MENARD COUNTY UNDERGROUND WATER DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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FOR THE YEAR ENDED SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board Of Directors
Menard County Underground Water District
P.O. Box 1215
Menard, Tx 76859

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and major fund Menard County Water District as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of financial statement, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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 Menard County Underground Water District as of September 30, 2023, and the respective changes in its financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 and the budgetary comparison for the general fund on page 30 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 statement 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 regarding 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.

Kuntz, Smith & Co., P.C.
Certified Public Accountants
Wheeler, TX

January 31, 2024

MENARD COUNTY UNDERGROUND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITIED

As management of the Menard County Underground Water District, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2022. Please read it in conjunction with the independent auditors' report on pages 1-2 and District's Basic Financial Statements which begin on page 8.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $479,155 (net position). Of this amount, $377,749 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's net position decreased by $20,330 as a result of this year's operations.

- At September 30, 2023, the District's general fund reported an ending fund balance of $372,427, an decrease of $15,513 in comparison with the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 8 and 9). These provide information about the activities of the District as a whole and present a long-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund Financial Statements (also starting on page 8) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the district.

The notes to the financial statements (starting on page 10) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (general fund) is presented as a required supplemental schedule on page 31.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 8. The primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are considered regardless of when cash is received or paid. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report on the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider other factors as well such as changes in the District's property tax base and the condition of the District's capital assets.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements are also shown on page 8 & 9 and provide detailed information about the most significant funds- not the District as a whole. Governmental fund types include the general fund.

Governmental funds- All of the District's basic services are reported in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. Then governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the adjustments column and Note 3 to the financial statements.

Reconciliation of government-wide and fund financial statements. The *Statement of Net Position* and *Governmental Funds Balance Sheet* are presented in a single report as are the *Statement of Activities* and the *Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*. Differences between the government-wide and fund financial statements are shown as adjustments which are explained in the notes to the financial statements.

Notes to the financial statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FIANCIAL ANALYSIS

Net position of the District's governmental activities increased from $499,485, to $479,155. Unrestricted net position- the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements- was $377,749 at September 30, 2023. This decrease in governmental net position was the result of four factors. First, the District's expenditures exceeded the revenues by $15,513. Second, the District adjusted the difference in unavailable revenues for property taxes (convert from modified accrual to accrual basis) in the amount of $981. Third, the District recorded depreciation in the amount of $481. Fourth, the District recorded the change in expenses due to the implementation of GASB No. 68 in the amount of $6,544.

A portion of the District's net position (79 percent) represents the unrestricted financial resources available for future operations. The remaining balance of the District's net assets (21 percent) reflects its investment in capital assets: land, buildings, infrastructure, and vehicles less any related debt used to acquire or construct the asset that is still outstanding as well as related restricted amounts.

The following table presents condensed financial information from the *Statement of Net Position.*

	2023	2022
Current and other assets	$ 391,992	$ 409,922
Capital assets	101,406	100,660
Total assets	$ 510,582	$ 510,582
Deferred Resource Outflows		
Related to TCDRS	$ 6,949	$ 6,949
Long-Term Liabilities	$ 0	$ 0
Current liabilities	9,172	8,384
Total Liabilities	$ 9,172	$ 18,711
Deferred Inflow of Resources	$ 0	$ 0
Deferred Resource Outflows		
Related to TCDRS	$ 15,355	$ 9,662
Net position:		
Invested in capital assets,		
Net of related debt	$ 101,406	$ 100,660
Unrestricted	377,749	398,825
Total net position	$ 479,155	$ 499,485

The following table presents condensed financial information from the *Statement of Activities.*

	2023	2022
Revenues		
Maintenance & Operation Taxes	$ 163,584	$ 157,417
Penalties & Interest	2,697	3,741
Investment Earnings	9,683	726
Miscellaneous	817	1,760
Total revenues	$ 176,781	$ 163,644
Expenses		
Salaries & Benefits	$ 69,924	$ 58,116
Insurance	2,323	2,323
Special Projects	0	0
Well Database	61,233	0
Appraisal District	8,301	7,726
Professional Fees	5,790	7,178
Other Operating	49,059	50,913
Depreciation	481	332
Total expenses	$ 197,111	$ 126,588
Change in net position	(20,330)	37,056
Net position at beginning of year	$ 499,485	$ 462,429
Prior period adjustment	0	0
Net position at end of year	$ 479,155	$ 499,485

