

ALTON D. THIELE, P.C.

Certified Public Accountant

P O Box 808

Belton, TX 76513

Invoice

Date	Invoice #
7/9/2021	23747

Bill To
Post Oak Savannah Groundwater Conservation District P O Box 92 Milano, TX 76556

Terms
Due on receipt

Description	Amount
Annual audit for the year ended December 31, 2020	7,800.00
WE ACCEPT VISA MC AMEX Our terms are listed above and our finance charges ar 1.50% per month, 18% annually percentage rate. Minimum=\$5.00	

Visit the Website
At
www.adtcpa.com

Phone #

254-939-0701

E-mail

alton@adtcpa.com

Total	\$7,800.00
Balance Due	\$7,800.00
Customer Total Balance	\$7,800.00

**POST OAK SAVANNAH GROUNDWATER
CONSERVATION DISTRICT**

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

DECEMBER 31, 2020

ALTON D. THIELE, P. C.

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

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-5
Financial Section	
Statement of Net Position	6
Statement of Revenues, Expenditures, and Change in Net Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-20
Required Compliance and 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>	21
Statement of Revenue and Expenditures- Budget to Actual	22
Contingent Liabilities and Encumbered Budget Items	23
Schedule of Changes in Net Pension Liability and Related Ratios	24
Schedule of Employer Contributions	25

ALTON D. THIELE, P. C.

Certified Public Accountant
300 E. Ave C
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 year ended, December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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 controls relevant to the entity's preparation and fair presentation of the financial statements 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, 2020, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year 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 management's discussion and analysis (pages 3 – 5), budgetary comparison information (page 22), the Schedule of Changes in Net Pension Liability and Related Ratios (page 24), and the Schedule of Employer Contributions (page 25) be presented to supplement the basic financial statements. Such information, though not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic and/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 June 20, 2021, on our consideration of the 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.

Prior Period Financial Statements

The audit of the financial statements of the District as of December 31, 2019, is presented for comparative purposes and the Board approved audit report, dated May 11, 2020, expressed an unmodified opinion on those statements.

A handwritten signature in black ink, appearing to read "Michael Howe". The signature is fluid and cursive, with a large initial "M" and a stylized "H".

June 20, 2021

Belton, Texas

**POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**
(with information as of December 31, 2019, presented for comparative purposes)

This section of the Post Oak Savannah Groundwater Conservation District (the District) annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended on December 31, 2020. Please read it in conjunction with the District's basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

- ** The District's total net position was \$4,855,201
- ** Cash and investments had a net increase of \$295,173
- ** Capital assets, net of accumulated depreciation, decreased by \$56,065
- ** Liabilities had a net decreased of \$51,920
- ** Deferred Outflows of Resources decreased by \$37,146
- ** Deferred Inflows of Resources decreased by \$156,156

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 with related notes and required supplemental information. 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; this is its major fund for reporting 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 SECTION

**POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**
(with information as of December 31, 2019, presented for comparative purposes)

FINANCIAL ANALYSIS OF THE DISTRICT

Net Position - Proprietary Fund

	Enterprise Fund		Change
	2020	2019	
Current Assets	\$ 4,449,220	\$ 4,287,742	\$ 161,478
Capital Assets (net)	642,664	698,729	(56,065)
Other Non-current Assets	54,879	20,506	34,373
Deferred Outflows of resources	3,353	40,499	(37,146)
Total Assets and Deferred Outflows of Resources	<u>\$ 5,150,116</u>	<u>\$ 5,047,476</u>	<u>\$ 102,640</u>
Liabilities	\$ 196,211	\$ 248,131	\$ (51,920)
Deferred Inflows of Resources	98,704	254,860	(156,156)
Net Position			
Investment in Capital Assets	642,664	698,729	(56,065)
Unrestricted fund balance	4,212,537	3,845,756	366,781
Total Net Position	<u>4,855,201</u>	<u>4,544,485</u>	<u>310,716</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 5,150,116</u>	<u>\$ 5,047,476</u>	<u>\$ 102,640</u>

The balance of unrestricted net position, (87%) 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 FY2020, the District reported a favorable balance in the Unrestricted fund balance and a negative balance in the Investment in Capital Assets. Net position increased substantially due primarily to an increase in program and transport permit fees revenue.

**POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**
(with information as of December 31, 2019, presented for comparative purposes)

Change in Net Position - Proprietary Fund

	Enterprise Fund		
	2020	2019	Change
Operating Revenues			
Charges for programs, permits, and fees	\$ 3,105,902	\$ 2,695,388	\$ 410,514
Non-operating Revenues			
Investment earnings	37,393	47,468	(10,075)
Total Revenues	3,143,295	2,742,856	400,439
Operating Expenditures			
Expenditures from business-type activities	2,770,696	1,907,701	862,995
Depreciation	59,970	58,385	1,585
Non-operating expenditures			
Other expenses	1,913	328	1,585
Total Expenditures	2,832,579	1,966,414	866,165
Other Income			
Gain (loss) on disposition of assets	-	-	-
Increase (decrease) in Unrestricted Net Position	310,716	776,442	(465,726)
Prior period adjustment	-	2,002	(2,002)
Net Position, beginning of the year	4,544,485	3,766,042	778,443
Net Position, end of the year	\$ 4,855,201	\$ 4,544,485	\$ 310,716

CAPITAL ASSETS AND DEBT

- ** Capital assets increased a net \$3,905
- ** Accumulated depreciation had a net increase of (\$59,970)
- ** Net change in capital assets is \$56,065

See Note 3 for more details regarding capital assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's budgeted expenditures for the fiscal year of 2021 are expected to be \$5,184,016 and funded by the collections of relevant fees; these are assessed by the district for the production and transport of water within the District's boundaries.

FUTURE EVENTS

In 2006, the District started its conservation and assistance grant program. At December 31, 2020, the total balance to fund was \$1,162,727, net of \$247,441 of contractual forfeitures (See Note 4, Contingent Liability). This does not include any possible grants awarded in 2021 that could be available in the future if funds are available, and the Board of Directors choose to.

FINANCIAL CONTACT

The District's financial statements are designed to present users (citizens, creditors, and regulatory agencies) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District's Management at 310 E. Avenue C., PO Box 92, Milano, TX 76556.

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2020

(with information as of December 31, 2019 presented for comparative purposes)

ASSETS	Enterprise Fund Water Programs & Transport Fund 2020	Enterprise Fund Water Programs & Transport Fund 2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,841,228	\$ 1,572,848
Invested funds	1,334,856	2,308,063
Accounts receivable	273,136	406,831
Total Current Assets	<u>4,449,220</u>	<u>4,287,742</u>
NON-CURRENT ASSETS		
Capital Assets		
Land	3,225	3,225
Field and monitoring equipment	407,983	404,078
District vehicle(s) and related equipment	75,380	75,380
Office equipment	83,818	83,818
Buildings	348,931	348,931
Total Capital Assets	<u>919,337</u>	<u>915,432</u>
Accumulated depreciation	<u>(276,673)</u>	<u>(216,703)</u>
Total Capital Assets (net of accumulated depreciation)	642,664	698,729
OTHER ASSETS		
Net Pension Asset	<u>54,879</u>	<u>20,506</u>
Total Other Assets	<u>54,879</u>	<u>20,506</u>
TOTAL ASSETS	<u><u>\$ 5,146,763.00</u></u>	<u><u>\$ 5,006,977.00</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension benefits	3,353	40,499
Total Deferred Outflows of Resources	<u><u>\$ 3,353.00</u></u>	<u><u>\$ 40,499.00</u></u>
DEFERRED INFLOWS OF RESOURCES		
Transport and program fees	98,704	254,860
Total Deferred Inflows of Resources	<u><u>\$ 98,704.00</u></u>	<u><u>\$ 254,860.00</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	148,999	211,836
Payroll liabilities	4,427	24
Total Current Liabilities	<u>153,426</u>	<u>211,860</u>
NON-CURRENT LIABILITIES		
Compensated absences	10,700	8,786
Exempt well permit deposits	32,085	27,485
Total Non-current Liabilities	<u>42,785</u>	<u>36,271</u>
NET POSITION		
Net investment in capital assets	642,664	698,729
Unrestricted net position	4,212,537	3,845,756
Total Net Position	<u><u>\$ 4,855,201</u></u>	<u><u>\$ 4,544,485</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 YEAR ENDED DECEMBER 31, 2020

(with information as of December 31, 2019 presented for comparative purposes)

