



CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

September 5, 2025

To the Board of Directors
Brazos Valley Groundwater Conservation District

We have audited the financial statements of the Brazos Valley Groundwater Conservation District as of and for the year ended December 31, 2024, and have issued our report thereon dated September 5, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 8, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Brazos Valley Groundwater Conservation District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding material weaknesses over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated September 5, 2025.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

Significant Changes to Planned Audit Strategy or Significant Risks Initially Identified

There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated as part of our audit planning communications.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Brazos Valley Groundwater Conservation District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant account policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimated depreciation of property and equipment was determined using the straight-line method and is based on estimates of the useful lives of said assets. We evaluated the key factors and assumptions used to develop the useful life estimates and have determined that they are reasonable in relation to the financial statements taken as a whole.

Management's reported pension balances were determined using actuarial assumptions and other factors. We evaluated the key factors and assumptions used to develop the pension balances and have determined that they are reasonable in relation to the financial statements taken as a whole.

Management's reported lease balances were determined using the incremental borrowing rate and are based on the term of the lease. We evaluated the key factors and assumptions used to develop the lease balances and have determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Brazos Valley Groundwater Conservation District's financial statements relate to its revenue recognition and pension activities.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

Change in net position for the year ended December 31, 2024	\$ (238,324)
Adjustments:	
Cash	(4,227)
Accrued interest receivable	(1,275)
Prepays	12,056
Fixed assets	(840)
Accounts payable	(24,427)
Other payable	(261,711)
Accrued liabilities	(8,084)
Pension	55,029
Net position	<u>97,259</u>
Net effect of adjustments	<u>(136,220)</u>
Change in net position, as adjusted, for the year ended December 31, 2024	<u>\$ (374,545)</u>

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated September 5, 2025.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Brazos Valley Groundwater Conservation District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Brazos Valley Groundwater Conservation District's auditors.



Very truly yours,
Seidel Schroeder

Brazos Valley Groundwater Conservation District
Schedule of Unadjusted Audit Differences
December 31, 2024

Description of Audit Difference	Total Assets	Total Defered Outflows	Total Liabilities	Total Deferred Inflows	Net Position	Change in Net Position
ENTERPRISE FUND						
Accrued vacation	\$ -	\$ -	\$ (2,154)	\$ -	\$ -	\$ 2,154
Accounts receivable	1,315	-	-	-	-	1,315
Accrued payroll	-	-	568	-	-	(568)
Total unadjusted audit differences	<u>\$ 1,315</u>	<u>\$ -</u>	<u>\$ (1,586)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,901</u>
Financial statement caption totals	\$ 1,593,493	\$ 66,174	\$ 327,861	\$ 8,634	\$ 1,323,171	\$ (374,545)
Net audit differences as a percentage of financial statement caption totals	0.08%	0.00%	-0.48%	0.00%	0.00%	-0.77%



CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

September 5, 2025

Mr. Alan Day
Brazos Valley Groundwater Conservation District
112 W 3rd St.
Hearne, TX 77859

Dear Mr. Day:

In planning and performing our audit of the financial statements of Brazos Valley Groundwater Conservation District for the year ended December 31, 2024, we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

During our audit we became aware of the following matters that are opportunities for strengthening internal control and operating efficiency:

There are many deposits in transit and outstanding items on the District's checking account bank reconciliation that net to zero but should be marked as cleared. We recommend that the bank reconciliation reconciling items be reviewed and cleaned up.

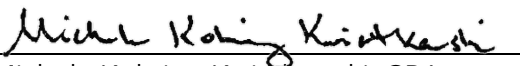
There is no formal review of the TCDRS contribution report. We recommend that TCDRS submissions be reviewed and initialed by the General Manager.

The District does not have a formal capitalization policy. We recommend the District adopt a policy.

This letter does not affect our report dated September 5, 2025 on the December 31, 2024 financial statements of Brazos Valley Groundwater Conservation District.

Sincerely,

SEIDEL SCHROEDER

By: 
Michele Kohring Kwiatkowski, CPA
Audit Partner

BRAZOS VALLEY GROUNDWATER

CONSERVATION DISTRICT

Financial Statements

with

Independent Auditor's Report

For the Year Ended December 31, 2024

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CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brazos Valley Groundwater Conservation District

Opinion

We have audited the financial statements of the business-type activities of the Brazos Valley Groundwater Conservation District (the "District"), as of and for the year ended December 31, 2024 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Brazos Valley 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.