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

The general fund is the major operating fund of the District. At the end of the current fiscal year, the fund balance of the general fund was $372,427. As a measure of the general fund's liquidity, it may be useful to compare reserved fund balance to total expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At September 30, 2023, the District had the following capital assets in operation:

Capital Assets at Year End

	September 30, 2023	September 30, 2022
Intangible Assets	$ 100,000	$ 100,000
Equipment & Furniture	$ 39,593	$ 38,366
Total Capital Assets	$ 139,593	$ 138,366
Less: Accumulated Depreciation	$ 38,187	$ 37,706
Total Net Capital Assets	$ 101,406	$ 100,660

At September 30, 2023, the District did not have any outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2024 budget and tax rates. Factors considered in establishing a budget are the funding needs of the District operations and programs necessary to meet the objectives of the District. Amounts available for appropriation in the General Fund budget and expenditures are estimated to be about the same as the prior year.

If these estimates are realized, the District's budgetary General fund balance is expected to increase by about $6,000 by the close of 2024. This is mainly due to increased budgeted tax revenues.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and its accountability for the funds it receives. Questions about this report or request for additional information should be addressed to the District at P.O. Box 1215 Menard, Tx 76859.

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BASIC FINACIAL STATEMENTS

MENARD COUNTY UNDERGROUND WATER DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2022

	General Fund	Total	Adjustments Note 3	Statement of Net Position September 30, 2023	Statement of Net Position September 30, 2022
ASSETS					
Cash	46,797	46,797		46,797	230,305
Certificates of Deposit	334,124	334,124		334,124	165,010
Delinquent Taxes Receivable	9,354	9,354		9,354	8,373
Due from Appraisal District	678	678		678	1,009
Capital Assets, net of					
Accumulated Depreciation	-	-	101,406	101,406	100,660
Net Pension Asset	-	-	1,039	1,039	5,225
Total Assets	390,953	390,953	102,445	493,398	510,582
DEFERRED OUTFLOW OF RESOURCES					
Deferred Outflows Related to TCDRS	-	-	10,284	10,284	6,949
Total Deferred Outflow of Resources	-	-	10,284	10,284	6,949
LIABILITIES					
Accounts Payable	3,750	3,750		3,750	3,750
Accrued Expenses	5,422	5,422		5,422	4,634
Net Pension Liability	-	-	-	-	-
Total Liabilities	9,172	9,172	-	9,172	8,384
DEFERRED INFLOWS OF RESOURCES					
Unavailable Resources - Property Taxes	9,354	9,354	(9,354)	-	-
Total Deferred Inflow of Resources	9,354	9,354	(9,354)	-	-
DEFERRED OUTFLOW OF RESOURCES					
Deferred Inflows Related to TCDRS	-	-	15,355	15,355	9,662
Total Deferred Outflow of Resources	-	-	15,355	15,355	9,662
FUND BALANCE/NET POSITION					
Fund Balances:					
Assigned for Legal Reserves	103,844	103,844	(103,844)	-	
Assigned for Hydrogeology	76,780	76,780	(76,780)	-	
Undesignated	191,803	191,803	(191,803)	-	-
Total Fund Balance	372,427	372,427	(372,427)	-	-
Total Liabilities, Deferred Inflow of Resources and Fund Balance	$ 390,953	$ 390,953			
Net Position					
Invested in capital assets, net of related debt			101,406	101,406	100,660
Unrestricted			377,749	377,749	398,825
Total Net Position			479,155	479,155	499,485

The accompanying notes are an integral part of these financial statements.

