

**POST OAK SAVANNAH GROUNDWATER
CONSERVATION DISTRICT**

**BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Post Oak Savannah Groundwater Conservation District
Milano, Texas

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Post Oak Savannah Groundwater Conservation District (the District) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which 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 U.S. generally accepted accounting principles; 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, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express our opinion 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 amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk 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 the 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of December 31, 2013 and 2012, and the respective changes in financial position for the years then ended in accordance with U.S. generally accepted accounting principles.

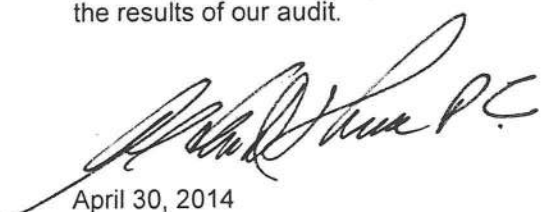
Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-4 and 17, respectively, 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 operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2014 on our consideration of Post Oak Savannah Groundwater Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



April 30, 2014

Belton, Texas

**POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

This section of the Post Oak Savannah Groundwater Conservation District ("District") annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal years ended on December 31, 2013 and 2012. Please read it in conjunction with the District's basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

- ** The District's total net position was \$ 2,326,472.
- ** Cash and investments decreased by \$ (29,899).
- ** Liabilities increased by \$ 1,068.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The district is a governmental entity and follows the accrual basis of accounting for a single purpose governmental entity. The District is not funded by property tax levies.

A. Fund financial statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the District is classified as a proprietary fund.

B. Proprietary funds:

The District maintains one type of proprietary fund; an enterprise fund, considered to be its major fund, is used to report business-type activities. The District uses this enterprise fund to account for its water transport, program services, and permit fees in the Proprietary Fund financial statements.

C. Notes to the financial statements:

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the proprietary fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

Net Position - Proprietary Fund

	Business-type Activities <u>2013</u>	Business-type Activities <u>2012</u>
Current Assets	\$ 2,173,089	\$ 2,471,878
Capital Assets	281,596	235,453
Accumulated Depreciation	<u>(82,611)</u>	<u>(62,121)</u>
Total Assets	<u>\$ 2,372,074</u>	<u>\$ 2,645,210</u>
Liabilities	\$ 45,602	\$ 44,534
Net Position		
Investment in Capital Assets	281,596	235,453
Unrestricted fund balance	<u>2,044,876</u>	<u>2,365,223</u>
Total Liabilities and Net Position	<u>\$ 2,372,074</u>	<u>\$ 2,645,210</u>

**POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

The balance of unrestricted net position, (88%) of the total net position, may be used to meet the District's ongoing obligations to the respective entities within the District boundaries.

At the end of the 2013 fiscal year, the District reports a favorable balance in the two categories of net position. Net position decreased substantially due to large disbursements to grant recipients.

Change in Net Position - Proprietary Fund

	Business- type Activities <u>2013</u>	Business- type Activities <u>2012</u>
Operating Revenues		
Charges for programs, permits, and fees	\$ 1,362,479	\$ 1,335,090
Non-operating Revenues		
Investment earnings	12,082	16,732
Other earnings	<u>-</u>	<u>11,364</u>
Total Revenues	<u>1,374,561</u>	<u>1,363,186</u>
Operating Expenditures		
Expenditures from business-type activities	1,629,690	1,832,692
Depreciation	<u>20,490</u>	<u>18,076</u>
Total Expenditures	<u>1,650,180</u>	<u>1,850,768</u>
Decrease in Unrestricted Net Position	(275,619)	(487,582)
Adjustments	<u>1,415</u>	<u>17,100</u>
Net Position, beginning of the year	<u>2,600,676</u>	<u>3,105,358</u>
Net Position, end of the year	<u>\$ 2,326,472</u>	<u>\$ 2,600,676</u>

Actual results from operations of the District generated a deficit of \$ (275,619) due primarily to grant distributions.