Prior Period Adjustment

As discussed in Note 7 to the financial statements, the financial statements reflect prior period adjustments to the beginning net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal

control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Brazos Valley Groundwater Conservation 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 Brazos Valley Groundwater Conservation 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 pension schedules be presented to supplement the basic financial statements. Such information, 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 operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Brazos Valley Groundwater Conservation District's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Net Position Budget and Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenses, and Changes in Net Position Budget and Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses, and Changes in Net Position Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2025 on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 and opinion on 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 Brazos Valley Groundwater Conservation District's internal control over financial reporting and compliance.

Brenham, Texas
September 5, 2025



Brazos Valley Groundwater Conservation District

112 West 3rd Street * Hearne, TX 77859 * Office: (979) 279 - 9350

Management's Discussion and Analysis for the Year Ended December 31, 2024

Governmental Accounting Standards Board Statement 34 requires that management of the District present an analysis and discussion of the attached financial statement and of the financial activities of the District.

Management will attempt to give a brief overview of the finances of the District.

Financial Highlights

- Total operating revenues for the 2024 fiscal year totaled \$810,067.
- Total operating expenses for the 2024 fiscal year totaled \$1,239,407 for a net operating loss of \$429,340.
- Non-operating revenues totaled \$54,795.
- The District's assets total \$1,593,493 as of December 31, 2024.
- The District's net position as of December 31, 2024, is \$1,323,171.
- The District liabilities total \$327,861 as of December 31, 2024.

Overview of the Financial Statements

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. The basic financial statements are comprised of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Condensed Financial Analysis

	2024	2023 (as restated)
Current assets	\$ 1,132,898	\$ 1,533,330
Non-current assets	105,030	167,917
Capital assets	355,565	111,527
<u>Total Assets</u>	1,593,493	1,812,774
Deferred Outflows of Resources	66,174	77,530
Current Liabilities	313,589	181,289
Noncurrent Liabilities	14,272	-
<u>Total Liabilities</u>	327,861	181,289
Deferred Inflows of Resources	8,634	11,299
Net investment in capital assets	338,074	111,527
Unrestricted	985,097	1,586,189
<u>Total Net Position</u>	\$ 1,323,171	\$ 1,697,716
	Year Ended December 31, 2024	Year Ended December 31, 2023
Operating revenues		
Assessments	\$ 791,604	\$ 808,449
Fees and permits	12,300	17,391
Grant income	-	67,048
Other revenue	6,163	-
<u>Total operating revenue</u>	810,067	892,887
Expenses		
Professional fees	473,677	308,992
Personnel	395,415	324,386
Grant programs	220,051	132,401
Other	150,190	115,676
Interest expense	74	-
<u>Total operating expenses</u>	1,239,407	881,455
<u>Operating Income (loss)</u>	(429,340)	11,432
Non-operating revenues (expenses)		
Interest earned	51,495	33,081
Gain on sale of capital assets	3,300	-
<u>Total non-operating revenues (expenses)</u>	54,795	33,081
Change in Net Position	\$ (374,545)	\$ 44,513

FINANCIAL ANALYSIS

Total assets decreased \$219,281 primarily due to a net operating loss, offset by an increase in capital assets.

Total liabilities increased \$146,572 primarily due to an increase in other payables in the current year related to grant activity.

Operating revenues decreased \$82,820 in 2024 primarily due to a reduction in grant income and a decrease in assessment fees resulting from decreased water usage.

Operating expenses increased \$357,952 in 2024 primarily due to an increase in legal fees and grant program expenses.

CAPITAL ASSETS

The District owns capital assets in the form of land, buildings, equipment, and vehicles. In 2024, capital assets have a value after depreciation of \$355,565. In 2023, capital assets had a value after depreciation of \$111,527.

In 2024, the District had the following significant capital asset purchases:

- Office building and land	\$181,749
- 2024 Chevy Silverado	47,868
- Conference room tvs and equipment	12,572

DEBT

The District's outstanding debt at December 31, 2024 is related to the lease of equipment. The District owes \$17,491, of which \$3,219 is due in the next fiscal year.

ECONOMIC FACTORS

The District benefits from sound financial planning on the part of the Board of Directors to assure the operating budget and fund balance are sufficient to fulfill the obligation of successful groundwater management.