MENARD COUNTY UNDERGROUND WATER DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Total	Adjustments Note 3	Statement of Activities September 30, 2023	2022
REVENUES:					
Ad Valorem Tax Collection	162,603	162,603	981	163,584	157,417
Penalty and Interest	2,697	2,697	-	2,697	3,741
Investment Interest	9,683	9,683	-	9,683	726
Miscellaneous Revenue	817	817	-	817	1,760
Total Revenues	175,800	175,800	981	176,781	163,644
EXPENDITURES/EXPENSES					
Salaries	51,316	51,316	-	51,316	45,195
Payroll Taxes	3,926	3,926	-	3,926	3,527
Health Insurance	2,686	2,686		2,686	-
Employee Retirement	5,452	5,452	6,544	11,996	9,394
Per Diem and Travel	4,656	4,656	-	4,656	2,616
Office Supplies & Software	2,454	2,454	-	2,454	4,658
Telephone & Internet	-	-	-	-	-
Postage	130	130	-	130	103
Fuel	1,373	1,373	-	1,373	865
Professional Fees	5,790	5,790	-	5,790	7,178
Appraisal District	8,301	8,301	-	8,301	7,726
Education	1,307	1,307	-	1,307	1,742
Legislative Services	2,813	2,813	-	2,813	2,340
Insurance	2,323	2,323	-	2,323	2,323
Subscriptions/Permits	30	30	-	30	15
Membership Fees	2,885	2,885	-	2,885	2,861
Repairs and Maintenance	1,389	1,389	-	1,389	691
Publishing	200	200	-	200	84
Well Database	61,233	61,233	-	61,233	-
Contract Labor	-	-	-	-	-
Interlocal Agreement - MCWCID	30,000	30,000	-	30,000	30,000
Capital Outlay	3,049	3,049	(1,227)	1,822	4,938
Depreciation	-	-	481	481	332
Total expenditures/expenses	191,313	191,313	5,798	197,111	126,588
Excess (Deficiency) of Revenues over Expenditures	(15,513)	(15,513)	15,513	-	-
Change in net position			(20,330)	(20,330)	37,056
Fund Balance/net position					
Beginning of the year	387,940	387,940	111,545	499,485	462,429
Prior Period Adjustment					-
End of the year	372,427	372,427	106,728	479,155	499,485

The accompanying notes are an integral part of these financial statements.

MENARD COUNTY UNDERWATER DISTRICT
NOTES TO THE FINACIAL STATEMENTS
SEPTEMBER 30, 2023

I. Creation of District

The Menard County Underground Water District (the District) was created by the Legislature of the State of Texas under Article XVI, Section 59 of the Texas Constitution in 1991 (71st Regular Legislative Session) and by confirmed election on August 14, 1999. The first board of directors met on the 17th of August 1999.

The Board of Directors, a five-member group, is responsible for all the activities of the District. The purpose of the Board is to determine policy and regulate withdrawal of the groundwater with the intent to conserve and protect the aquifer. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

II. Significant Accounting Policies

The accounting policies of Menard County Underground Water District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

The District has developed criteria to determine if the activities of any outside agencies or organizations should be included within its financial statements. The criteria include the amount of oversight responsibility exercised by the District over activities of an agency or organization, the scope of public service of an agency or organization, and the nature of any special financing relationships which may exist between the District and an agency or organization. Oversight responsibility includes financial interdependency, selection of the governing authority, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The District's financial statements include all funds over which the District exercises oversight responsibility. The District does not exercise oversight responsibility over any other reporting entity. Also, the District is not included as a part of any other reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Menard Underground Water Conservation District nonfiduciary activities. *Governmental activities* include sources supported by taxes, fees and charges for services.

The Statement of Activities demonstrates how other people or entities that participate in services the District operates have shared in the payment of the direct costs.

II. Summary of Significant Accounting Policies – Continued

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, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

The modified accrual basis of accounting recognized revenues in the accounting period in which they become both measurable and available, and it recognized expenditures in the account period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from customers are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

II. Summary of Significant Accounting Policies – Continued

D. Other Accounting Policies

1. **Deposits and Investments –** The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Temporary investments are stated at cost.

2. **Taxes Receivable -** Property taxes are recorded as revenue when collected, and the amount of billed but uncollected taxes are deferred pending collection.

3. **Capital assets –** Capital Assets are reported in the government-wide financial statements. Assets which include furniture and equipment are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

   Pursuant to GASB Statement number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges and similar items) acquired before the implementation date becomes effective. Therefore, not all infrastructure assets acquired prior to October 1, 2002, have been capitalized.

   Depreciation of the assets is calculated using the straight-line method over the following estimated useful lives:

Assets	Years
Furniture and Equipment	7
Computer Equipment	5

4. **Fund Equity** - The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
   - Non-spendable fund balance- amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
   - Restricted fund balance- amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
   - Committed fund balance- amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.

II. Summary of Significant Accounting Policies – Continued

D. Other Accounting Policies – Continued

- Assigned fund balance- amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates authority.
- Unassigned fund balance- amount that are available for any purpose. Positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

From time to time, the Board may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of *non-spendable* and *restricted* fund balances since the practice would commit funds that the District does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and the other purposes determined by the Board.

The Board may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board of Directors may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by a majority vote in a schedule meeting.

When the District makes expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditure should be charged to committed if directly associated with the specific commitment, to assigned if directly associated with the specific assignment, and to unassigned if not directly associated with either the specific commitment or specific assignment.

5. **Budget -** The Board of Directors adopts an annual budget for the general fund in accordance with the accounting principles applicable for this fund. This is done in September of each year after a public hearing.