CAPITAL ASSETS AND DEBT

The district purchased, in 2003, an office building in Milano, TX for cash and the District has no outstanding liens on any property. See Note 3 for more details regarding capital assets.

- ** Capital assets increased \$ 46,143
- ** Accumulated depreciation increased \$ (20,490)
- ** Net change in investment in capital assets \$ 25,653

FUTURE EVENTS

In 2006, the District started its conservation and assistance grant program. At December 31, 2013, the total balance to fund was \$948,967 (net of contractual forfeitures). There were no grants awarded for the 2014 grant year and could be available in the future if funds are available and the Board of Directors choose to.

FINANCE SECTION

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION

PROPRIETARY FUND
DECEMBER 31, 2013 AND 2012

	Business-Type Activity Enterprise Fund Water Programs & Transport Fund <u>2013</u>	Business-Type Activity Enterprise Fund Water Programs & Transport Fund <u>2012</u>
ASSETS		
CURRENT ASSETS		
Petty cash	\$ 100	\$ 100
Operating account	10,859	13,752
Tex Pool	25,101	25,084
Money market account	2,104,168	2,134,690
Well account	19,285	15,785
Accounts receivable	13,576	282,467
Total Current Assets	<u>2,173,089</u>	<u>2,471,878</u>
NON-CURRENT ASSETS		
Capital Assets		
Office building	93,482	93,482
Field and lab equipment	4,867	4,867
Monitoring equipment	113,278	77,139
Vehicle	22,696	22,696
Office equipment	47,273	37,269
Total Capital Assets	<u>281,596</u>	<u>235,453</u>
Less accumulated depreciation	<u>(82,611)</u>	<u>(62,121)</u>
Total Capital Assets (net of accumulated depreciation)	<u>198,985</u>	<u>173,332</u>
Total Noncurrent Assets	<u>198,985</u>	<u>173,332</u>
TOTAL ASSETS	<u><u>\$ 2,372,074</u></u>	<u><u>\$ 2,645,210</u></u>
LIABILITIES		
Liabilities		
Accounts payable	\$ 26,317	\$ 27,434
Exempt well permit deposits	19,285	17,100
Total Liabilities	<u>45,602</u>	<u>44,534</u>
NET POSITION		
Investment in capital assets	281,596	235,453
Unrestricted net position	<u>2,044,876</u>	<u>2,365,223</u>
Total Net Position	<u>2,326,472</u>	<u>2,600,676</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 2,372,074</u></u>	<u><u>\$ 2,645,210</u></u>

The accompanying notes are an integral part of these financial statements.
See Independent Auditors' Report.

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-Type Activity Enterprise Fund Water Programs & Transport Fund 2013	Business-Type Activity Enterprise Fund Water Programs & Transport Fund 2012
OPERATING REVENUES		
Program fees	\$ 289,186	\$ 314,247
Transport permit fees	1,067,917	951,427
Drilling permit fees	2,500	1,500
Exempt well permit fees	-	4,125
District services	276	48,302
Miscellaneous income	-	189
Permit fees other	2,600	15,300
Total Operating Revenues	<u>1,362,479</u>	<u>1,335,090</u>
OPERATING EXPENDITURES		
Conservation program expense	1,150,068	1,348,577
Advertising	5,999	7,091
Depreciation	20,490	18,076
Dues	4,069	1,505
Education and public relations	47,984	25,787
Hydrologist	75,252	108,607
Vehicle expense	6,084	5,540
Insurance bond and liability	5,514	5,192
Miscellaneous	30	522
Office supplies	14,478	7,987
Salaries	185,600	175,323
Payroll taxes and employee benefits	66,136	62,879
Postage and delivery	1,584	1,667
Legal fees	22,464	40,408
Other professional fees	18,726	18,339
Building repairs	1,953	3,938
Telephone	8,995	7,537
Travel and entertainment	10,871	8,792
Utilities	3,883	3,001
Total Operating Expenditures	<u>1,650,180</u>	<u>1,850,768</u>
Excess (deficit) of Operating Revenue over Operating Expenditures	(287,701)	(515,678)
NONOPERATING REVENUES (EXPENDITURES)		
Interest income	12,082	16,732
Gain (Loss) on disposition of assets	-	11,364
Total Nonoperating Revenues (Expenditures)	<u>12,082</u>	<u>28,096</u>
Increase (Decrease) in Net Position	(275,619)	(487,582)
Adjustment to prior periods	1,415	(17,100)
NET POSITION BEGINNING BALANCE	<u>2,600,676</u>	<u>3,105,358</u>
NET POSITION ENDING BALANCE	<u>\$ 2,326,472</u>	<u>\$ 2,600,676</u>