	Enterprise Fund Water Programs & Transport Fund 2020	Enterprise Fund Water Programs & Transport Fund 2019
OPERATING REVENUES		
Program fees	\$ 545,424	\$ 523,595
Transport permit fees	2,468,773	2,154,932
Drilling permit fees	2,300	2,300
Miscellaneous income	49,119	3,957
Permit fees other	40,286	10,604
Total Operating Revenues	<u>3,105,902</u>	<u>2,695,388</u>
OPERATING EXPENDITURES		
Conservation grants	1,707,810	946,875
Advertising	4,381	7,215
Depreciation	59,970	58,640
Dues	5,675	10,731
Education and public relations	36,052	58,385
Hydrologist and other associated expenses	410,173	287,281
Vehicle expense	2,368	8,014
Insurance - bond and liability	4,539	5,201
Office supplies	21,370	17,931
Salaries	322,495	327,845
Payroll taxes and employee benefits	81,637	76,758
Pension expense	14,351	15,964
Postage and delivery	4,232	3,122
Legal fees	91,275	77,297
Other professional fees	26,093	22,523
Building repairs	13,571	4,715
Telephone	13,789	12,040
Travel and entertainment	6,416	20,866
Utilities	4,469	4,683
Total Operating Expenditures	<u>2,830,666</u>	<u>1,966,086</u>
Excess of Operating Revenue over Operating Expenditures	275,236	729,302
NONOPERATING REVENUES (EXPENDITURES)		
Interest income	37,393	47,468
Compensated absence expense	(1,913)	(328)
Total Nonoperating Revenues (Expenditures)	<u>35,480</u>	<u>47,140</u>
Increase in Net Position	310,716	776,442
Prior period adjustment	-	2,002
NET POSITION BEGINNING BALANCE	<u>4,544,485</u>	<u>3,766,042</u>
NET POSITION ENDING BALANCE	<u>\$ 4,855,201</u>	<u>\$ 4,544,485</u>

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

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(with information as of December 31, 2019 presented for comparative purposes)

	Enterprise Fund Water Programs & Transport Fund 2020	Enterprise Fund Water Programs & Transport Fund 2019
<u>Cash Flows from Operating Activities</u>		
Cash received from customers	\$ 3,102,492	\$ 2,548,631
Cash payments to suppliers	(2,480,918)	(1,390,221)
Cash payments to employees	(322,495)	(327,845)
Net Cash Provided by Operating Activities	299,079	830,565
<u>Cash Flows from Capital and Related Investing Activities</u>		
Cash provided by/(used in) investing activities	973,206	(1,032,123)
Cash used to acquire capital assets	(3,905)	(86,312)
Retirement of capital assets	-	-
Net Cash Provided By/(Used In) Capital and Related Investing Activity	969,301	(1,118,435)
Net (Decrease) Increase in Cash and Cash Equivalents	1,268,380	(287,870)
Cash and cash equivalents - beginning of year	1,572,848	1,860,718
Cash and cash equivalents - end of year	<u>\$ 2,841,228</u>	<u>\$ 1,572,848</u>
<u>Reconcillation of operating income to net cash provided by or (used for) operating activities:</u>		
Change in net position	\$ 310,716	\$ 776,442
Adjustments to reconcile operating increase in net position to net cash provided by operating activities:		
Depreciation expense	59,970	58,640
Prior period adjustment	-	2,002
(Increase) decrease in accounts receivable	133,695	(349,458)
(Increase) decrease in net pension asset	(34,373)	38,039
(Increase) decrease in deferred outflows of resources	37,146	(32,005)
Increase (decrease) in accounts payable	(62,837)	154,102
Increase (decrease) in accrued payables	4,405	(10,381)
Increase (decrease) in permit deposits	4,600	6,100
Increase (decrease) in deferred inflows of resources	(156,156)	186,757
Increase (decrease) in compensated absences	1,913	327
Total adjustments	(11,637)	54,123
Net Cash Provided By Operating Activities	<u>299,079</u>	<u>830,565</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 on April 20, 2001, by the 77th Legislature of the State of Texas, with House Bill 1784, Article III, Section 3.01, under Section 59, Article XVI, of the Texas Constitution. Upon recodification by the 84th Texas Legislature, while the former is still true, enabling legislations are now (Texas Codes, Special District local laws code, Title 6, Subtitle H, Chapter 8865). 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, grant contracts, any permits, sets rates for permits and fees, 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 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 to promote, manage and educate regarding the 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 may 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, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (the Statement). The District implements the Statement as applicable. Significant changes made by the Statement include:

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

Government-wide financial statements are prepared using full accrual accounting for all 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. Restricted fund balances indicate a portion of the fund balance which is not available, or is legally segregated, for expenditure or a specific future use. The transactions of the District are accounted for in the following fund(s):

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**

Note 2 - Summary of Significant Accounting Policies (continued)

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 and 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. Accounts Receivable

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, 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 of more than three 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. Repairs and maintenance costs 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	5-40 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*. 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 reports information pertaining to relevant disclosures of the defined benefit pension plan, as required by the implementation of GASB 68 and certain prepaid expenses.

