

APR 13 2015

POST OAK SAVANNAH
GROUNDWATER CONSERVATION DISTRICT
COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE
DECEMBER 31, 2014

ALTON D. THIELE, P. C.

Certified Public Accountant
312 E. Central Avenue
P.O. Box 808
BELTON, TX 76513-0808

ALTON D. THIELE, P.C.

Certified Public Accountant
300 East Avenue C
P. O. Box 808
Belton, Texas 76513-0808

Post Oak Savannah Groundwater Conservation District
310 East Avenue C
Milano, TX 76556

We have audited the financial statements of Post Oak Savannah Groundwater Conservation District (the District) as of and for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated December 17, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Post Oak Savannah Groundwater Conservation District are described in NOTE 2, of the notes to the financial statements. One new accounting policy entitled GASB Statement No. 34 was essentially approved by the Post Oak Savannah Groundwater Conservation District and the application of other existing policies was not changed during the fiscal year ended December 31, 2014. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the estimated useful lives of fixed assets is based on historical experience. We evaluated the key factors and assumptions used to develop the lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the Management Representation Letter dated April 10, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of retention. The following issue was discussed with management during audit.

A. Capital Expenditures:

Since the District relies on budget performance and analysis during the year, capitalizing allowed expenses makes it difficult to track related expenditures. The district will wait to capitalize these expenditures until year-end close.

This information is intended solely for the use of the Board of Directors and Management of Post Oak Savannah Groundwater Conservation District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

April 10, 2015

POST OAK SAVANNAH GROUNDWATER
CONSERVATION DISTRICT

BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2014

ALTON D. THIELE, P. C.

Certified Public Accountant
312 E. Central Avenue
P.O. Box 808
BELTON, TX 76513-0808

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-4
Finance Section	
Statement of Net Position	6
Statement of Revenues, Expenditures, and Change in Net Position	7
Notes to the Financial Statements	8-14
Required Supplementary Information	
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 <i>Government Auditing Standards</i>	16
Statement of Revenue and Expenditures- Budget to Actual	17

ALTON D. THIELE, P. C.

Certified Public Accountant

312 E. Central Avenue

P.O. Box 808

BELTON, TX 76513-0808

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, 2014 and 2013, 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, 2014 and 2013, 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 10, 2015 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 10, 2015

Belton, Texas

**POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013**

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, 2014 and 2013. Please read it in conjunction with the District's basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

- ** The District's total net position was \$ 2,725,337.
- ** Cash and investments had a net increase of \$ 237,474.
- ** Liabilities had a net increase of \$ 153,047.

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 2014	Business-type Activities 2013
Current Assets	\$ 2,664,709	\$ 2,173,089
Capital Assets	341,894	281,596
Accumulated Depreciation	(84,847)	(82,611)
Total Assets	<u>\$ 2,921,756</u>	<u>\$ 2,372,074</u>
Deferred Inflows of Resources	\$ 161,183	\$ -
Liabilities	35,236	45,602
Net Position		
Investment in Capital Assets	341,894	281,596
Unrestricted fund balance	<u>2,383,443</u>	<u>2,044,876</u>
Total Deferred Inflows of Resources, Liabilities, and Net Position	<u>\$ 2,921,756</u>	<u>\$ 2,372,074</u>

The balance of unrestricted net position, (82%) 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 2014 fiscal year, the District reports a favorable balance in the two categories of net position. Net position increased substantially due primarily to a decrease in distributions to grant recipients.

**POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013**

Change in Net Position - Proprietary Fund

	Business- type Activities <u>2014</u>	Business- type Activities <u>2013</u>
Operating Revenues		
Charges for programs, permits, and fees	\$ 1,925,961	\$ 1,362,479
Non-operating Revenues		
Investment earnings	<u>8,858</u>	<u>12,082</u>
Total Revenues	<u>1,934,819</u>	<u>1,374,561</u>
Operating Expenditures		
Expenditures from business-type activities	1,513,150	1,629,690
Depreciation	20,773	20,490
Non-operating expenditures		
Loss on disposition of assets	<u>4,161</u>	<u>-</u>
Total Expenditures	<u>1,538,084</u>	<u>1,650,180</u>
Increase (decrease) in Unrestricted Net Position	396,735	(275,619)
Adjustments	<u>2,130</u>	<u>1,415</u>
Net Position, beginning of the year	<u>2,326,472</u>	<u>2,600,676</u>
Net Position, end of the year	<u>\$ 2,725,337</u>	<u>\$ 2,326,472</u>

Actual results from operations of the District generated an excess of \$ 396,735 due primarily to a reduction in 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.