The accompanying notes are an integral part of these statements.
See Independent Auditors' Report.

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Reporting Entity

Post Oak Savannah Groundwater Conservation District (the District) was formed April 20, 2001 by the 77th Legislature of the State of Texas with House Bill 1784, Article 3 Section 3.01, under Section 59, Article XVI of the Texas Constitution. A ten member Board of Directors appointed by the Burleson and Milam County Commissioners governs the District. Each Commissioners Court appoints five directors and must represent various interests in the counties served by the District. Among its duties, the Board of Directors approves the District's budget, approves grant contracts, sets rates for permits and fees, approves or denies any permit, and has other duties as addressed during Board Meetings.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and monitoring stations necessary for the purpose of groundwater conservation with respect to the aquifers within the district boundaries. The District provides financial assistance in the form of grants (if funds are available) and educational resources to public and private entities for the purpose of promoting, managing, and educating regarding groundwater resources of the central Carizzo-Wilcox Aquifer area.

In evaluating how to define the District for reporting purposes, The Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, and the significant ability to influence operations of accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no other entities which were included as a component unit in the District's financial statements.

Note 2 - Summary of Significant Accounting Policies

The District's basic financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The Governmental Accounting Standards Board (the GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies, established by U.S. GAAP and used by the District, are discussed below.

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (the Statement). The District then implemented the Statement as applicable. Significant changes made by the Statement include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and changes in net assets.

Government-wide financial statements are prepared using full accrual accounting for all of the District's activities, including capital assets and long-term liabilities.

A. Basic Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as restricted and unrestricted. Fund balances that are restricted indicate a portion of the fund balance which is not available for expenditure or is legally segregated for a specific future use. The transactions of the District are accounted for in the following funds:

Proprietary fund – To account for all revenues and expenditures not required to be accounted for in other funds.

POST OAK VANNAH GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

B. Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual. Accrual means that funds are both measurable and available to finance expenditures of the fiscal period. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related fund liability incurred is measurable.

C. Receivables

Service accounts receivable as reported are considered collectable. The District uses the direct write off method for uncollectible accounts. Unbilled fee and permit revenues are not material and are not recorded at year end.

D. Capital Assets

Capital assets, which include property, plant, equipment and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$500 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost if donated to or constructed by the District. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs for repairs and maintenance are expensed as incurred.

Depreciation, on capital assets, is computed using the straight-line method over the following estimated useful lives:

Vehicles	5 years
Office and field equipment	3-10 years
Buildings, improvements, and monitoring equipment	10-40 years

E. Equity Classifications

In the government-wide financial statements, equity is shown as net position and classified into three components; Net Investment in Capital Assets, Restricted, and Unrestricted. The District uses two of these classifications.

1. *Net Investment in Capital Assets* – Capital Assets, net of accumulated depreciation and reduced by any outstanding debt that poses an encumbrance.
2. *Unrestricted* – All other assets that do not meet the definition of net investment in capital assets.