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 was a material amount of these fees deferred and was recognized as a deferred inflow of resources from 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, that are 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**

Note 2 - Summary of Significant Accounting Policies (continued)

The District can also report portions of the proprietary fund balance as unassigned if not reported as:

1. *Non-spendable* – Amounts that cannot be spent because they are either not in a spendable form, or are legally, or contractually, required to be maintained intact.
2. *Restricted* – Amounts with restrictions imposed externally by creditors, grantors, contributors, 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 reserved 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, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
Business-type Activities				
<u>Capital Assets, not being depreciated:</u>				
Land	\$ 3,225	\$ -	\$ -	\$ 3,225
Total not depreciated	<u>3,225</u>	<u>-</u>	<u>-</u>	<u>3,225</u>
<u>Capital Assets, to be depreciated:</u>				
Buildings and improvements	348,931	-	-	348,931
Office equipment	83,818	-	-	83,818
District vehicles	75,380	-	-	75,380
Monitoring equipment	<u>404,078</u>	<u>3,905</u>	<u>-</u>	<u>407,983</u>
Investment in capital assets to be depreciated	<u>912,207</u>	<u>3,905</u>	<u>-</u>	<u>916,112</u>
<u>Accumulated depreciation:</u>				
Buildings and improvements	(31,148)	(10,173)	-	(41,321)
Office equipment	(58,294)	(6,103)	-	(64,397)
District vehicles	(41,339)	(14,789)	-	(56,128)
Monitoring equipment	<u>(85,922)</u>	<u>(28,905)</u>	<u>-</u>	<u>(114,827)</u>
Total accumulated depreciation	<u>(216,703)</u>	<u>(59,970)</u>	<u>-</u>	<u>(276,673)</u>
Total capital assets depreciated, net of accumulated depreciation	<u>695,504</u>	<u>(56,065)</u>	<u>-</u>	<u>639,439</u>
Business-type Activities				
<u>Capital Assets, net of accumulated depreciation</u>	<u>\$ 698,729</u>	<u>\$ (56,065)</u>	<u>\$ -</u>	<u>\$ 642,664</u>

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

Note 3 - Capital Assets (continued)

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Business-type Activities				
Capital Assets, not being depreciated:				
Land	\$ 3,225	\$ -	\$ -	\$ 3,225
Total not depreciated	<u>3,225</u>	<u>-</u>	<u>-</u>	<u>3,225</u>
Capital Assets, to be depreciated:				
Buildings and improvements	348,931	-	\$ -	\$ 348,931
Office equipment	83,938	-	(120)	83,818
District vehicles	75,380	-	-	75,380
Monitoring equipment	<u>317,767</u>	<u>86,311</u>	<u>-</u>	<u>404,078</u>
Investment in capital assets to be depreciated	<u>826,016</u>	<u>86,311</u>	<u>(120)</u>	<u>912,207</u>
Accumulated depreciation:				
Buildings and improvements	(20,498)	(10,650)	-	(31,148)
Office equipment	(48,645)	(9,769)	120	(58,294)
District vehicles	(26,263)	(15,076)	-	(41,339)
Monitoring equipment	<u>(62,777)</u>	<u>(23,145)</u>	<u>-</u>	<u>(85,922)</u>
Total accumulated depreciation	<u>(158,183)</u>	<u>(58,640)</u>	<u>120</u>	<u>(216,703)</u>
Total capital assets depreciated, net of accumulated depreciation	<u>667,833</u>	<u>27,671</u>	<u>-</u>	<u>695,504</u>
Business-type Activities				
Capital Assets, net of accumulated depreciation	<u>\$ 671,058</u>	<u>\$ 27,671</u>	<u>-</u>	<u>\$ 698,729</u>

Note 4 - Long-Term Liabilities and Contingent Liabilities

The District has no long-term debt for the fiscal year ended December 31, 2020.

Contingent Liabilities

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

<u>Water Conservation Grants</u>	
2018 Grant Awards Still to Fund	<u>\$34,159</u>
2018 Forfeitures	<u>(34,159)</u>
2019 Grant Awards Still to Fund	<u>40,536</u>
2019 Forfeitures	<u>(213,282)</u>
2020 Grant Awards Still to Fund	<u>935,473</u>
2020 Forfeitures	<u>-</u>
Remaining Balance to Fund (net)	<u>\$1,162,727</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. There are three other grant programs that are considered encumbered in the budget but were not considered obligated at fiscal year-end. Forfeited amounts added as Grant Awards Still to Fund are not to be funded, but rather are forfeitures that were left to be funded at the end of 2020. Also, an adjustment of \$35,000 was subtracted from the Outstanding Grants, on Page 23, to correct the total award amount for City of Thorndale, which should have been \$350,000 (see Schedule on pg. 23).