** Investment in Capital assets increased \$ 60,299

** Accumulated depreciation had a net increase of \$ (2,237)

** Net change in capital assets \$ 58,062

FUTURE EVENTS

In 2006, the District started its conservation and assistance grant program. At December 31, 2014, the total balance to fund was \$ 860,102 (net of contractual forfeitures). There were no grants awarded for the 2015 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, 2014 AND 2013

	Business-Type Activity Enterprise Fund Water Programs & Transport Fund <u>2014</u>	Business-Type Activity Enterprise Fund Water Programs & Transport Fund <u>2013</u>
ASSETS		
CURRENT ASSETS		
Petty cash	\$ 100	\$ 100
Operating account	62,922	10,859
Tex Pool	25,108	25,101
Money market account	2,293,016	2,104,168
Well account	15,740	19,285
Accounts receivable	267,823	13,576
Total Current Assets	<u>2,664,709</u>	<u>2,173,089</u>
NON-CURRENT ASSETS		
Capital Assets		
Office building	93,482	93,482
Field and lab equipment	4,867	4,867
Monitoring equipment	171,467	113,278
Vehicle	22,741	22,696
Office equipment	49,337	47,273
Total Capital Assets	<u>341,894</u>	<u>281,596</u>
Less accumulated depreciation	<u>(84,847)</u>	<u>(82,611)</u>
Total Capital Assets (net of accumulated depreciation)	<u>257,047</u>	<u>198,985</u>
Total Noncurrent Assets	<u>257,047</u>	<u>198,985</u>
TOTAL ASSETS	<u><u>\$ 2,921,756</u></u>	<u><u>\$ 2,372,074</u></u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 161,183</u>	<u>\$ -</u>
LIABILITIES		
Liabilities		
Accounts payable	11,038	26,317
Payroll Liabilities	8,113	-
Exempt well permit deposits	16,085	19,285
Total Liabilities	<u>35,236</u>	<u>45,602</u>
NET POSITION		
Investment in capital assets	341,894	281,596
Unrestricted net position	2,383,443	2,044,876
Total Net Position	<u>2,725,337</u>	<u>2,326,472</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 2,921,756</u></u>	<u><u>\$ 2,372,074</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, 2014 AND 2013

	Business-Type Activity Enterprise Fund Water Programs & Transport Fund 2014	Business-Type Activity Enterprise Fund Water Programs & Transport Fund 2013
OPERATING REVENUES		
Program fees	\$ 505,070	\$ 289,186
Transport permit fees	1,397,999	1,067,917
Drilling permit fees	3,500	2,500
District services	303	276
Miscellaneous income	9,889	-
Permit fees other	9,200	2,600
Total Operating Revenues	<u>1,925,961</u>	<u>1,362,479</u>
OPERATING EXPENDITURES		
Conservation program expense	941,576	1,150,068
Advertising	2,233	5,999
Depreciation	20,773	20,490
Dues	3,253	4,069
Education and public relations	33,223	47,984
Hydrologist	112,132	75,252
Vehicle expense	6,031	6,084
Insurance bond and liability	5,655	5,514
Miscellaneous	126	30
Office supplies	13,159	14,478
Salaries	219,414	185,600
Payroll taxes and employee benefits	68,228	66,136
Postage and delivery	1,203	1,584
Legal fees	57,609	22,464
Other professional fees	17,198	18,726
Building repairs	4,190	1,953
Telephone	7,666	8,995
Travel and entertainment	16,417	10,871
Utilities	3,837	3,883
Total Operating Expenditures	<u>1,533,923</u>	<u>1,650,180</u>
Excess (deficit) of Operating Revenue over Operating Expenditures	392,038	(287,701)
NONOPERATING REVENUES (EXPENDITURES)		
Interest income	8,858	12,082
Gain (Loss) on disposition of assets	(4,161)	-
Total Nonoperating Revenues (Expenditures)	<u>4,697</u>	<u>12,082</u>
Increase (Decrease) in Net Position	396,735	(275,619)
Adjustment to fund balance	2,130	1,415
NET POSITION BEGINNING BALANCE	<u>2,326,472</u>	<u>2,600,676</u>
NET POSITION ENDING BALANCE	<u>\$ 2,725,337</u>	<u>\$ 2,326,472</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 Carrizo-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 (GASB). 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 (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 SAVANNAH 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. Deferred Outflows/Inflows of Resources

