

PANOLA COUNTY
GROUNDWATER CONSERVATION DISTRICT
Panola County, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended
December 31, 2023

**Panola County Groundwater Conservation District
Financial Statements
For the Year Ended December 31, 2023**

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Financial Section

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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, 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.

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, 2023, 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. 96, *Subscription-Based Information Technology Arrangements*. 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

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 Panola County Groundwater Conservation District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 GAAS 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 GAAS, 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 including 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.

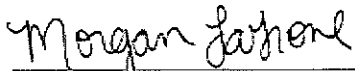
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents 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.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 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 the District's internal control over financial reporting and compliance.

Respectfully submitted,



Morgan LaGrone
Certified Public Accountant
Henderson, Texas
May 28, 2024

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PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2023

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, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$1,101,535 at December 31, 2023.
- During the year, the District's expenses were \$188,419 less than the \$631,900 generated in taxes and other revenues for governmental activities.
- The general fund reported fund balance this year of \$784,520, of which \$736,191 was unassigned, \$40,785 was committed, and \$7,544 was nonspendable.

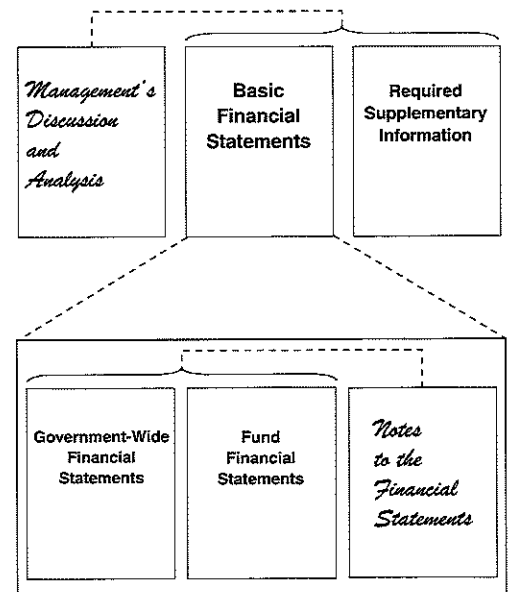
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2023

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds may be required by State law.
- The Board of Directors may establish other funds to control and manage money for particular purposes.

The District has the following kinds of funds:

- Governmental funds—All of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's net position was \$1,101,535 at December 31, 2023.

Table A-1
 Panola County Groundwater Conservation District
 Net Position

	<u>2023</u>	<u>2022</u>	<u>Increase/ (Decrease) 2022-2023</u>	<u>Percentage Change 2022-2023</u>
Current Assets:				
Cash and Certificates of Deposits	\$ 1,083,512	\$ 970,775	\$ 112,737	11.61%
Due from Other Governments	32,718	33,629	(911)	(2.71%)
Prepaid Items	7,544	5,976	1,568	26.24%
Taxes Receivable, Net	19,246	18,081	1,165	6.44%
Lease Receivable	-	633	(633)	(100.00%)
Total Current Assets	<u>\$ 1,143,020</u>	<u>\$ 1,029,094</u>	<u>\$ 113,926</u>	<u>11.07%</u>
Noncurrent Assets:				
Buildings, Equipment & Vehicles	\$ 599,066	\$ 525,147	\$ 73,919	14.08%
Less: Accumulated Depreciation	<u>(256,912)</u>	<u>(251,707)</u>	<u>(5,205)</u>	<u>(2.07%)</u>
Total Noncurrent Assets	<u>\$ 342,154</u>	<u>\$ 273,440</u>	<u>\$ 68,714</u>	<u>25.13%</u>
Total Assets	<u>\$ 1,485,174</u>	<u>\$ 1,302,534</u>	<u>\$ 182,640</u>	<u>14.02%</u>
Liabilities:				
Current Liabilities	\$ 13,716	\$ 7,868	\$ 5,848	74.33%
Noncurrent Liabilities	<u>39,563</u>	<u>32,415</u>	<u>7,148</u>	<u>22.05%</u>
Total Liabilities	<u>\$ 53,279</u>	<u>\$ 40,283</u>	<u>\$ 12,996</u>	<u>32.26%</u>
Deferred Inflows of Resources	<u>\$ 330,360</u>	<u>\$ 349,135</u>	<u>\$ 18,775</u>	<u>-(5.38%)</u>
Net Position:				
Net Investment in Capital Assets	\$ 338,697	\$ 273,440	\$ 65,257	23.87%
Restricted	40,785	20,785	20,000	-(96.22%)
Unrestricted	<u>722,053</u>	<u>618,891</u>	<u>103,162</u>	<u>16.67%</u>
Total Net Position	<u>\$ 1,101,535</u>	<u>\$ 913,116</u>	<u>\$ 188,419</u>	<u>20.63%</u>

