

**Items #5 & #6 – Presentation of the 2014 Audit/ Adoption of the 2014 Audit**

Included in this folder is the draft 2014 Audit Report prepared by Russell Armagost of Durst, Milberger, Nesbitt, and Ask, LLP.

Following the presentation, there will be an action item for possible adoption of the 2014 Audit Report.

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BRAZOS VALLEY GROUNDWATER  
CONSERVATION DISTRICT

Independent Auditors' Report  
and  
Financial Statements

As of and for the year ended December 31, 2014

**Draft**  
BRAZOS VALLEY GROUNDWATER  
CONSERVATION DISTRICT  
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Independent Auditors' Report

Board of Directors  
Brazos Valley Groundwater  
Conservation District  
Hearne, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Brazos Valley Groundwater Conservation District (District) as of and for the year ending December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the accompanying 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, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an 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 and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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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 to 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 financial position of the Brazos Valley Groundwater Conservation District as of December 31, 2014, and the changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 and funding progress information on pages 6 through 9 and pages 22 through 23, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Report on Summarized Comparative Information*

We have previously audited the District's 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by ~~Government~~ Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2015, on our consideration of the Brazos Valley 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Brazos Valley Groundwater Conservation District's internal control over financial reporting and compliance.

Bryan, Texas  
June 11, 2015

MILBERGER, NESBITT & ASK, L.L.P.  
Certified Public Accountants

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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  
Brazos Valley Groundwater  
Conservation District  
Hearne, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Brazos Valley Groundwater Conservation District (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 June 11, 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 control deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose as described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matter

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 or other matters that we 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.

Bryan, Texas  
June 11, 2015

MILBERGER, NESBITT & ASK, L.L.P.  
Certified Public Accountants



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Brazos Valley Groundwater Conservation District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2014

The following discussion and analysis of the District's (the District's) financial performance presents management's overview of the District's financial activities for the twelve month period ended December 31, 2014. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report includes the Management's Discussion and Analysis (this section), the independent auditors' report, the basic financial statements of the District and the required supplementary information.

Overview of the Basic Financial Statements

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the District's basic financial statements include four components:

- *Statement of Net Assets*
- *Statement of Revenues, Expenses and Changes in Net Assets*
- *Statement of Cash Flows*
- *Notes to the Basic Financial Statements*

The *Statement of Net Assets* includes all of the District's assets and liabilities, with the difference between the two reported as net assets. Net assets are displayed in three categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted
- Unrestricted

The *Statement of Net Assets* provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information which shows how the District's net assets changed during the year. All of the Current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The *Statement of Revenues, Expenses and Changes in Net Assets* measures the success of the District's operations over the past year and determines whether the District has recovered its costs through assessments, permit fees, and other charges.

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Brazos Valley Groundwater Conservation District  
Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2014

The *Statement of Cash Flows* provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Noncapital financing
- Capital financing
- Investing

This statement differs from the *Statement of Revenues, Expenses and Changes in Net Assets* in that it accounts only for transactions that result in cash receipts and cash disbursements.

The *Notes to the Basic Financial Statements* provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Financial Highlights

During the year ending December 31, 2014, the District's operating revenue of \$688,135.43 and operating expenses of \$614,990.65 resulted in \$73,144.78 of income from operations. A financial analysis of the District follows on the next page.

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Brazos Valley Groundwater Conservation District  
 Management's Discussion and Analysis (Continued)  
 For the Year Ended December 31, 2014