The District reports the governmental fund balance as, unassigned; not previously classed as:

1. *Non-spendable* – Amounts that cannot be spent because they are either not in a spendable form or, legally or contractually required to be maintained intact.
2. *Restricted* – Amounts with restrictions imposed externally by creditors, grantors, contributors, or laws or regulations of other governments, constitutional provisions or enabling legislation.
3. *Committed* – Amounts that can only be used for specific purposes and imposed by formal action of the board of directors.
4. *Assigned* – Amounts informally constrained by District management but not formally restricted by the board of directors.

POST OAK VANNAH GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

F. Risks, uncertainties, and use of estimates

The preparation of government-wide financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
Business-type activities				
<u>Capital assets, not being depreciated:</u>				
Land	\$ 3,000	=	=	\$ 3,000
Total not depreciated	<u>\$ 3,000</u>	=	=	<u>\$ 3,000</u>
<u>Capital assets, to be depreciated:</u>				
Buildings and Improvements	\$ 90,482	-	-	\$ 90,482
Office Equipment	37,269	10,004	-	47,273
District Vehicles	22,696	-	-	22,696
Field Equipment	4,867	-	-	4,867
Monitoring Equipment	<u>77,139</u>	<u>36,139</u>	=	<u>113,278</u>
Investment in Capital Assets to be depreciated	<u>232,453</u>	<u>46,143</u>	=	<u>278,596</u>
<u>Less accumulated depreciation:</u>				
Buildings and Improvements	(17,360)	(3,145)	-	(20,505)
Office Equipment	(26,272)	(5,873)	-	(32,145)
District Vehicles	(10,213)	(4,540)	-	(14,753)
Field Equipment	(4,317)	(418)	-	(4,735)
Monitoring Equipment	<u>(3,959)</u>	<u>(6,514)</u>	=	<u>(10,473)</u>
Total accumulated depreciation	<u>(62,121)</u>	<u>(20,490)</u>	=	<u>(82,611)</u>
Total capital assets depreciated, net of accumulated depreciation	<u>170,332</u>	<u>25,653</u>	=	<u>195,985</u>
Business-type activities Capital assets, net of accumulated depreciation	<u>\$173,332</u>	<u>25,653</u>	=	<u>\$195,985</u>

Note 4 - Long-Term Liabilities and Contingent Liabilities

The District has no long-term debt for the fiscal year ended December 31, 2013.

POST OAK VANNAH GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Contingent Liabilities

The District is obligated to fund remaining water conservation grant distributions, net of forfeitures, as follows:

<u>Water Conservation Grants</u>	
2011 Grant Awards	\$ 257,596
2012 Grant Awards	150,406
2013 Grant Awards	540,965
Remaining total balance to fund	<u>\$ 948,967</u>

This contingent liability is dependent on available funding and approval by the board of directors. The above table reflects committed funds awaiting distribution when appropriate documentation is submitted by the grantees.

Note 5 – Cash Deposits and Investments with Financial Institutions

The District's checking deposits, money market account, and Texas Treasury Safekeeping Trust Company (TexPool) investments at December 31, 2013, were fully covered by federal depository insurance and/or pledged securities. In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the District reports all investments at fair value.

The District's cash and temporary investments at December 31, 2013 are shown below.

	<u>Proprietary Fund</u>
Citizen's National Bank	
Operating account	\$ 10,859
Money market account	2,104,168
Well account	19,285
Investment in: TexPool	<u>25,101</u>
	<u>\$ 2,159,413</u>

The market value for the above listed accounts is not materially different from the carrying value of the accounts.

A. Policies Governing Deposits and Investments

The District has implemented an investment policy and is authorized, according to the *Public Funds Investment Act* (PFIA) (Government Code Chapter 2256), to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, fully collateralized repurchase agreements, certain types of commercial paper, certain types of municipal bonds and local government investment pools created under the *Interlocal Cooperation Act*, wherein all funds were invested as listed above.