Brazos Valley Groundwater Conservation District

Statement of Net Position

December 31, 2024

ASSETS

Current assets:

Cash and cash equivalents	\$ 275,357
Certificates of deposit	818,896
Accounts receivable	17,760
Interest receivable	8,959
Prepaid expenses	11,926
Total current assets	<u>1,132,898</u>

Noncurrent assets:

Capital and right-to-use assets	
Non-depreciable	90,909
Depreciable, net of depreciation and amortization	264,656
Restricted cash- Well assistance fund	47,710
Net Pension Asset	<u>57,320</u>

Total Assets 1,593,493

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts related to pension 66,174

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	66,150
Other payable	200,000
Deposits	44,220
Lease liability, current	3,219
Total current liabilities	<u>313,589</u>

Noncurrent liabilities:

Lease liability, long-term 14,272

Total Liabilities 327,861

DEFERRED INFLOWS OF RESOURCES

Deferred amounts related to pension 8,634

NET POSITION

Net investment in capital assets	338,074
Unrestricted	985,097
Total net position	<u>\$ 1,323,171</u>

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

Brazos Valley Groundwater Conservation District

Statement of Revenues, Expenses, and

Changes in Net Position

For the Year Ended December 31, 2024

Operating revenues:	
Assessments	\$ 791,604
Fees and permits	12,300
Grant income	-
Other revenue	6,163
Total revenues	<u>810,067</u>
Operating expenses:	
Office supplies	22,077
Public education	69,171
Professional fees	473,677
Personnel	395,415
Miscellaneous	37,682
Grant programs	220,051
Interest expense	74
Depreciation and amortization	21,260
Total operating expenses	<u>1,239,407</u>
Operating income (loss)	(429,340)
Non-operating revenues (expenses):	
Interest earned	51,495
Gain on sale of capital assets	3,300
Total non-operating income	<u>54,795</u>
Change in net position	(374,545)
Net position:	
Beginning balance, as previously stated	1,794,975
Prior period adjustment (Note 7)	(97,259)
Beginning balance, as adjusted	<u>1,697,716</u>
End of the year	<u>\$ 1,323,171</u>

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

Brazos Valley Groundwater Conservation District

Statement of Cash Flows For the Year Ended December 31, 2024

Operating income (loss)	\$ (429,340)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation and amortization	21,260
Increase (decrease) in cash resulting from changes in assets and liabilities:	
Interest receivable	(6,626)
Prepays	(4,923)
Net pension asset	(28,693)
Deferred outflows related to pensions	11,356
Accounts payable and accrued expenses	217,814
Unearned revenue	(132,952)
Deposits	44,220
Deferred inflows related to pensions	(2,665)
Total adjustments	<u>118,791</u>
Net cash flow provided by operating activities	<u>(310,549)</u>
Cash flow from investing activities	
Proceeds from sale of capital assets	3,300
Interest on cash and investments	51,495
(Increase) decrease in certificates of deposits, net	368,452
Acquisition of capital assets	(247,472)
Net cash flow provided by investing activities	<u>175,775</u>
Cash flow from financing activities	
Principal paid on leases	(335)
Net cash flow (used in) provided by financing activities	<u>(335)</u>
Net increase (decrease) in cash	(135,109)
Cash and cash equivalents, beginning of year	<u>458,176</u>
Cash and cash equivalents, end of year	<u>\$ 323,067</u>
Reconciliation to statement of financial position:	
Cash and cash equivalents	\$ 275,357
Restricted Cash- Well assistance fund	47,710
Total cash and cash equivalents	<u>\$ 323,067</u>
Supplemental cash flow information:	
Right of use asset acquired with finance lease liability	\$ 17,752
Interest paid	74

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

Brazos Valley Groundwater Conservation District
Notes to Financial Statements
December 31, 2024

1. Summary of significant accounting policies

The basic financial statements of the Brazos Valley Groundwater Conservation District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Organization

The Brazos Valley Groundwater Conservation District (“the District”) was created by an Act of May 28, 1999, 76th Leg., R.S., ch. 1331, Sec 1(a)(2), 1999 Tex. Gen. Laws 4536 (SB 1911) as a political subdivision. The District’s creation was ratified by H.B. 1784 during the 77th Legislature in its Regular Session on September 1, 2001 and effective upon its confirmation election held November 5, 2002. Its boundaries are coextensive with the boundaries of Robertson and Brazos Counties. It was created to accomplish the purposes of Section 59, Article XVI, Texas Constitution, and operating pursuant to the provisions of the Texas Water Code, Chapter 36, relating to water conservation and development of natural resources for public use and benefit. The basic operations of the District are financed from water use fees assessed to water producers. The District is governed by an eight member board comprised of four members from Brazos County and four members from Robertson County. The Board is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Reporting Standards, since Board members are appointed by the respective County Commissioners’ Courts, have decision making authority, the power to designate management and the responsibility to significantly influence operations and primary accountability for fiscal matters.