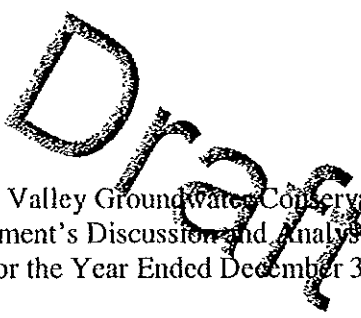
Financial Analysis of the District

Statement of Net Assets

	2014	2013	Change
Current Assets	\$ 575,573.04	\$ 394,070.06	\$ 181,502.98
Certificates of Deposit	1,182,735.57	1,237,336.14	(54,600.57)
Non-Current Assets	106,217.28	125,474.88	(19,257.60)
Total Assets	\$ 1,864,525.89	\$ 1,756,881.08	\$ 107,644.81
Current Liabilities	\$ 36,699.20	\$ 14,210.91	\$ 22,488.29
Non-Current Liabilities	-	-	-
Total Liabilities	\$ 36,699.20	\$ 14,210.91	\$ 14,861.10
Invested in Capital Assets	\$ 106,217.28	\$ 125,474.88	(\$ 19,257.60)
Restricted	-	-	-
Unrestricted	1,721,609.41	1,617,195.29	104,414.12
Total Net Assets	\$ 1,827,826.69	\$ 1,742,670.17	\$ 85,156.52
	2014	2013	Change
Operating Revenues	\$ 688,135.43	\$ 597,400.32	\$ 90,735.11
Operating Expenses	(614,990.65)	(467,981.66)	(147,008.99)
Income from operations	\$ 73,144.78	\$ 129,418.66	(\$ 56,273.88)
Non-operating revenues	\$ 12,011.74	\$ 12,009.03	\$ 2.71
Non-operating expenses	-	-	-
Non-operating revenues (expenses)	\$ 12,011.74	\$ 12,009.03	\$ 2.71
Change in Net Assets	\$ 85,156.52	\$ 141,427.69	(\$ 56,271.17)

*Changes in Net Income from Operations*

The District's operating revenues increased over the prior year due to increased water production from metered wells. The primary source of that increase was a result of requiring oil and gas hydraulic fracturing wells to pay water production fees. This came about in the form of a rule change in August, 2014. Drier conditions prevailed during 2013 resulting in slightly increased 2014 water production fees being collected from many permit holders. Also, application and renewal fees collection was markedly higher during 2014.

  
 Brazos Valley Groundwater Conservation District  
 Management's Discussion and Analysis (Continued)  
 For the Year Ended December 31, 2014

*Changes in Net Income from Operations - continued*

Operating expenses increased over the previous year for three primary reasons: (1) grant money provided for the purchase of weather stations, wireless rain gauges, and a website related to BVWaterSmart initiative; (2) increased expenditures for hydrogeological work performed by LBG-Guyton Associates related to the establishment of updated Desired Future Conditions in the 2016 Groundwater Management Area 12 regional planning process; and (3) continued improvement of the ArcGis database hosted by Half Associates.

Capital Assets

At December 31, 2014, the District had invested \$193,592.30 in capital assets net of \$87,375.02 accumulated depreciation. This amount represents a net decrease of \$19,257.60 from the prior year.

District Capital Assets

	2014	2013	Change
Land	\$ 2,400.00	\$ 2,400.00	\$ -
Building	89,970.31	89,970.31	-
Office furniture, equipment and vehicles	101,221.99	101,221.99	-
	<u>\$ 193,592.30</u>	<u>\$ 193,592.30</u>	<u>\$ -</u>
Less: Accumulated Depreciation	( 87,375.02)	( 68,117.42)	( 19,257.60)
Total Capital Assets, Net of Depreciation	<u>\$ 106,217.28</u>	<u>\$ 125,474.88</u>	<u>(\$ 19,257.60)</u>

Economic Factors

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

Contacting the District's Financial Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Brazos Valley Groundwater Conservation District's office at P. O. Box 528, Hearne, TX 77859.