In compliance with the PFIA, the District has adopted a deposit and investment policy where that policy addresses the following risks:

1. *Custodial Credit Risk – Deposits*: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District was not exposed to custodial credit risk, since its deposits at year-end and during the year ended December 31, 2013 were covered by depository insurance or by pledged collateral held by the District's agent bank in the District's name.
2. *Custodial Credit Risk – Investments*: This is the risk that, in the event of the failure of the 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. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

POST OAK VANNAH GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Note 6 – Employee Benefits

A. Annual Leave

Annual leave (vacation) is a benefit provided to eligible, full-time, employees of the District. A full-time employee is one who is regularly scheduled to work forty hours per week. Annual leave is accrued at five business days (40 hours) after six months of employment and cannot be taken until the employee has reached the six month probationary period. An additional five business days (40 hours) is accrued after continuous employment of one year based on the hire date of the employee. The accrual maximum is fifteen business days (120 hours) for an employee after five years of continuous service. An employee may not carry-over leave to the next available period. Remaining accrued leave is paid if unused before their anniversary date and upon termination. Accrual of vacation at fiscal year-end was not material to these financial statements.

B. Sick Leave

A full-time employee, as previously defined, is entitled to six business days (48 hours) per calendar year. Accrual of sick leave is at one-half day (4 hours) per month and cannot be used until after six months of continuous employment. No sick leave may be accumulated beyond six days in a calendar year and upon termination of employment, no unused sick leave will be paid. Accrual of sick leave at fiscal year-end was not material to these financial statements.

C. Retirement Plan

The District provides pension benefits for all of its full-time employees through a cash balance-account type defined benefit pension plan (401(a)) in the statewide Texas County and District Retirement System (TCDRS). The TCDRS Board of Trustees is responsible for the administration of a statewide, agent multiple-employer, and public employee retirement system consisting of 624 cash balance-like defined benefit pension plans. Each of the 624 participating entities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2013 valuations are contained in the 2013 TCDRS Comprehensive Annual Financial Report (CAFR), a copy of which may be obtained by writing to PO Box 2034, Austin, TX 78768-2034.

Benefit amounts are determined by the employee's personal account balance and employer-financed monetary credits. The level of these monetary credits is within the actuarial constraints imposed by the TCDRS Act so that the expected benefits can be adequately financed by the District's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's personal account balance, and the employer-financed monetary credits to a monthly annuity using the actuarial equivalent as prescribed by the TCDRS Act.

The District will match the employee contribution up to 6.5% of the employee's salary. As of the years ended December 31, 2013 and 2012, the District match was \$12,688 and \$11,923 respectively.

**POST OAK VANNAH GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

1. Retirement Plan Obligations

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS and within the actuarial constraints also in the statutes. Plan provisions for the District were as follows:

Contribution Rate	6.50%
Deposit Rate	7.00%
Matching Ratio (District to Employee)	1 to 1
A member is vested after	10 years

Members can retire at ages 60 and above with 10 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 80 or more.

Actuarial Methods and Assumptions

Actuarial Valuation Date	12/31/12	12/31/11	12/31/10
Actuarial Cost Method	Entry age	Entry age	Entry age
Amortization Method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period	30.0 years	30.0 years	30.0 years
Asset Valuation Method			
Subdivision Accumulation Fund	10 yr smoothed	10 yr smoothed	10 yr smoothed
Employees Sving Fund	Fund value	Fund value	Fund value
Actuarial assumptions:			
Investment return-inflation included	8.00%	8.00%	8.00%
Projected salary increases inflation included	5.40%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost of living adjustments	0.00%	0.00%	0.00%