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2014. In addition to assets, the statement of net position will sometimes report a section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditures) until then. The District currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category; transport fees and program fees. There were material amounts of these fees deferred and will be recognized as an inflow of resources in the period the amount is collected and remitted to the District.

F. 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.

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

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.

G. 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, 2014 was as follows:

	Balance January 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2014</u>
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	47,273	2,064	-	49,337
District Vehicles	22,696	22,741	(22,697)	22,741
Field Equipment	4,867	-	-	4,867
Monitoring Equipment	<u>113,278</u>	<u>58,190</u>	-	<u>171,467</u>
Investment in Capital Assets to be depreciated	<u>278,596</u>	<u>82,995</u>	<u>(22,697)</u>	<u>338,894</u>
<u>Less accumulated depreciation:</u>				
Buildings and Improvements	(20,505)	(3,145)	-	(23,650)
Office Equipment	(32,145)	(6,391)	-	(38,536)
District Vehicles	(14,753)	(4,920)	18,536	(1,137)
Field Equipment	(4,735)	(132)	-	(4,867)
Monitoring Equipment	<u>(10,473)</u>	<u>(6,184)</u>	-	<u>(16,657)</u>
Total accumulated depreciation	<u>(82,611)</u>	<u>(20,772)</u>	<u>18,536</u>	<u>(84,847)</u>
Total capital assets depreciated, net of accumulated depreciation	<u>195,985</u>	<u>62,223</u>	<u>(4,161)</u>	<u>254,047</u>
Business-type activities Capital assets, net of accumulated depreciation	<u>\$173,332</u>	<u>62,223</u>	<u>(4,161)</u>	<u>\$257,047</u>

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

Note 4 - Long-Term Liabilities and Contingent Liabilities

The District has no long-term debt for the fiscal year ended December 31, 2014.

Contingent Liabilities

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

<u>Water Conservation Grants</u>	
2013 Grant Awards	\$ 108,831
2014 Grant Awards	923,040
Forfeitures	<u>(171,769)</u>
Remaining total balance to fund	<u>\$ 860,102</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, 2014, 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, 2014 are shown below.

	<u>Proprietary Fund</u>
Citizen's National Bank	
Operating account	\$ 62,922
Money market account	2,293,016
Well account	15,740
Investment in: TexPool	<u>25,108</u>
	<u>\$ 2,396,786</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, 2014 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 SAVANNAH 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, 2014 valuations are contained in the 2014 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, 2014 and 2013, the District match was \$13,978 and \$12,688 respectively.

**POST OAK SAVANNAH 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	12/31/13	12/31/12	12/31/11
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	4.90%	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)

	12/31/13	12/31/12	12/31/11
Actuarial Valuation Date			
Actuarial Value of Assets	\$ 54,022	\$ 54,022	\$119,968
Actuarial accrued liability	143,710	143,710	120,088
Unfunded (Overfunded) actuarial accrued [UAAL or (OAAL)]	(10,312)	(10,312)	120
Funded ratio	107.18%	107.18%	99.90%
Annual covered payroll (actuarial)	183,427	183,427	175,626
UAAL or (OAAL) as percentage of covered payroll	(5.62%)	(5.62%)	0.07%
Net Pension Obligation (NPO) at the beginning of the period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required Contribution (ARC)	12,688	11,923	11,416
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
Subtotal	12,688	11,923	11,416
Contributions made	12,688	12,688	11,923
Increase in NPO	-	-	-
NPO at the end of the period	<u>\$ 25,676</u>	<u>\$ 24,611</u>	<u>\$ 23,339</u>

Note 7 – Subsequent Events

Management has evaluated subsequent events through April 10, 2015; the date the financial statements were available to be issued. No change to the financial statements for the fiscal year ending December 31, 2014 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, 2014, 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 10, 2015.