II. Summary of Significant Accounting Policies – Continued

D. Other Accounting Policies – Continued

6. **Deferred Inflows and Outflows of Resources –** A *deferred outflow of resources* is a consumption of net position that applicable to a future reporting period while a *deferred inflow of resources* is an acquisition of net position. These items are presented in a separate section following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

   Revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Revenues not expected to be available for the current period are reflected as deferred revenue. Unavailable revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

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

8. **Use of Estimates -** The presentation 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 disclosures 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.

I. Summary of Significant Accounting Policies – Continued

E. Reconciliation of Government- Wide and Fund Financial Statements

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	
Total Fund Balance – Governmental Fund	$ 372,427
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds but are included in the government-wide financial statements. The net depreciable assets are an increase in net assets.	100,660
2. Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including 202 capital outlays is to increase net position.	1,227
3. The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(481)
4. Deferred outflows and inflows of resources related to pensions are not recorded in the fund financial statements.	(5,071)
5. Net Pension asset is not recorded in the fund financial statements.	1,039
6. Property taxes are deferred for the fund financial statements, but are recognized as levied in the government wide financial statements. This is adjusted to show the deferral as reversed for net assets.	9,354
Net Position of Governmental Activities	$ 479,155

II. Summary of Significant Accounting Policies – Continued

E. Reconciliation of Government- Wide and Fund Financial Statements - Continued

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities

Total Net Change in Fund Balances – Governmental Funds	$ (15,513)
1. Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statements. The net effect of removing the 2023 capital outlays is to increase net position.	1,227
2. Depreciation is not recognized as an expense in governmental funds since it does not require the current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(481)
3. Changes in net pension liability and related accounts are not Recorded on the governmental funds.	(6,544)
4. The net effect of property tax revenues for governmental funds is reversed and given effect to in the statement of activities.	981
Net Position of Governmental Activities	$ (20,330)

II. Detailed Notes on all Funds

A. Deposit and Investments

The cash and investment policies of the District are governed by state statutes and the adopted investment policy. These policies require that depositories be insured by insured by the Federal Deposit Insurance Corporation (FDIC) and must fully collateralize all deposits in excess of FDIC insurance limits.

At September 30, 2023, the carrying amount of the District's deposits was $46,797 and the bank balance was $46,797. The District's deposits at September 30, 2023, and during the year then ended were covered by FDIC Insurance.

II. Detailed Notes on all Funds - Continued

A. Deposit and Investments - Continued

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

The District's temporary investments at September 30, 2023, are shown below:

Name	Carrying Amount	Market Value	FDIC Coverage	Pledged Securities
Certificate of Deposit – Menard National Bank	$ 334,124	$334,124	$250,000	$ 542,055

In compliance with the Public Funds Investment Act, The District discloses the following:

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As mentioned above, there was no risk due to deposits being covered by FDIC coverage or pledged collateral held by the District's agent bank in the District's name.

Custodial Credit Risk – Investments: This is the risk that in the event of a counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As mentioned above, there was no risk due to deposits being covered by FDIC coverage or NCUSIF coverage for the Certificate of Deposit in a credit union.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2023, the District was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

II. Detailed Notes on all Funds – Continued

B. Property Taxes

In accordance with the Statutes, the board can levy a maintenance tax at a rate not to exceed 15 cents on each $100 of assessed valuation which was approved by the voters at the election to create the District. The District contracts with Menard County Appraisal District for the assessment and collection of taxes.

During the month of September of each year, the rate of taxation is set by the board of directors based upon the valuation of property within the District as of January 1. Taxes are due October 1 and become delinquent after January 31, of the following year.

Taxable ad valorem valuation for the 2022 tax roll was $250,505,620 with a tax levy of $0.06562 per $100 valuation (designated for General Fund). A summary of taxes receivable follows:

Tax Roll	Tax Receivable 10/01/2022	Taxes Assessed / Supplement	Collections	Adjustments	Taxes Receivable 09/30/2023
2015 & Prior	$ 1,358	$ 0	$ 28	$ (44)	$ 1,286
2016	340	0	6	0	334
2017	363	0	24	0	339
2018	584	0	164	0	420
2019	898	0	348	0	550
2020	1,875	0	862	0	1,014
2021	2,954	0	1,660	0	1,294
2022		163,698	159,511	(70)	4,117
Totals	$ 8,373	$ 163,698	$ 159,743	$ (114)	$ 9,354