BRAZOS VALLEY GROUNDWATER CONSERVATION DISTRICT

Statement of Net Position

December 31, 2014

With Comparative Totals for December 31, 2013

	December 31,	
	2014	2013
<b>Assets</b>		
Current and other assets		
Cash	\$ 556,915.07	\$ 383,371.29
Accounts receivable	18,657.97	10,698.77
Certificates of deposit	1,182,735.57	1,237,336.14
Capital assets		
Fixed assets, net of \$87,375.02 and \$68,117.42 accumulated depreciation, respectively	106,217.28	125,474.88
<b>Total Assets</b>	<b>\$ 1,864,525.89</b>	<b>\$ 1,756,881.08</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 36,699.20	\$ 14,210.91
<b>Total Liabilities</b>	<b>\$ 36,699.20</b>	<b>\$ 14,210.91</b>
<b>Net Position</b>		
Invested in capital assets, net of related debt	\$ 106,217.28	\$ 125,474.88
Unrestricted	1,721,609.41	1,617,195.29
<b>Total Net Position</b>	<b>\$ 1,827,826.69</b>	<b>\$ 1,742,670.17</b>
<b>Total Liabilities and     Net Position</b>	<b>\$ 1,864,525.89</b>	<b>\$ 1,756,881.08</b>

The accompanying notes which begin on page 14 are an integral part of this statement.

**BRAZOS VALLEY GROUNDWATER CONSERVATION DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2014**  
**With Comparative Totals for December 31, 2013**

	For the Year Ended December 31,	
	2014	2013
<b>Revenues</b>		
<b>Assessments</b>		
Rural Water - Robertson County	\$ 9,939.68	\$ 10,921.85
Rural Water - Brazos County	56,720.42	52,666.72
Municipal - Robertson County	21,768.33	21,503.02
Municipal - Brazos County	494,781.36	465,743.48
Industrial - Robertson County	6,939.33	5,240.82
Industrial - Brazos County	24,378.63	25,973.69
Agricultural - Robertson County	8,026.74	5,882.42
Agricultural - Brazos County	4,309.23	3,664.64
Industrial - oil and gas rig supply	47,371.71	-
Fees and permits	13,900.00	5,700.00
Miscellaneous income	-	103.68
<b>Total Revenues</b>	<u>\$ 688,135.43</u>	<u>\$ 597,400.32</u>
<b>Operating expenses</b>		
<b>Supplies</b>		
Office supplies	\$ 17,913.46	\$ 10,908.26
Public education	9,040.31	8,687.15
	<u>\$ 26,953.77</u>	<u>\$ 19,595.41</u>
<b>Professional services</b>		
Legal, accounting and engineering fees	\$ 223,800.98	\$ 176,125.46
<b>Salaries and benefits</b>		
Salaries	\$ 165,944.42	\$ 166,190.04
Payroll taxes	12,010.56	12,531.82
Health insurance	27,821.28	21,748.95
Retirement benefits	23,046.83	18,718.88
	<u>\$ 228,823.09</u>	<u>\$ 219,189.69</u>

The accompanying notes which begin on page 14 are an integral part of this statement.

**BRAZOS VALLEY GROUNDWATER CONSERVATION DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2014**  
**With Comparative Totals for December 31, 2013**

	For the Year Ended December 31,	
	2014	2013
Other Services		
Insurance	\$ 3,250.14	\$ 2,895.42
Advertising and legal notices	1,424.61	1,273.89
Conferences and travel	18,662.81	12,374.09
Telephone and utilities	6,273.67	7,525.69
Miscellaneous services	86,046.23	8,813.26
Dues	497.75	1,875.75
	\$ 116,155.21	\$ 34,758.10
Other Expenses		
Depreciation	\$ 19,257.60	\$ 18,313.00
Total expenses	\$ 614,990.65	\$ 467,981.66
Operating income	\$ 73,144.78	\$ 129,418.66
Non-operating revenue		
Interest income	12,011.74	12,009.03
Change in Net Position	\$ 85,156.52	\$ 141,427.69
Net Position, beginning	1,742,670.17	1,601,242.48
Net Position, ending	\$ 1,827,826.69	\$ 1,742,670.17

The accompanying notes which begin on page 14 are an integral part of this statement.