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2023

The \$722,053 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 \$631,900. Of the District's revenue, 82.28% comes from property taxes, 5.55% comes from fees charged to customers, 1.33% comes from lease and rental revenue, 3.17% comes from operating grants and contributions, 4.11% comes from a gain on sale of assets, and the remaining 3.57% comes from interest and miscellaneous.

The total cost of all programs and services was \$443,481.

Governmental Activities

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

	<u>2023</u>	<u>2022</u>	<u>Increase/ (Decrease) 2022-2023</u>	<u>Percentage Change 2022-2023</u>
Program Revenues:				
Charges for Services	\$ 35,062	\$ 19,147	\$ 15,915	83.12%
Operating Grants and Contributions	20,000	-	20,000	N/A
General Revenues:				
Tax Revenue	519,901	454,511	65,390	14%
Rental Income	8,393	9,919	(1,526)	(15%)
Gain on Sale of Assets	26,000	-	26,000	N/A
Interest and Miscellaneous	22,544	2,563	19,981	779.59%
Total Revenues	<u>\$ 631,900</u>	<u>\$ 486,140</u>	<u>\$ 145,760</u>	<u>29.98%</u>
Expenses:				
General Government	\$ 443,481	\$ 449,924	\$ (6,443)	(1%)
Total Expenses	<u>\$ 443,481</u>	<u>\$ 449,924</u>	<u>\$ (6,443)</u>	<u>(1%)</u>
Change in Net Position	<u>\$ 188,419</u>	<u>\$ 36,216</u>	<u>\$ 152,203</u>	<u>420.26%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$604,695, an increase of \$113,986 from the preceding year. Property tax revenue increased \$59,616 because of an increase in the District's property values; and because the needs for services increased, revenues from the issuance of permits and inspection increased to \$31,037 from the prior year's revenue of \$12,700. There was also a corporate donation of \$20,000 this year. Interest revenue increased to \$16,559 from \$2,478 due to an increase in interest rates. In addition, the District entered into a lease agreement for a copy machine, which resulted in an other financing source of \$3,994 as well as an expenditure for the same amount.

Expenditures from governmental fund types totaled \$483,045, an increase of \$85,191 from the preceding year. The District traded in two vehicles for two additional vehicles. The net amount expended for the vehicles was a total of \$75,982

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 \$125,645.

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

CAPITAL ASSETS

At the end of 2023, the District had invested \$599,066 in capital assets, consisting of vehicles, software, equipment, and a building (See Table A-3).

Table A-3
 Panola County Groundwater Conservation District
 Capital Assets

	<u>2023</u>	<u>2022</u>	<u>Increase/ (Decrease) 2022-2023</u>	<u>Percentage Change 2022-2023</u>
Capital Assets				
Buildings	\$ 349,449	\$ 349,449	\$ -	0.00%
Equipment & Vehicles	201,462	135,285	66,177	48.92%
Software	44,163	40,413	3,750	9.28%
Right-to-Use Asset	3,994	-	3,994	N/A
Total Capital Assets	<u>\$ 599,068</u>	<u>\$ 525,147</u>	<u>\$ 73,921</u>	<u>58.20%</u>
Less Accumulated Depreciation	<u>(256,914)</u>	<u>(251,707)</u>	<u>(5,207)</u>	<u>(2.07%)</u>
Net Capital Assets	<u>\$ 342,154</u>	<u>\$ 273,440</u>	<u>\$ 68,714</u>	<u>60.26%</u>

Capital assets are also presented in Note III C to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Amounts available for appropriation in the General Fund budget are \$536,710 which is an increase of \$57,227 from the final 2023 budget. Property tax revenue is expected to increase.
- General Fund spending is also expected to increase \$57,227 in the 2024 budget.
- The District anticipates fund balance to remain the same.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT STAFF

This financial report is designed to provide residents residing within the District, creditors, and the general public with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's General Manager at 419 West Sabine, Carthage, Texas 75633.