C. Capital Assets

Capital asset activity for governmental activities for the District for the current year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Intangible Assets – Water Rights	$ 100,000	$ 0	$ 0	$ 100,000
Computers	5,641	1,227	0	6,868
Equipment	6,386	0	0	6,386
Vehicles	26,339	0	0	26,339
Total	138,366	0	0	139,593
Accumulated Depreciation	(37,706)	(481)	0	(38,187)
Capital Assets, net	$ 100,660	$ 746	$ 0	$ 101,406

II. Detailed Notes on all Funds – Continued

D. Risk Management

The district carries auto physical damage and liability insurance coverage on its vehicle through the Texas Association of Counties Risk Management Pool (TAC RMP). TAC RMP is a multi-government group that provides a combination of modified self-insurance and stop-loss coverage. Contributions for the year ended September 30, 2023, were $2,000.

The District also provides blanket bond insurance withy a limit of $50,000 for its board of directors through a private carrier.

E. Intangible Asset

In October 2013, the District purchased for $100,000, from an individual, the water rights for 60-acre feet, from Certificate of adjudication 14-1811.

F. Interlocal Agreement with Menard County Water Control & Improvement District NO. 1

The district entered into an agreement with the Menard County Water Control and Improvement District, (MCWCID). The agreement includes a provision to provide funding up to the amount of $30,000 per year to the MCWCID for conservation improvements to Menard Irrigation Company canal, including engineering and hydrological studies and construction materials and labor.

II. Detailed Notes on all Funds – Continued

G. Pension Plan

Plan Description. Menard County Underground Water District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multi-employer, public employee retirement system.

A brief description of the benefit terms:

1. All full- and part-time non-temporary employees participate int the plan.
2. This plan provides retirement, disability and survivor benefits.
3. TCDRS is a savings-based plan. Each full or part-time permanent employee deposits 7% of their pay into their TCDRS account. By law, the employee accounts earn 7% interest on the beginning year balance annually. At retirement, the account is matched by the employer by the set percentage (currently match is 150%) and then converted to an annuity.
4. There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
5. Benefit terms are established under the TCDRS Act. They may be amended as of January 1 of each year, but must remain in conformity with the Act.

Membership information is shown in the chart below.

The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The district contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the District and currently 7%. Contributions to the pension plan from the District for 2021 are shown in the schedule of employer contributions.

The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org/Employer

Members	December 31, 2021	December 31,2022
Number of inactive employees entitled to but not yet receiving benefits:	0	2
Number of active employees	4	2
Average monthly salary*	$1,329	$1,885
Average Age*	45.40	47.41
Average length of service in years*	6.92	2.21
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of Benefits recipients:	1	1
Average Monthly benefit:	$ 123	$ 123

Averages reported for all active and inactive employees. Average service includes all proportionate services.

II. <u>Detailed Notes on all Funds</u> – Continued
G. Pension Plan - Continued

Summary of TCDRS Funding Policy

Introduction. The fund policy governs how the Texas County & District Retirement System (TCDRS) determines the employer contributions required to ensure that benefits provided to TCDRS members are funded in a reasonable and equitable manner. The goals of TCDRS' funding policy are to fully fund benefits over the course of employees' careers to ensure intergenerational equity, and to balance rate and benefit stability with the for the plan funding to be reflective of current plan conditions.

The policy documents the current funding policies in effect for December 31, 2022 actuarial valuation as established by state law, administrative rule and action by the TCDRS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan.

TCDRS funding overview. TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

> The deposit rate for employees is 4%, 5%, 6%, or 7% of compensation, as adopted by the employer's governing body.
>
> Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
>
> Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

II. Detailed Notes on all Funds – Continued
G. Pension Plan – Continued

Methodology for determining employer contribution rates. The board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each plan. In order to calculate the employer contribution rate, the actuary does the following:

> Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments.
>
> Discounts the estimate of future benefit payment to the present based on the long-term rate of investment return to determine the present value of future benefits.
>
> Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method and the actuarial assumptions.

Actuarial cost method. TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

Amortization policy. The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-of-covered- payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as plan benefit changes elected by an employer for that year.

Benefit enhancements are amortized over a 15-year closed period. All other changes in the UAAL are amortized over 20-year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law.

II. <u>Detailed Notes on all Funds</u> – Continued
G. Pension Plan – Continued

For newly participating districts that have five or fewer employees who are all within five years of retirement eligibility, any initial UAAL and any subsequent adoption of prior service credits are amortized over a five-year closed amortization period. This ensures that benefits are appropriately funded over the current generation of employees.

Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20-year period.

If a plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30-year open amortization period.