BRAZOS VALLEY GROUNDWATER CONSERVATION DISTRICT  
 Statement of Cash Flows  
 For the Year Ended December 31, 2014  
 With Comparative Totals for December 31, 2013

	For the Year Ended December 31,	
	2014	2013
Operating Activities		
Change in Net Position	\$ 85,156.52	\$ 141,427.69
Adjustments to reconcile change in Net Position to net cash provided by operating activities:		
Depreciation	19,257.60	18,313.00
(Increase) decrease in accounts receivable	( 7,959.20)	64,403.86
Increase in accounts payable and accrued expenses	22,488.29	1,620.32
Decrease in deferred revenue	-	( 642.06)
Net cash provided by operating activities	<u>\$ 118,943.21</u>	<u>\$ 225,122.81</u>
Investing activities		
Investment in certificates of deposit	\$ 54,600.57	(\$ 317,050.29)
Purchase of fixed assets	-	( 17,221.50)
Net cash provided (used) by investing activities	<u>\$ 54,600.57</u>	<u>(\$ 334,271.79)</u>
Net increase (decrease) in cash	\$ 173,543.78	(\$ 109,148.98)
Cash, beginning	<u>383,371.29</u>	<u>492,520.27</u>
Cash, ending	<u>\$ 556,915.07</u>	<u>\$ 383,371.29</u>

The accompanying notes which begin on page 14 are an integral part of this statement.



BRAZOS VALLEY GROUNDWATER CONSERVATION DISTRICT  
Notes to the Financial Statements

December 31, 2014

Note 1 – Summary of Significant Accounting Policies

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

Organization

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

Reporting Entity

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

## Basis of Accounting and Financial Statement Presentation

Basic financial statements of a governmental entity normally include both government-wide and fund financial statements. However, because the District only has one fund, only fund financial statements are presented. The District's operations are accounted for as an enterprise fund (proprietary fund type.) The focus of proprietary fund measurement is upon the determination of operating income, changes in net position, net position and cash flows.

The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

### Cash and Other Deposits

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

### Fixed Assets

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

### Net Position

Net position is divided into three components:

Invested in capital assets – this component consists of capital assets, including restricted capital assets, net of accumulated depreciation.

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

Unrestricted – this component consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

At December 31, 2014, the District has no restricted net position.

### Budgeting

The Board of Directors of Brazos Valley Groundwater Conservation District approved the budget for the year ended December 31, 2014 on November 14, 2013 and approved an amended budget on June 11, 2015. The annual budget is considered a management control and planning tool and, as such, is incorporated into the accounting system of the District.

### Assessments

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

The water producers in Robertson and Brazos Counties are assessed a fee of \$.0425/1,000 gallons of water pumped, \$0.25 per acre-foot for steam electric stations and \$.125/acre foot for agricultural irrigation. Each participant may pay its assessment monthly.

Beginning in August 2014, the District requires oil and gas hydraulic fracturing wells to pay water production fees annually at a rate of \$.0425/1,000 gallons of water pumped.

Assessments collected in the current fiscal year which are for the subsequent fiscal year are recorded as deferred revenue.

### Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended December 31, 2014, the District purchased coverage with the Texas Municipal League Intergovernmental Risk Pool to cover property and general liabilities. In addition, the District purchased commercial insurance to cover commercial crime coverage and public official bonds. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage.

### Use of Estimates

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

Note 2 – Cash

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The District's cash deposits as of and during the year ended December 31, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District's cash and certificates of deposit are considered Category 1 investments (insured or registered, or securities held by the District or its agent in the District's name).

Note 3 – Fixed Assets

The following is a summary of changes in fixed assets for the year ended December 31, 2014:

	Office Furniture, Equipment and Vehicles	Land and Building	Total
Balance - December 31, 2013	\$ 101,221.99	\$ 92,370.31	\$ 193,592.30
Additions	-	-	-
Balance - December 31, 2014	<u>\$ 101,221.99</u>	<u>\$ 92,370.31</u>	<u>\$ 193,592.30</u>

Note 4 – Commitments

The District has an engineering/hydrologist contract to perform Hydro-geological studies of the aquifers within the District to develop the appropriate science as required by law and for development of the District's management plan and rules. The total fees paid for the year ended December 31, 2014 were \$123,015.86.