Basic Financial Statements

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Panola County Groundwater Conservation District
Statement of Net Position
December 31, 2023

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash	\$659,515
Certificates of Deposits	423,997
Taxes Receivable	24,057
Less Allowance for Uncollectible Accounts	(4,811)
Due from Panola County	32,718
Prepaid Items	7,544
Capital Assets, Net	342,154
Total Assets	\$1,485,174
 <u>Liabilities</u>	
Accounts Payable	\$10,216
Refundable Deposits	3,500
Non-current Liabilities	
Due Within One Year	955
Due in More Than One Year	2,502
Accrued Compensated Absences	36,106
Total Liabilities	\$53,279
 <u>Deferred Inflows of Resources</u>	
Unearned Revenues - Advance Tax Collection	\$325,536
Unearned Deferred Revenue - Property Tax	4,824
Total Deferred Inflows of Resources	\$330,360
 <u>Net Position</u>	
Net Investment in Capital Assets	\$338,697
Restricted - Scientific Research Program	40,785
Unrestricted	722,053
Total Net Position	\$1,101,535

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

Panola County Groundwater Conservation District
Statement of Activities
For the Year Ended December 31, 2023

	<u>Expenses</u>	<u>Program Revenues</u> Charges for <u>Services</u>	<u>Operating</u> Grants and <u>Contributions</u>	Net (Expense) Revenue and Changes in <u>Net Position</u> Governmental <u>Activities</u>
<u>Functions/Programs</u>				
Governmental Activities:				
General Government	\$443,481	\$35,062	\$20,000	(\$388,419)
Total Governmental Activities	<u>\$443,481</u>	<u>\$35,062</u>	<u>\$20,000</u>	<u>(\$388,419)</u>
General Revenues:				
Property Taxes				\$519,901
Interest				16,559
Rental Income				8,393
Gain on Sale of Assets				26,000
Miscellaneous				5,985
Total General Revenues				<u>\$576,838</u>
Change in Net Position				188,419
Net Position - Beginning				913,116
Net Position - Ending				<u>\$1,101,535</u>

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

Panola County Groundwater Conservation District
Balance Sheet - General Fund
December 31, 2023

Assets

Cash	\$659,515
Certificates of Deposits	423,997
Taxes Receivable, Net	19,245
Due from Panola County	32,718
Prepaid Items	7,544
	<hr/>
Total Assets	<u>\$1,143,019</u>

Liabilities, Deferred Inflows of Resources, and Fund Balances

Liabilities

Accounts Payable	\$10,217
Refundable Deposits	3,500
	<hr/>
Total Liabilities	<u>\$13,717</u>

Deferred Inflows of Resources

Unearned Revenue - Advance Tax Collections	\$325,536
Deferred Revenues - Property Taxes	19,245
	<hr/>
Total Deferred Inflows of Resources	<u>\$344,781</u>

Fund Balances

Nonspendable - Prepaids	\$7,544
Restricted - Scientific Research Program	40,785
Unassigned	736,191
	<hr/>
Total Fund Balance	<u>\$784,520</u>
	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$1,143,019</u>

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

Panola County Groundwater Conservation District
 Reconciliation of the Balance Sheet-General Fund
 to the Statement of Net Position
 December 31, 2023

Amounts Reported for Governmental Activities in the Statement of Net Position
 are Different Because:

Total Fund Balances-Total Governmental Funds (Page 9)	\$784,520
Net Delinquent Property Taxes Receivable is a "long-term asset" and not available to pay for current period expenditures and therefore is deferred in the funds.	14,422
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	342,154
Payables for right-to-use leases which are not due in the current period are not reported in the funds.	(3,457)
Compensated Absences are not due and payable in the current period and therefore are not reported in the funds.	(36,106)
Rounding	2
Net Position of Governmental Activities (Page 7)	\$1,101,535