Reporting Entity

The basic financial statements of the District include all funds and operations which are controlled by or dependent upon the District, and include no component units. The District Board’s responsibility is to appoint management, set budgets for the District and oversee operations included in these financial statements. The District does not have taxing authority.

Basis of Accounting and Financial Statement Presentation

The District utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. Operating revenues consist primarily of water assessment fees and grant revenue. Operating expenses primarily consist of professional fees and payroll expenses. Revenues and expenses that are not directly related to core operations are reported as non-operating revenues and expenses.

Brazos Valley Groundwater Conservation District
Notes to Financial Statements
December 31, 2024

Cash and cash equivalents

Cash and cash equivalents consist of demand and time deposits with financial institutions and are carried at cost. For purposes of the statement of cash flows, time deposits with an original maturity of three months or less when acquired are considered to be cash equivalents.

Capital assets

Capital assets are recorded at historical cost. Depreciation is computed using the straight-line method over useful lives of five to forty years.

Compensated absences

District employees earn vacation and sick leave in varying amounts based on length of service. The District records the cost of vested vacation as it is earned. Vacation pay is payable to employees at the time vacation is taken or upon termination of employment.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

Net position is divided into three components:

Invested in capital assets - this component consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - this component consists of external constraints imposed on net position by creditors, grantors, or laws or regulations of other governments or through constitutional provisions or enabling legislation.

Unrestricted - this component consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

Brazos Valley Groundwater Conservation District
Notes to Financial Statements
December 31, 2024

Concentrations

The District's primary source of revenue is from groundwater charges levied to entities and individuals who extract water from the groundwater basis underlying the District. The amount of rainfall in the area can have a significant effect on the amount of water extracted. During the year ended December 31, 2024, assessment fees from two entities totaled approximately \$532,000 or approximately 66% of operating revenue.

Assessments

The District is allowed by the Texas Legislature to assess fees to water producers. The District currently defines water producers as those that have a well capable of producing more than 50,000 gallons of water per day. The initial fees could not exceed: \$0.25 per acre-foot for water used for irrigating agricultural crops or operating existing steam electric stations; or \$0.0425 per thousand gallons for water used for any other purpose. These fees may be increased at a cumulative rate not to exceed three percent per year.

Public/Municipal/RWPS water producers are assessed an annual fee of \$.04625/1,000 gallons of water produced. All other water producers in Robertson and Brazos Counties are assessed a fee of \$.04625/1,000 gallons of water produced, \$.02941 per acre-foot for steam electric stations and \$.1875/acre foot for agricultural irrigation. Each participant may pay its assessment monthly.

The District requires oil and gas hydraulic fracturing wells to pay water production fees annually at a rate of \$.04625/1,000 gallons of water pumped.

The District charges a transport fee at a rate of \$0.17/1,000 gallons produced.

Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended December 31, 2024, the District purchased coverage with the Texas Municipal League Intergovernmental Risk Pool to cover property and general liabilities. In addition, the District purchased commercial insurance to cover commercial crime coverage and public official bonds. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deduction from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit term. Investments are reported at fair value.

Brazos Valley Groundwater Conservation District
Notes to Financial Statements
December 31, 2024

Leases

Right-to-use assets and lease obligations are recognized upon lease commencement based on the present value of lease payments expected to be made during the remaining lease term. The incremental borrowing rate is used in determining the present value of lease payments unless an implicit rate is provided in the lease. Subsequent amortization of the right to-use asset is recognized as lease expense on a straight-line basis over the lease term, and accretion of the lease liability is recognized as interest expense using the effective interest method.

Right-to-use assets and lease liabilities are not recognized for leases with an initial term of twelve months or less. For these leases, lease expense is recognized on a straight-line basis over the lease term.