The District has contracts with attorneys for general counsel expenses, developing management strategies, monitoring of legislative issues and defense of permits and regulations. The total fees paid or the year ended December 31, 2014 were \$61,423.52.

## Note 5 – Retirement Plan

### *Plan Description*

The District provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multi-employer public employee retirement system. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis.

The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the District's Board of Directors (the Board) within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more.

Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Board within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to 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 accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

### *Funding Policy*

The District has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 12.38% for the months of the accounting year in 2014.

The deposit rate payable by the employee members for calendar year 2014 was the rate of 7% as adopted by the Board. The employee deposit rate and the employer contribution rate may be changed by the Board within the options available in the TCDRS Act.

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Note 5 – Retirement Plan (continued)

*Annual Pension Cost*

The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2013 was 20 years.

*Funding Status and Funding Progress*

As of December 31, 2013, the most recent actuarial valuation date, the plan was 77.19% funded. The actuarial accrued liability for benefits was \$53,772.00 and the actuarial value of assets was \$41,504.00, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,268.00. The covered payroll (annual payroll of active employees covered by the plan) was \$165,590.00, and the ratio of the UAAL to the covered payroll was 7.41%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Information

Actuarial valuation date	12/31/2012	12/31/2013
Actuarial cost method	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, closed
Amortization period in years	20	20
Asset valuation method	10 year smoothed value ESF: Fund Value	5 year smoothed value ESF: Fund Value
Actuarial assumptions:		
Investment return*	8.0%	8.0%
Projected salary increases*	5.4%	4.9%
Inflation	3.5%	3.0%
Cost of living adjustments	0.0%	0.0%

\* Includes inflation at the stated rate

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Note 6 -- Subsequent Events

These financial statements considered subsequent events through June 11, 2015, the date the financial statements were available to be issued.

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Required Supplementary Information



**BRAZOS VALLEY GROUNDWATER CONSERVATION DISTRICT**  
 Budgetary Comparison Schedule  
 For the Year Ended December 31, 2014

	Budgeted Amounts			Actual	Variances with Budget Positive (Negative)
	Original	Amendments	Amended		
<b>OPERATING REVENUES</b>					
Groundwater usage fees fees and assessments	\$636,124.65	\$ -	\$636,124.65	\$ 688,135.43	\$ 52,010.78
<b>OPERATING EXPENSES</b>					
Supplies	\$ 50,500.00	\$ -	\$ 50,500.00	\$ 26,953.77	\$ 23,546.23
Professional services	203,600.00	20,201.00	223,801.00	223,800.98	0.02
Salaries and benefits	237,100.00	-	237,100.00	228,823.09	8,276.91
Other services	92,300.00	90,000.00	182,300.00	116,155.21	66,144.79
Other expenses	16,500.00	2,758.00	19,258.00	19,257.60	0.40
Total Operating Expenses	<u>\$600,000.00</u>	<u>\$ 112,959.00</u>	<u>\$712,959.00</u>	<u>\$ 614,990.65</u>	<u>\$ 97,968.35</u>
Operating Income	\$ 36,124.65	(\$ 112,959.00)	(\$ 76,834.35)	\$ 73,144.78	\$ 149,979.13
<b>NON-OPERATING REVENUE</b>					
	-	-	-	12,011.74	12,011.74
Change in Net Position	<u>\$ 36,124.65</u>	<u>(\$ 112,959.00)</u>	<u>(\$76,834.35)</u>	\$ 85,156.52	<u>\$ 161,990.87</u>
Net Position - beginning of year				<u>1,742,670.17</u>	
Net Position - end of year				<u>\$ 1,827,826.69</u>	

BRAZOS VALLEY GROUND WATER CONSERVATION DISTRICT  
 Schedule of Funding Progress  
 December 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered ((b-a)/c)
12/31/2012	\$ 9,279.00	\$ 9,279.00	\$ -	100.00%	\$ 119,465.00	0.00%
12/31/2013	41,504.00	53,772.00	12,268.00	77.19%	165,590.00	7.41%