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, 2023

Revenues:

Tax Revenue	\$518,696
Interest	16,559
Rental Income	8,393
Fees, Fines, and Forfeitures	31,037
Well Inspection and Testing	3,309
Donations	20,000
Export Fees	716
Miscellaneous	5,985
Total Revenues	\$604,695

Expenditures:

Accounting	7,204
Assessor Commissions	5,547
Assessment-Appraisal District	4,753
Automobile Expense	81,643
Building Expense	4,865
Consultant	4,200
Debt Service	640
Dues and Subscriptions	2,350
Field Expense	10,396
Insurance	30,359
Legal	39,501
Office Expense	24,773
Payroll and Related Taxes	251,202
Travel and Conferences	2,847
Utilities	10,351
Water Sampling	2,417
Total Expenditures	\$483,045

Excess (Deficiency) of Revenues Over (Under) Expenditures	\$121,651
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Other Financing Sources (Uses):

Issuance of Right to Use Leased Asset	\$3,994
Total Other Financing Sources	\$3,994
Net Change in Fund Balance	\$125,645
Fund Balance, January 1, 2023	658,875
Fund Balance, December 31, 2023	\$784,520

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

Panola County Groundwater Conservation District
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances-General Fund
 To the Statement of Activities
 For the Year Ended December 31, 2023

Amounts Reported for Governmental Activities in the Statement of Activities
 are Different Because:

Net Change in Fund Balances-Total Governmental Funds (Page 11)	\$125,645
Current year change in property taxes receivable does not increase financial resources and is not reported as revenue in governmental funds.	1,205
Proceeds from leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(3,994)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	537
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	68,713
The change in accrued compensated absences did not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(3,690)
Rounding	3
Changes in Net Position of Governmental Activities (Page 8)	\$188,419

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

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements
December 31, 2023

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 comprised 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, 2023

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collectible within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The District reports the following major Governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The District's cash includes amounts on hand and in demand deposits.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

2. Property Taxes

The District's property taxes are levied on October 1, but do not become due until January 1 of the following year. Taxes become past due February 1 and become delinquent June 30. Because the taxes are not due and payable until January 1, no current taxes receivable are reported as of December 31.

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements
December 31, 2023

Receivables at December 31, 2023 for the District's major fund, including the applicable allowances for uncollectibles, are as follows:

	General <u>Fund</u>
Current Property Taxes	\$ 6,031
Delinquent Property Taxes	<u>18,026</u>
Total Gross Receivables	\$ 24,057
Less: Allowance for Uncollectible Taxes	<u>(4,811)</u>
Net Total Receivables	<u>\$ 19,245</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, 2023.

	General <u>Fund</u>
<u>Unearned Revenue:</u>	
Advance Tax Collections	<u>\$ 325,536</u>
Total Unearned Revenue:	<u>\$ 325,536</u>
<u>Unearned Deferred Revenue:</u>	
Current Property Taxes Receivable	\$ 6,031
Less: Allowance for Uncollectible Taxes	<u>(1,206)</u>
Net Current Property Taxes Receivable	<u>\$ 4,825</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.

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements
December 31, 2023

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	5

3. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds Balance Sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Deferred Revenue is reported in the governmental fund Balance Sheet. Net delinquent taxes receivable as of December 31, 2023 are recorded as deferred revenue.

4. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amount that can only be used for a specific purpose because of a formal action by the District’s Board of Directors. Committed amounts cannot be used for any other purpose unless the Board of Directors removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Directors. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2023

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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. 96, Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District implemented this standard during the current year, but the District did not have any subscription-based information technology arrangements that qualify under the new standard.

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements
December 31, 2023

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 2023 was approved on August 23, 2022.

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 approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was amended during the year.