Subscription-Based Information Technology Arrangements

Right-to-use assets and subscription liability are recognized upon commencement of the subscription term. The incremental borrowing rate is used in determining the present value of subscription payments unless an implicit rate is provided in the subscription term. Amortization of the subscription asset is recognized as an outflow of resources over the subscription term.

2. Cash and deposits with financial institutions

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. 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. Of the District's bank balances of \$1,142,459, \$500,000 was covered by FDIC insurance at two institutions and \$642,459 was collateralized with securities held by the pledging financial institutions.

Brazos Valley Groundwater Conservation District
Notes to Financial Statements
December 31, 2024

3. Capital assets

Capital asset activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable:				
Land	\$ 2,400	\$ 88,509	\$ -	\$ 90,909
Depreciable:				
Computer equipment	4,586	-	-	4,586
Field equipment	15,282	-	-	15,282
Office building	114,170	98,597	-	212,767
Office equipment	19,626	12,573	-	32,199
Vehicles	73,437	47,868	-	121,305
Total depreciable	<u>227,101</u>	<u>159,038</u>	<u>-</u>	<u>386,139</u>
Total at historical cost	229,501	247,547	-	477,048
Less accumulated depreciation:				
Computer equipment	4,586	-	-	4,586
Field equipment	15,282	-	-	15,282
Office building	52,038	5,099	-	57,137
Office equipment	12,824	4,457	-	17,281
Vehicles	33,244	11,409	-	44,653
Total accumulated depreciation	<u>117,974</u>	<u>20,965</u>	<u>-</u>	<u>138,939</u>
Total depreciation, net	111,527	226,582	-	338,109
Lease right-to-use assets				
Copier	-	17,752	-	17,752
Total lease right-to-use assets	<u>-</u>	<u>17,752</u>	<u>-</u>	<u>17,752</u>
Less accumulated amortization for:				
Copier	-	296	-	296
Total accumulated amortization	<u>-</u>	<u>296</u>	<u>-</u>	<u>296</u>
Lease right-to-use assets, net	<u>-</u>	<u>17,456</u>	<u>-</u>	<u>17,456</u>
Total capital assets, net	<u>\$ 111,527</u>	<u>\$ 244,038</u>	<u>\$ -</u>	<u>\$ 355,565</u>

Depreciation and amortization expense totaled \$21,338 for the year ending December 31, 2024.

Brazos Valley Groundwater Conservation District
Notes to Financial Statements
December 31, 2024

4. Leases

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a re-measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Leased assets are reported on Statement of Net Position and lease liabilities are reported as current and long-term liabilities on the Statement of Net Position.

During the current fiscal year, the District entered into a lease agreement as lessee for the acquisition and use of office equipment. The lease term was 60 months.

The future principal and interest payments as of December 31, 2024 were as follows:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2025	\$ 3,219	\$ 801	\$ 4,020
2026	3,383	637	4,020
2027	3,556	464	4,020
2028	3,738	282	4,020
2029	3,595	90	3,685
	<u>\$ 17,491</u>	<u>\$ 2,274</u>	<u>\$ 19,765</u>

During the year ended December 31, 2024, the following changes occurred in the long-term liabilities:

	Beginning Balance	Increases/ (Decreases)	Ending Balance	Due Within One- Year
Lease liability	\$ -	\$ 17,491	\$ 17,491	\$ 3,219
	<u>\$ -</u>	<u>\$ 17,491</u>	<u>\$ 17,491</u>	<u>\$ 3,219</u>

Brazos Valley Groundwater Conservation District
Notes to Financial Statements
December 31, 2024

5. Retirement Plan

Plan description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional, defined benefit plan in the state-wide 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 non-traditional defined benefit plans. TCDRS in the aggregate issues an Annual Comprehensive Financial Report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more.

Members are vested after 8 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.

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 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. The rate was 13.82% for the calendar year 2024. The deposit 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 may be changed by the governing body of the employer within the options available in the TCDRS Act.

Brazos Valley Groundwater Conservation District
Notes to Financial Statements
December 31, 2024

Employees covered by benefit terms

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

Active employees	3
Inactive employees entitled to but not yet receiving benefits	2

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Position Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

	December 31, 2022	December 31, 2023
Discount rate	7.60%	7.60%
Long-term expected rate of return, net of investment expense	7.60%	7.60%

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employment.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumption and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2024 information for a 10-year time horizon.

