 32,415	\$ 32,415

E. Other Income

Other income sources of the District consist of fines and forfeitures, well inspection revenues, net rental income from leasing of office space in the District's building, and other miscellaneous revenues. These revenues fluctuate on a year-to-year basis. In the current year, other income was comprised of fines and forfeitures \$12,700; rental income \$9,919; well inspection fees \$2,832; and export fees \$3,615.

F. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Employee Pension Plan

In July 2009, the District established a 457(b) plan for its permanent, full-time employees with at least one year of service. Employees can defer up to the limit allowed by the Internal Revenue Service. The District matches at 5% of gross wages of such deferrals. Contributions of \$9,423 were made by the District to the plan in 2022.

H. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreement for copier usage provide for minimum future payments as of December 31, 2022 as follows:

Year Ending December 31,	
2023	590
	590
Lease Expenditures in 2022	\$ 1,180

Required Supplementary Information

Panola County Groundwater Conservation District
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 General Fund (Budgetary Basis)
 For the Year Ended December 31, 2022

	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues and Other Sources:				
Tax Revenue	\$ 375,887	\$ 375,887	\$ 459,080	\$ 83,193
Interest	-	-	2,478	2,478
Fees, Fines, and Forfeitures	-	-	12,700	12,700
Rental Revenue	-	-	9,919	9,919
Export Fees	-	-	3,615	3,615
Well Inspection and Testing	-	-	600	600
Miscellaneous	-	-	85	85
Total Revenues	\$ 375,887	\$ 375,887	\$ 488,477	\$ 112,590
Expenditures:				
Accounting	\$ 7,500	\$ 7,500	\$ 6,700	\$ 800
Assessor Commissions	4,900	4,900	5,316	(416)
Assessment-Appraisal District	5,200	5,200	5,109	91
Automobile Expense	8,500	12,650	13,648	(998)
Building Expense	10,880	4,928	4,171	757
Consulting	15,000	31,337	25,230	6,107
Election	2,500	2,500	980	1,520
Field Expense	7,000	7,000	6,145	855
Insurance	47,132	32,597	32,719	(122)
Legal	45,000	45,000	40,994	4,006
Office Expense	16,644	16,644	16,779	(135)
Payroll and Related Taxes	251,401	251,401	226,559	24,842
Travel and Conferences	5,600	5,600	2,254	3,346
Utilities	7,600	7,600	8,795	(1,195)
Water Sampling	3,500	3,500	224	3,276
Total Expenditures	\$ 438,357	\$ 438,357	\$ 395,622	\$ 42,735
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (62,470)	\$ (62,470)	\$ 92,855	\$ 155,325
Net Change in Fund Balance	(62,470)	(62,470)	\$ 92,855	\$ 155,325
Fund Balance, January 1, 2022	566,019	566,019	566,019	-
Fund Balance, December 31, 2022	\$ 503,549	\$ 503,549	\$ 658,874	\$ 155,325
Reconciliation to Exhibit #4				
Exhibit #5 Revenues			\$ 488,477	
Well Inspection and Testing			2,232	
Total Exhibit #4 Revenues			\$ 490,709	
Exhibit #5 Expenditures			\$ 395,622	
Water Sampling			2,232	
Total Exhibit #4 Expenditures			\$ 397,854	

Compliance Section

Morgan LaGrone, CPA, PLLC
Certified Public Accountant

Telephone: 903.657.0240
Fax: 903.655.1324

116 S Marshall
Henderson TX 75654

Independent Auditor's Report

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*

May 22, 2023

Board of Directors
Panola County Groundwater Conservation District
Carthage, TX

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 Panola County Groundwater Conservation District as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 22, 2023.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Panola County Groundwater Conservation District's internal control over financial reporting (internal control) to determine the 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 Panola County Groundwater Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Panola County Groundwater Conservation 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 the 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

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Panola County Groundwater Conservation District
Schedule of Findings
For the Year Ended December 31, 2022

Not applicable for the year ended December 31, 2022.