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.

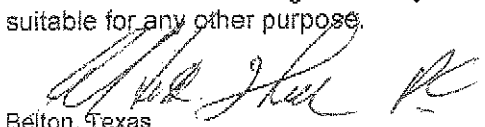
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We have not identified any 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 10, 2015

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES-BUDGET (GAAP) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>	\$ -	\$ 1,925,961	\$ 1,925,961
<u>EXPENDITURES</u>			
Advertising	5,000	2,233	2,767
Depreciation	-	20,773	(20,773)
Education and public relations	36,600	33,223	3,377
GMA 12	65,000	64,988	12
GMA 8	2,000	658	1,342
Hydrologist	50,000	47,144	2,856
Miscellaneous tools and equipment	15,000	-	15,000
Automobile expense	30,500	6,031	24,469
Dues and subscriptions	3,900	3,253	647
Insurance	24,100	32,728	(8,628)
Miscellaneous	500	115	385
Postage and delivery	2,000	1,203	797
Professional fees	75,000	74,807	193
Repairs	5,000	4,190	810
Telephone	7,500	7,666	(166)
Travel and entertainment	17,000	16,417	583
Utilities	5,000	3,837	1,163
Office supplies	13,000	12,511	489
Payroll expenses	260,900	260,570	330
Program expenses	1,095,000	941,576	153,424
	<u>1,713,000</u>	<u>1,533,923</u>	<u>179,077</u>
Excess (Deficit) of Revenues Over Expenditures (from operations)	<u>\$ (1,713,000)</u>	<u>\$ 392,038</u>	<u>\$ 2,105,038</u>
Capital Expenditures:			
District vehicle	-	22,741	(22,741)
Monitoring equipment	-	58,190	(58,190)
Office equipment	-	2,064	(2,064)
Total Capital Expenditures	<u>-</u>	<u>82,995</u>	<u>(82,995)</u>
Encumbrances:			
Outstanding grant awards		1,031,871	
Forfeitures		(171,769)	
Total Outstanding grant awards (net of forfeitures)		<u>860,102</u>	
Excess (Deficit) of Revenues Over Expenditures (including capital expenditures and encumbrances)	<u>\$ (1,713,000)</u>	<u>\$ (551,059)</u>	<u>\$ 2,022,043</u>

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

POST OAK SAVANNAH
GROUNDWATER CONSERVATION DISTRICT

COMMUNICATION OF SIGNIFICANT DEFICIENCIES
AND MATERIAL WEAKNESSES AS REQUIRED BY
STATEMENT ON AUDITING STANDARDS NO. 115

DECEMBER 31, 2014

ALTON D. THIELE, P. C.

Certified Public Accountant
312 E. Central Avenue
P.O. Box 808
BELTON, TX 76513-0808

ALTON D. THIELE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

300 E. AVENUE C

P.O. BOX 808

BELTON, TX 76513-0808

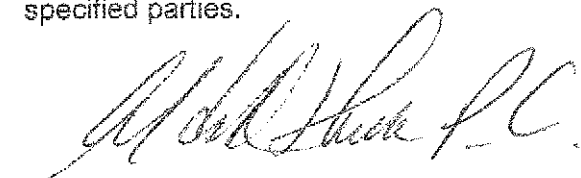
Post Oak Savannah Groundwater Conservation District
310 East Avenue C
Milano, TX 76556

In planning and performing our audit of the basic financial statements of Post Oak Savannah Groundwater Conservation District (the District) as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic 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, in a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and not designed to identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies as previously defined. However, material weaknesses may exist that have not been identified.

This communication, intended solely for the information and use of management, the Board of Directors and others within the District, is not intended to be and should not be used by anyone other than these specified parties.



Belton, Texas
April 10, 2015