All budget appropriations lapse at year-end.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas State Law. The depository bank deposits for safekeeping and trust with the District's agent bank, approved pledged securities 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. At December 31, 2023, and throughout the year, the District's bank balances at Origin Bank were not entirely covered by federal depository insurance or collateral held by the pledging financial institution's agent in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of the highest deposit:

- a. Depository: Origin Bank
- b. The market value of securities pledged as of December 31, 2023 on deposit was \$199,500
- c. December 31, 2023 combined balances of cash, savings and time deposit accounts amounted to \$727,260.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

Investments

The District is required by Texas Water Code Chapter 49 and Government Code Chapter 2256, The Public Funds Investment Act ("Act"), 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 the stated maturity

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements
December 31, 2023

date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper. During the year ended December 31, 2023, the District's investments were in certificates of deposits with its non-depository bank.

Demand Deposit Accounts	\$ 659,515
Time Deposit Accounts	<u>423,997</u>
	<u>\$1,083,512</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 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.

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements
December 31, 2023

- 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. All of the agreements are for a period of six months with an optional six-month extension. None of the agreements qualify as leases required to be accounted for under GASB Statement No. 87.

C. Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

	Balance January 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2023</u>
Capital Assets Being Depreciated:				
Buildings	\$ 349,449	\$ -	\$ -	\$ 349,449
Equipment & vehicles	135,285	108,191	42,015	201,461
Software	40,413	3,750	-	44,163
Right-to-Use Assets	-	3,994	-	3,994
Total Capital Assets Being Depreciated	<u>\$ 525,147</u>	<u>\$ 115,935</u>	<u>\$ 42,015</u>	<u>\$ 599,067</u>
Less: Accumulated Depreciation for:				
Buildings	\$ (105,282)	\$ (8,960)	\$ -	\$ (114,242)
Equipment & vehicles	(107,500)	(32,342)	(42,015)	(97,827)
Software	(38,925)	(5,420)	-	(44,345)
Right-to-Use Asset	-	(499)	-	(499)
Total Accumulated Depreciation	<u>\$ (251,707)</u>	<u>\$ (47,221)</u>	<u>\$ (42,015)</u>	<u>\$ (256,913)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 273,440</u>	<u>\$ 68,714</u>	<u>\$ -</u>	<u>\$ 342,154</u>

D. 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 for which the District carries commercial insurance. There have been no significant reductions in insurance coverages during the year ended December 31, 2023.

E. Compensated Absences

Vacation is a benefit earned through active service. Full-time and part-time employees are eligible for paid vacation time. Vacation time can be carried over to the following year up to 1.5 times the employee's annual accrual. Terminated employees will be paid for vacation accrued and not yet taken as of the effective date of termination.

Sick leave is accrued at the rate of one-half day per month of service and the District gives full-time employees a one-time bank of 360 hours of sick time. All accrued unused sick leave is automatically canceled effective with the last day of active employment when an employee's services with the District are terminated.

PANOLA COUNTY GROUNDWATER CONSERVATION DISTRICT

Notes to Financial Statements
December 31, 2023

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			Ending Balance	Due Within One Year
1/1/2023	Additions	Reductions	12/31/2023	
\$ 32,415	\$ 3,690	\$ -	\$ 36,105	\$ 36,105

F. 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 \$ 31,000; rental income \$8,393; well inspection fees \$ 3,309; and export fees \$716.

G. 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.

H. 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 6% of gross wages of such deferrals. Contributions of \$11,061 were made by the District to the plan in 2023.

I. Leases

The District entered into a lease agreement for a copy machine. The lease allows the District the right to use the copy machine over the term of the lease, which is 48 months. The District is required to make monthly payments. There is an assumed interest rate of 4.68%. The right-to-use asset associated with this lease is amortized over the terms of the lease. Amortization is included with depreciation and details of the right-to-use assets are shown in the capital asset note.