Brazos Valley Groundwater Conservation District
Notes to Financial Statements
December 31, 2024

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
U.S. Equities	Dow Jones U.S Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
Int'l Equities-Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.75%
Int'l Equities-Emerging Markets	MCSI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.65%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	7.25%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Glbal REIT (net) Index	2.00%	4.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.75%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.60%
		<u>100%</u>	

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2022	\$ 596,298	\$ 624,925	\$ (28,627)
Changes for the year:			
Service cost	46,497	-	46,497
Interest on total pension liability	48,852	-	48,852
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	3,691	-	3,691
Effect of assumptions changes or inputs	-	-	-
Administrative expenses	-	(393)	393
Member contributions	-	17,819	(17,819)
Net investment income	-	69,233	(69,233)
Employer contributions	-	38,028	(38,028)
Other	-	3,046	(3,046)
Net changes	<u>99,040</u>	<u>127,733</u>	<u>(28,693)</u>
Balances as of December 31, 2023	<u>\$ 695,338</u>	<u>\$ 752,658</u>	<u>\$ (57,320)</u>

Brazos Valley Groundwater Conservation District
Notes to Financial Statements
December 31, 2024

Sensitivity of the net pension asset to changes in the discount rate

The following presents the pension asset of the District, calculated using the discount rate of 7.6%, as well as what the District's pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.6%) or 1-percentage-point higher (8.6%) than the current rate:

	1% Decrease Discount Rate (6.60%)	Current Discount Rate Discount Rate (7.6%)	1% Increase Discount Rate (8.6%)
Total pension liability	\$ 779,713	\$ 695,338	\$ 623,065
Fiduciary net position	752,658	752,658	752,658
Net pension liability (asset)	\$ 27,055	\$ (57,320)	\$ (129,593)

Related to Pensions

For the year ended December 31, 2024, the District recognized pension expense of \$19,927.

At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred inflows of Resources	Deferred outflows of Resources
Differences between expected and actual experience	\$ 7,119	\$ 6,134
Changes of assumptions	1,515	11,181
Net difference between projected and actual earnings	-	8,930
Contributions made subsequent to measurement date	-	39,929
	\$ 8,634	\$ 66,174

Contributions of \$39,929 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan year ended December 31:

2024	\$ 1,853
2025	2,798
2026	16,556
2027	(4,766)
2028	641
Thereafter	529
	\$ 17,611

Brazos Valley Groundwater Conservation District
Notes to Financial Statements
December 31, 2024

6. Contingent Liabilities

The District is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial statement of the District.

7. Prior period adjustment

During the year ended December 31, 2024, the District determined that certain balances as of December 31, 2023 were misstated. Prepaid expenses were understated by \$7,003, deferred outflows were understated by \$35,028, accounts payable were understated by \$6,337, and unearned revenue was understated by \$132,953. Beginning net position has been decreased by \$97,259 and restated at \$1,697,716.

8. Well Assistance Agreement

Effective October 20, 2022, the District signed a Water Well Assistance Agreement ("agreement") with a private land owner ("permittee"), whereby the permittee can produce groundwater in accordance with existing production permits and to deliver water (under future transport permits) from Robertson County, Texas, to customers to meet their significant water supply demands. The agreement was designed to facilitate early, proactive, and voluntary mitigation measures, conducted by the District, to support community relations effected by the decrease in water levels of the groundwater supply. The District received \$200,000 in advance funding and began phase one during 2023. Amounts spent were earned revenues for 2023 and the remaining amount was considered unearned.

The grant agreement, however, contained a provision stating that in the event the District took action to revise its fee schedule to be based on permitted production and transport amounts rather than actual production and transported amounts, the previously awarded funding would be applied as a credit toward future amounts otherwise payable by the permittee. During the current fiscal year, the District made changes to the schedule, thereby triggering the provision.

As the full amount received will have to be returned to the permittee as credits against future amounts due, the eligibility requirements are no longer being satisfied. The District has recorded an expenditure for the value of revenue recognized in the prior year and reported the \$200,000 as an other payable.