Asset valuation method. When determining the actuarial value of assets for measuring a plan's funded status. TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

In addition, the board has the ability to set aside reserves from investment earnings that are used to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by the board. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels during a low point in a market cycle.

Actuarial assumptions. Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term prospective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

Oversight. The board has established review policies to ensure that actuarial assumptions are appropriate and that the methodology for determining employer contribution rates is being correctly applied.

II. <u>Detailed Notes on all Funds</u> – Continued
G. Pension Plan – Continued

Review of Actuarial Assumptions. TCDRS' actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect best estimates of future experience. Every four years, the TCDRS consulting actuary conducts an investigation of experience. TCDRS assumptions are compared to plan experience and future expectations, and changes to the assumptions are recommended as needed. The board adopts actuarial assumptions to be used in the valuation based on the results of this study.

An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendations for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and a full replication audit of the investigation of experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation's raw results.

Review of employer contribution rates. In order to test accuracy and ensure that the actuarial methods and assumptions are being correctly applied, an audit of the valuation is required every four years. These audits are conducted by an independent reviewing actuary and alternate between a peer review and a full replication audit of the valuation. In the peer review of the valuation, the actuary uses a sample of participant data and TCDRS plans to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit but instead of analyzing sample date and plans, the auditing actuary fully replicates the original actuarial valuation.

Review and modification of funding policy. The board will review this policy on a regular basis and may modify this policy at its discretion. Modifications to the policy may be submitted for consideration to the board by staff and/or outside consulting actuaries as circumstances warrant.

II. Detailed Notes on all Funds – Continued

G. Pension Plan – Continued

Net Pension Liability / (Asset)	**December 31, 2021**	**December 31, 2022**
Total pension liability	$ 40,805	$ 49,211
Fiduciary net position	46,030	50,251
Net pension liability / (asset)	(5,225)	(1,039)
Fiduciary net position as a % of total pension liability	112.80%	102.11%
Pensionable covered payroll	48,888	45,426
Net pension liability as a % of covered payroll	(10.69%)	(2.29%)

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated on the discount rate and actuarial assumptions below.

TCDRS system-wide economic assumptions:

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%

The assumed long-term investment return of 7.50% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.50% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

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 1.6% per year for a career employee.

Specific economic assumptions for the district include a 0% growth in membership and 0.5% increase in payroll growth. The payroll growth assumption is for the aggregate covered payroll of an employer.

Discount Rate	**December 31, 2021**	**December 31, 2022**
Discount Rate	7.60%	7.60%
Long-term expected rate of return, net of investment expense	7.60%	7.60%

Other Key Actuarial Assumptions

All actuarial assumptions that determine the total pension liability as December 31, 2022 were based on the results of an actuarial experience study for the period January 1, 2017 - December 31, 2020, except where required to be different by GASB 68.

II. Detailed Notes on all Funds – Continued
G. Pension Plan – Continued

Discount rate. The discount rate is the single rate of return that when applied to all projected benefit payments result in an actuarial present value of benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be made in the period and (b) pension plan assets up to the point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if the plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection alternative method to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer the plan has used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as level percent of pay over 20-year closed layered periods. Also, under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy and the employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost. Finally, any increased cost due to the adoption of COLA is required to be funded over a period of 15 years, if applicable.

II. Detailed Notes on all Funds – Continued
G. Pension Plan – Continued

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net position liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expense, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 7.60% is used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Long-Term Expected Rate of Return. 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 assumptions and information shown below are provided by TCDRS investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at minimum of every four years, and is set based on a long-term horizon, the most recent analysis was performed in 2021.

Asset Class	Benchmark	Target Allocation (1)	Geometric Rate of Return (2)
U.S. Equities	Dow Jones U.S. Total Shock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
Int'l Equities – Developed Markets	MSCI World Ex USA (net) index	5.00%	4.95%
Int'l Equities – Emerging Markets	MSCI Emerging Markets (net) index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index(3)	4.00%	7.60%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index(4)	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index(5)	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-day U. S. Treasury	2.00%	0.20%

(1) Target asset allocation adopted at the March 2023 TCDRS Board Meeting
(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.3%, per Cliffwater's 2023 capital market assumptions.
(3) Includes vintage years 2005-present of Quarter Pooled Horizons IRRs.
(4) Includes vintage years 2007-present of Quarter Pooled Horizons IRRs.
(5) Includes vintage years 2006-present of Quarter Pooled Horizons IRRs.