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

1. Retirement Plan Obligations (cont'd)

	12/31/12	12/31/11	12/31/10
Actuarial Valuation Date			
Actuarial Value of Assets	\$ 54,022	\$119,968	\$ 89,368
Actuarial accrued liability	143,710	120,088	90,091
Unfunded (Overfunded) actuarial accrued [UAAL or (OAAL)]	(10,312)	120	723
Funded ratio	107.18%	99.90%	99.20%
Annual covered payroll (actuarial)	183,427	175,626	142,001
UAAL or (OAAL) as percentage of covered payroll	(5.62%)	0.07%	0.51%
Net Pension Obligation (NPO) at the beginning of the period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution (ARC)	11,923	11,416	9,230
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
Subtotal	11,923	11,416	9,230
Contributions made	12,688	11,923	9,940
Increase in NPO	-	-	-
NPO at the end of the period	<u>\$ 24,611</u>	<u>\$ 23,339</u>	<u>\$ 19,170</u>

Note 7 – Subsequent Events

Management has evaluated subsequent events through April 30, 2014; the date the financial statements were available to be issued. No change to the financial statements for the fiscal year ending December 31, 2013 is deemed necessary as a result of this evaluation.

REQUIRED SUPPLEMENTARY INFORMATION

ALTON D. THIELE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

300 E. AVENUE C

P.O. BOX 808

BELTON, TX 76513-0808

**INDEPENDENT AUDITORS' 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**

Board of Directors

Post Oak Savannah Groundwater Conservation District

Milano, TX

We have audited in accordance with, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Post Oak Savannah Groundwater Conservation District as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the District'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.

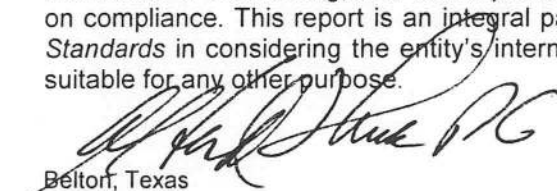
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We have not identified any deficiencies in internal control over financial reporting that we believe to be both significant deficiencies and/or material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.


Belton, Texas
April 30, 2014

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES-BUDGET (GAAP) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>	\$ -	\$ 1,362,478	\$ 1,362,478
<u>EXPENDITURES</u>			
Advertising	6,000	6,000	-
Depreciation	-	20,490	(20,490)
Education and public relations	48,000	47,984	16
GMA 12	38,500	9,663	28,837
GMA 8	5,000	50	4,950
Hydrologist	75,000	65,589	9,411
Miscellaneous tools and equipment	15,000	1,890	13,110
Automobile expense	7,000	6,084	916
Dues and subscriptions	5,000	4,069	931
Insurance	35,000	34,283	717
Miscellaneous	500	37	463
Postage and delivery	2,000	1,584	416
Professional fees	45,000	33,489	11,511
Repairs	3,500	1,953	1,547
Telephone	9,000	8,995	5
Travel and entertainment	11,000	10,871	129
Utilities	5,000	3,883	1,117
Office supplies	13,000	12,530	470
Payroll expenses	224,000	222,967	1,033
Program expenses	2,496,451	1,150,068	1,346,383
	<u>3,043,951</u>	<u>1,642,479</u>	<u>1,401,472</u>
Excess (Deficit) of Revenues Over Expenditures (from operations)	<u>\$ (3,043,951)</u>	<u>\$ (280,001)</u>	<u>\$ 2,763,950</u>
Capital Expenditures:			
Equipment - field & lab	-	-	-
Monitoring equipment	-	36,139	(36,139)
Office equipment	-	10,004	(10,004)
Total Capital Expenditures	<u>-</u>	<u>46,143</u>	<u>(46,143)</u>
Encumbrances:			
Outstanding grant awards		1,079,547	
Forfeitures		(130,579)	
Total Outstanding grant awards (net of forfeitures)		<u>948,968</u>	
Excess (Deficit) of Revenues Over Expenditures (including capital expenditures and encumbrances)	<u>\$ (3,043,951)</u>	<u>\$ (1,275,112)</u>	<u>\$ 2,717,807</u>

The accompanying notes to the financial statements are an integral part of this statement.
See Independent Auditors' Report.