Required Supplementary Information

CALHOUN COUNTY E911 EMERGENCY COMMUNICATIONS DISTRICT
Required Supplementary Information
December 31, 2024
Schedule of Changes in Net Pension Liability And Related Ratios
Last 10 years
(unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 46,497	\$ 44,941	\$ 44,701	\$ 41,624	\$ 38,932	\$ 43,081	\$ 35,547	\$ 30,456	\$ 33,086	\$ 34,393
Interest on total pension liability	48,852	42,061	36,083	30,349	24,899	20,726	15,398	10,218	8,598	6,011
Effect of plan changes	-	-	-	-	-	-	-	-	(2,329)	-
Effect of assumption changes or inputs	-	-	(2,649)	23,953	-	-	1,918	-	1,595	-
Effect of economic/demographic (gains) or losses	3,691	798	284	1,103	751	(8,130)	5,370	2,664	(16,525)	(4,104)
Benefit payments/refunds of contributions	-	-	-	-	-	-	-	-	(6,862)	-
Net change in total pension liability	99,040	87,801	78,419	97,029	64,583	55,676	58,234	43,338	17,564	36,300
Total pension liability - beginning	596,298	508,497	430,078	333,049	268,466	212,790	154,556	111,218	93,654	57,354
Total pension liability - ending (a)	<u>\$ 695,338</u>	<u>\$ 596,298</u>	<u>\$ 508,497</u>	<u>\$ 430,078</u>	<u>\$ 333,049</u>	<u>\$ 268,466</u>	<u>\$ 212,790</u>	<u>\$ 154,556</u>	<u>\$ 111,218</u>	<u>\$ 93,654</u>
Plan Fiduciary Net Position										
Contributions - employer	\$ 38,028	\$ 32,702	\$ 51,972	\$ 27,987	\$ 25,732	\$ 30,133	\$ 26,414	\$ 22,201	\$ 36,481	\$ 20,011
Contributions - employee	17,819	16,386	15,804	15,876	14,789	13,311	15,226	11,836	11,806	11,315
Net investment income	69,233	(39,866)	103,487	36,673	44,036	(3,755)	24,221	8,746	(3,013)	2,947
Benefit payments, including refunds of employee contributions	-	-	-	-	-	-	-	-	(6,862)	-
Administrative expense	(393)	(366)	(329)	(319)	(270)	(216)	(151)	(95)	(71)	(47)
Other	3,046	7,420	2,040	1,333	1,437	1,317	557	4,143	(8)	(3)
Net change in plan fiduciary net position	127,733	16,275	172,974	81,550	85,724	40,790	66,266	46,831	38,333	34,223
Plan fiduciary net position - beginning	624,925	608,650	435,676	354,125	268,402	227,612	161,346	114,515	76,182	41,959
Plan fiduciary net position - ending (b)	<u>752,658</u>	<u>624,925</u>	<u>608,650</u>	<u>435,676</u>	<u>354,125</u>	<u>268,402</u>	<u>227,612</u>	<u>161,346</u>	<u>114,515</u>	<u>76,182</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (57,320)</u>	<u>\$ (28,627)</u>	<u>\$ (100,153)</u>	<u>\$ (5,598)</u>	<u>\$ (21,077)</u>	<u>\$ 64</u>	<u>\$ (14,822)</u>	<u>\$ (6,790)</u>	<u>\$ (3,297)</u>	<u>\$ 17,472</u>
Plan fiduciary net position as a percentage of total pension liability	108.24%	104.80%	119.70%	101.30%	106.33%	99.98%	106.97%	104.39%	102.96%	81.34%
Covered employee payroll	\$ 254,561	\$ 234,086	\$ 225,766	\$ 226,800	\$ 211,268	\$ 190,154	\$ 217,508	\$ 169,087	\$ 166,664	\$ 161,642
Net pension liability as a percentage of covered employee payroll	-22.52%	-12.23%	-44.36%	-2.47%	-9.98%	0.03%	-6.81%	-4.02%	-1.98%	10.81%

Brazos Valley Groundwater Conservation District
Required Supplementary Information
December 31, 2024

*Schedule of Contributions
Last 10 Fiscal Years
(unaudited)*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 37,515	\$ 35,028	32702	\$ 27,972	\$ 27,987	\$ 25,732	\$ 22,990	\$ 26,414	\$ 22,201	\$ 22,833
Contributions in relation to the actuarially determined contributions	<u>\$ 39,929</u>	<u>\$ 38,028</u>	<u>32702</u>	<u>\$ 51,972</u>	<u>\$ 27,987</u>	<u>\$ 25,732</u>	<u>\$ 30,133</u>	<u>\$ 26,414</u>	<u>\$ 22,201</u>	<u>\$ 36,481</u>
Contribution deficiency (excess)	(2,413)	(3,000)	-	(24,000)	-	-	(7,143)	-	-	(13,647)
Covered employee payroll	\$ 271,457	\$ 254,561	\$ 234,086	\$ 225,766	\$ 226,800	\$ 211,268	\$ 190,154	\$ 217,508	\$ 169,087	\$ 166,664
Contributions as a percentage of covered employee payroll	14.7%	14.9%	14.0%	23.0%	12.3%	12.2%	15.8%	12.1%	13.1%	21.9%