Future lease payment maturity schedule is as follows:

Year ended August 31	Principal	Interest	Total
2024	\$ 955	\$ 141	\$ 814
2025	1,001	96	905
2026	1,049	48	1,001
2027	452	5	447
	\$ 3,457	\$ 290	\$ 3,167

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Required Supplementary Information

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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, 2023

	Original	Amended	Actual	Variance with Final Budget Positive (Negative)
Revenues and Other Sources:				
Tax Revenue	\$ 479,483	\$ 479,483	\$ 518,696	\$ 39,213
Interest	-	-	16,559	16,559
Fees, Fines, and Forfeitures	-	-	31,037	31,037
Rental Revenue	-	-	8,393	8,393
Export Fees	-	-	716	716
Dontaion Revenue	-	-	20,000	20,000
Well Inspection and Testing	-	-	892	892
Miscellaneous	-	-	5,985	5,985
Total Revenues	\$ 479,483	\$ 479,483	\$ 602,278	\$ 122,795
Expenditures:				
Accounting	\$ 7,500	\$ 7,500	\$ 7,204	\$ 296
Assessor Commissions	3,900	3,900	5,547	(1,647)
Assessment-Appraisal District	5,110	5,110	4,753	357
Automobile Expense	132,000	132,000	81,643	50,357
Building Expense	6,900	6,900	4,865	2,035
Consulting	25,000	20,571	4,200	16,371
Debt Service	-	-	640	(640)
Field Expense	5,000	9,429	10,396	(967)
Insurance	46,035	35,595	30,359	5,236
Legal	45,000	45,000	39,501	5,500
Office Expense	12,900	23,340	27,123	(3,783)
Payroll and Related Taxes	256,053	256,053	251,202	4,851
Travel and Conferences	4,600	4,600	2,847	1,753
Utilities	8,000	8,000	10,350	(2,350)
Water Sampling	2,500	2,500	-	2,500
Total Expenditures	\$ 560,498	\$ 560,498	\$ 480,627	\$ 79,871
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (81,015)	\$ (81,015)	\$ 121,651	\$ 202,666
Other Financing Sources (Uses):				
Issuance of Right to Use Leased Assets	\$ -	\$ -	\$ 3,994	\$ 3,994
Total Other Financing Sources	\$ -	\$ -	\$ 3,994	\$ 3,994
Net Change in Fund Balance	(81,015)	(81,015)	\$ 125,645	\$ 206,660
Fund Balance, January 1, 2023	658,875	658,875	658,875	-
Fund Balance, December 31, 2023	\$ 577,860	\$ 577,860	\$ 784,520	\$ 206,660
Reconciliation to Exhibit #4				
Exhibit #5 Revenues			\$ 602,278	
Well Inspection and Testing			2,417	
Total Exhibit #4 Revenues			\$ 604,695	
Exhibit #5 Expenditures			\$ 480,627	
Water Sampling			2,417	
Total Exhibit #4 Expenditures			\$ 483,044	

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Compliance Section

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Morgan LaGrone, CPA, PLLC
Certified Public Accountant

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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 28, 2024

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, 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 May 28, 2024.

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

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might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Panola County Groundwater Conservation District's financial statements are free of 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 determination of financial statement amounts. 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2023-1.

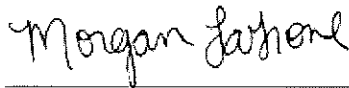
Panola County Groundwater Conservation District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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. The 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.

Respectfully submitted,



Morgan LaGrone
Certified Public Accountant

Panola County Groundwater Conservation District
Schedule of Findings
For the Year Ended December 31, 2023

2023-1: Violation of Public Funds Investment Act

During the year ended December 31, 2023, the District's deposits were undercollateralized at one of their financial institutions from April 2023 - December 2023.

Criteria: The Public Funds Investment Act requires that all deposits with financial institutions be adequately collateralized by eligible securities for any amount over FDIC coverage.

Condition: We noted that during April - December 2023, the District was undercollateralized by on average \$258,000.

Cause: The cause of the noncompliance was due to the bank transitioning ownership and during such time, the District's money market account was not coded correctly as public funds.

Effect: From April - December 2023, the District was not adequately collateralized.

Recommendation: The District will be more aware of deposit balances and the necessary collateral needed to cover such amounts as required by the Public Funds Investment Act. The financial institution should provide monthly statements to the District to review and ensure that the District's deposits are being covered.

District's Response:

The District will be more aware of deposit balances and the necessary collateral needed to cover such amounts as required by the Public Funds Investment Act.

Panola County Groundwater Conservation District
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2023

Not applicable for the year ended December 31, 2023.