II. Detailed Notes on all Funds – Continued
G. Pension Plan – Continued

Changes in Net Pension Liability/ (Asset)	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
Balances as December 31, 2021	$ 40,805	$ 46,030	$(5,225)
Changes for the year:			
Service cost	11,187	0	11,187
Interest on total pension liability (1)	3,896	0	3,896
Effect of Plan Changes (2)	0	0	0
Effect of economic/demographic gains or losses	(5,201)	0	(5,201)
Effect of assumption changes or input	0	0	0
Refund of contributions	0	0	0
Benefit payments	(1,475)	(1,475)	0
Administrative expenses	0	(29)	29
Member Contributions	0	3,180	(3,180)
Net investment income	0	(3,257)	3,257
Employer contributions	0	4,842	(4,842)
Other (3)	0	960	(960)
Balances as of December 31, 2022	$49,211	$50,251	$(1,039)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest
(2) No plan changes valued.
(3) Relates to allocation of system wide items.

Discount Rate Sensitivity Analysis. The following presents the net pension liability of the county/district, calculated using the discount rate of 7.60% as well as what the Menard County Underground Water District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease in Discount Rate (6.60%)	Current Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total pension liability	$58,388	$49,211	$41,847
Fiduciary net position	50,251	50,251	50,251
Net Pension Liability/ (Asset)	$8,137	($1,039)	($8,404)

Pension Expense Pension Expense/(Income)	January 1, 2022 to December 31, 2022
Service cost	$ 11,187
Interest on total pension liability(1)	3,896
,Effect of Plan Changes	0
Administrative expenses	29
Member contributions	(3,180)
Expected investment return net of investment expenses	(3,777)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(382)
Recognition of assumption changes or inputs	114
Recognition of investment gains or losses	352
Other (2)	(960)
Pension Expense(Income)	($ 7,280)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
(2) Relates to the allocation of system-wide items.

II. Detailed Notes on all Funds – Continued

G. Pension Plan – Continued

As of December 31, 2022, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows Of Resources	Deferred Outflows Of Resources
Differences between expected and actual experience	$ 6,775	$ 3,820
Changes of assumptions	260	1,709
Net difference between projected and actual earnings	0	2,378
Contributions made subsequent to December 31, 2022	0	4,206

Amounts currently reported as deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2023	$ (25)
2024	$ 67
2025	$ 120
2026	$ 1,133
2027	$ (273)
Thereafter	$ (150)

Schedule of Deferred Inflows and Outflows of Resources

Original Amount	Date Established	Original Recognition Period(1)	Amount Recognized for 2021 (1)	Balance of Deferred Inflows	Balance of Deferred Outflows
Investment (gain) or losses					
$ 7,034	12/31/2022	5.0	$ 1,407	$0	$5,627
(5,078)	12/31/2021	5.0	(1,016)	3,046	$0
(279)	12/31/2020	5.0	(56)	111	0
(456)	12/31/2019	5.0	(91)	92	0
532	12/31/2018	5.0	108	0	0
Economic / demographic (gains) or losses					
$ (5,201)	12/31/2022	10.0	(520)	4,681	0
222	12/31/2021	14.0	16	0	190
(2,577)	12/31/2020	16.0	(161)	2,094	0
4,587	12/31/2019	17.0	270	0	3,507
186	12/31/2018	14.0	13	0	121
3	12/31/2017	8.0	0	0	2
Assumption changes or inputs					
$ 0	12/31/2022	10.0	0	0	0
(304)	12/31/2021	14.0	(22)	260	0
2,095	12/31/2020	16.0	131	0	1,702
0	12/31/2019	17.0	0	0	0
0	12/31/2018	14.0	0	0	0
37	12/31/2017	8.0	5	0	7
Employer contributions made subsequent to measurement date(2)					4,206
				$ 10,284	$ 15,355

(1) Investment (gains)/losses are recognized in pension expense over a period of five years; economically / Demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.
(2) If eligible employer contributions were made subsequent to the measurement date, the employer should reflect these contributions.