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age (level percentage of pay)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17.1 years (based on contribution rate calculated in 12/31/2023 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Changes in Assumptions and Methods Reflected
in the Schedule of Employer Contributions

2015: New inflation, mortality and other assumptions were reflected.
2017: New mortality assumptions were reflected.
2015: New inflation, mortality and other assumptions were reflected.
2022: New investment return and inflation assumptions were reflected.
2015: No changes in plan provisions were reflected in the Schedule.
2016: No changes in plan provisions were reflected in the Schedule.
2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.
2018: No changes in plan provisions were reflected in the Schedule.
2019: No changes in plan provisions were reflected in the Schedule.
2020: No changes in plan provisions were reflected in the Schedule.
2021: No changes in plan provisions were reflected in the Schedule.
2022: No changes in plan provisions were reflected in the Schedule.
2023: No changes in plan provisions were reflected in the Schedule.

Changes in plan provisions reflected in the schedule
of employer contributions

Other Supplementary Information

Brazos Valley Groundwater Conservation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
For the Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Revenue:				
Assessments	\$ 777,398	\$ 777,398	\$ 791,604	\$ 14,206
Fees and permits	-	-	12,300	12,300
Other revenues	-	-	6,163	6,163
Total revenues	<u>777,398</u>	<u>777,398</u>	<u>810,067</u>	<u>32,669</u>
Expenditures:				
Current:				
Office supplies	24,600	24,600	22,077	(2,523)
Public education	71,000	71,000	69,171	(1,829)
Professional fees	232,300	362,300	473,677	111,377
Personnel	373,500	373,500	395,415	21,915
Miscellaneous	73,200	78,200	37,682	(40,518)
Grant programs	107,125	107,125	220,051	112,926
Interest expense	-	-	74	74
Depreciation and amortization	-	-	21,260	21,260
Total expenditures	<u>881,725</u>	<u>1,016,725</u>	<u>1,239,407</u>	<u>222,682</u>
Operating income (loss)	(104,327)	(239,327)	(429,340)	(190,013)
Non-operating revenues (expenses):				
Interest earned	-	-	51,495	51,495
Gain on sale of fixed assets	-	-	3,300	3,300
Total non-operating income	<u>-</u>	<u>-</u>	<u>54,795</u>	<u>54,795</u>
Change in net position	(104,327)	(239,327)	(374,545)	(135,218)
Beginning net position, as adjusted	1,697,716	1,697,716	1,697,716	-
Ending fund balance	<u>\$ 1,593,389</u>	<u>\$ 1,458,389</u>	<u>\$ 1,323,171</u>	<u>\$ (135,218)</u>



CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

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

To the Board of Directors
Brazos Valley Groundwater Conservation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brazos Valley Groundwater Conservation District, which comprise the statements of financial position as of December 31, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 5, 2025.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Corporation's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Brazos Valley Groundwater Conservation District 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Brenham, Texas
September 5, 2025

Brazos Valley Groundwater Conservation District
Schedule of Findings and Responses
December 31, 2024

2024-001 Segregation of Duties

Condition: The District's office manager performs all accounting functions. In this role, she prepares invoices, makes and records deposits, transfers cash in bank accounts, enters payroll, prepares checks, initiates online payments, posts transactions to the general ledger, and reconciles the bank accounts. As offsetting controls, the office manager does not have signature authority and the General Manager reviews all bank reconciliations, bank statements, and check images. In addition, all disbursements are reviewed by the Board of Directors and the General Manager.

Criteria: To properly segregate duties, the functions of initiating, recording and reconciling transactions are performed by different individuals.

Cause: Due to limited staffing, duties are not fully segregated.

Effect: Due to the limited segregation of duties, transactions could be recorded inaccurately and not be detected by the internal controls of the District.

Recommendation: We recommend that the District continue to practice the offsetting controls.

Response: The District will continue to practice the offsetting controls.