II. Detailed Notes on all Funds – Continued

H. Subsequent Events

The District has evaluated subsequent events through January 31, 2024, the date which the financial statements were available to be issued. The District is not aware of any subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MENARD COUNTY UNDERGROUND WATER DISTRICT
STATEMENT OF REVEUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Ad Valorem Tax Collection	164,518	162,603	(1,915)
Penalty and Interest	-	2,697	2,697
Investment Interest	9,500	9,683	183
Miscellaneous Revenues	104	817	713
Total Revenues	174,122	175,800	1,678
EXPENDITURES:			
Salaries	51,979	51,316	663
Payroll Taxes	4,000	3,926	74
Health Insurance	3,500	2,686	814
Employee Retirement	6,000	5,452	548
Per Diem and Travel	5,400	4,656	744
Office Supplies & Software	2,950	2,454	496
Telephone & Internet	-	-	-
Postage	145	130	15
Fuel	1,500	1,373	127
Professional Fees	10,750	5,790	4,960
Appraisal District	8,500	8,301	199
Education	2,000	1,307	693
Legislative Services	3,000	2,813	187
Insurance	2,500	2,323	177
Subscriptions/Permits	50	30	20
Membership Fees	2,950	2,885	65
Repairs and Maintenance	1,400	1,389	11
Publishing	400	200	200
Special Projects - Hydrogeology	61,233	61,233	-
Contract Labor	-	-	-
Interlocal Agreement - MCWCID	30,000	30,000	-
Capital Outlay	3,100	3,049	51
Depreciation	-	-	-
Total expenditures	201,357	191,313	10,044
Excess(Deficiency) of Revenues over Expenditures	(27,235)	(15,513)	11,722
Fund Balance/net position			
Beginning of the year	387,940	387,940	-
End of the year	360,705	372,427	11,722

The accompanying notes are an integral part of these financial statements.

MENARD COUNTY UNDERGROUND WATER DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND
RELATED RATIOS - GASB 68
SEPTEMBER 30, 2023

	2022	2021	2020	2019	2018	2017
Total Pension liability						
Service cost	$ 11,187	$ 8,063	$ 9,053	$ 3,299	$ 7,117	$ 2,973
Interest on total pension liability	3,895	2,941	2,362	1,190	840	241
Effect of plan changes	-	-	690	-	-	-
Effect of assumption changes or inputs	-	(304)	2,095	-	-	37
Effect of economic/demographic (gains) or losses	(5,201)	222	(2,577)	4,587	186	3
Benefit payments/refunds of contributions	(1,475)	(1,475)	(738)	-	-	-
Net change in total pension liability	8,406	9,447	10,885	9,076	8,143	3,254
Total Pension liabiliy, beginning	40,805	31,358	20,473	11,397	3,254	-
Total Pension Liability ending	49,211	40,805	$ 31,358	20,473	$ 11,397	$ 3,254
Fiduciary Net Position						
Employer contributions	$ 4,842	$ 4,004	$ 3,672	$ 7,119	$ 4,237	$ 1,750
Member contributions	3,180	3,422	3,315	3,350	3,154	1,303
Investment income net of investment expenses	(3,257)	7,751	2,424	1,758	24	49
Benefit payments/refunds of contributions	(1,475)	(1,475)	(738)	-	-	-
Adminstrative expenses	(29)	(25)	(24)	(18)	(9)	(2)
Other	960	177	187	362	220	41
Net change in fiduciary net position	4,221	13,855	8,837	12,571	7,626	3,141
Fiduciary net position, beginning	46,030	32,175	23,338	10,767	3,141	-
Fiduciary net position, ending	$ 50,251	$ 46,030	$ 32,175	$ 23,338	$ 10,767	$ 3,141
Net pension liability / (asset). Ending	$ (1,039)	$ (5,225)	$ (817)	$ (2,865)	$ 630	$ 112
Fiduciary net position as a % of total pension liability	102.11%	112.80%	102.61%	113.99%	94.47%	96.55%
Pensionable covered payroll	$ 45,426	$ 48,888	$ 47,361	$ 47,858	$ 45,060	$ 18,619
Net pension liability as a % of covered payroll	-2.29%	-10.69%	-1.73%	-5.99%	1.40%	0.60%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implented.

MENARD COUNTY UNDERGROUND WATER DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2023

Year Ending December 31	Actuarially Determined Contributions	Actual Employer Contributions	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2013					
2014					
2015					
2016					
2017	1,750	1,750	-	18,619	9.40%
2018	4,236	4,236	-	45,060	9.40%
2019	4,412	7,119	(2,707)	47,858	14.90%
2020	3,672	3,672	-	47,361	7.80%
2021	4,004	4,004	-	48,888	8.20%
2022	4,842	4,842	-	45,426	10.70%

TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement NO. 68 indictes the employer should report employer contribution amounts on a fiscal year basis.

Payroll is calculated based on contributions as reported to TCDRS.

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.

<u>Methods and assumptions used to determine contribution rates:</u>

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	15.6 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5-year smooth 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 for males and 120% of the Pub-2010 General Retirees 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 reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	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: Employer contributions reflect that the current service matching rate was increased to 180% for future benefits. 2022: No changes in plan provisions were reflected in the Schedule.

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