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

Note 5 – Cash Deposits and Investments with Financial Institutions

The District's cash and cash equivalents at December 31, 2020, were fully covered by federal depository insurance or pledged securities. The Texas Treasury Safekeeping Trust Company (TexPool) investments were not covered by federal depository insurance 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, cash equivalents, and temporary investments at December 31, 2020, are shown below.

	Proprietary Fund		
	2020	2019	\$ Change
<u>Citizen's National Bank</u>			
<u>Cash</u>			
Operating Account	\$ 2,551	\$ 10,463	\$ (7,912)
Petty Cash (on hand)	100	100	-
	<u>2,651</u>	<u>10,563</u>	<u>(7,912)</u>
<u>Cash Equivalents</u>			
Money Market Account	2,799,296	1,514,355	1,284,941
ACP Account	7,637	20,790	(13,153)
Well Account	31,643	27,140	4,503
	<u>2,838,576</u>	<u>1,562,285</u>	<u>1,276,291</u>
<u>Investment in:</u>			
TexPool	36,553	1,031,606	(995,053)
Certificate of Deposit	1,298,304	1,276,457	21,847
	<u>1,334,857</u>	<u>2,308,063</u>	<u>(973,206)</u>
Total Cash, Cash Equivalents, and Invested	<u>\$ 4,176,084</u>	<u>\$ 3,880,911</u>	<u>\$ 295,173</u>

Fair value measurement: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 – Inputs based on quoted prices in active markets for identical assets or liabilities; in an active market, transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 – Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The market value for the above listed accounts is not materially different from the carrying value of the accounts and all are valued at Level 1.

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 to address 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, 2020, were covered by depository insurance or by pledged collateral held by the District's agent bank in the District's name.

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

Note 5 – Cash Deposits and Investments with Financial Institutions (continued)

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.

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 awarded 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 awarded after continuous employment of one year based on the hire date of the employee. The award maximum is fifteen business days (120 hours) for an employee after five years of continuous service. An employee may not carry-over annual leave to the next available period. Remaining leave is paid if unused before their anniversary date, or upon termination. Compensated absences accrual at fiscal year-end was \$10,700 and reported as a liability in 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 (48 hours) in a calendar year and upon separation from employment; no unused sick leave will be paid. Unused sick leave at fiscal year-end was not material to these financial statements.

C. Retirement Plan

Plan Description

The District provides pension benefits for all 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). TCDRS's Board of Trustees is responsible for the administration of a statewide, agent multiple-employer and public employee retirement system, consisting of over 600 cash balance-like defined benefit pension plans. Each of the participating entities has an annual, individual actuarial valuation performed. All assumptions for the valuations are contained in the relevant TCDRS Comprehensive Annual Financial Report (CAFR), a current copy of which may be obtained by writing to TCDRS, PO Box 2034, Austin, TX 78768-2034 or by visiting their website www.tcdrs.org.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 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. Members are vested after 5 years 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 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 of 7% of their salaries up to 3.60%, increased from the 3.10%, previously contributed upon recommendation of TCDRS. As of the years ended December 31, 2020 and 2019, the District match was \$11,578 and \$9,931, respectively.

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

Note 6 – Employee Benefits (continued)

Funding Policy

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 required minimum contribution rate of the employer will be actuarially determined annually. It was 3.60% for the calendar year 2020. The contribution rate payable by the employee members is the rate of 7.00%, as adopted by the governing body of the employer. The employee and employer contribution rates may be changed by the governing body of the employer, within the options available in the TCDRS Act.

Net Pension Liability / (Asset)	12/31/2019	12/31/2018
Total pension liability	\$486,146	\$415,778
Fiduciary net position	541,025	436,285
Net pension liability / (asset)	-54,879	-20,506
Fiduciary net position as a % of total pension liability	111.29%	104.93%
Pensionable covered payroll ⁽¹⁾	\$320,352	\$295,262
Net pension liability as a % of covered payroll	-17.13%	-6.95%

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

Note: Rounding differences may exist above or in other tables in this report.

(1) Payroll is calculated based on contributions as reported to TCDRS.

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2018	\$ 415,778	\$ 436,285	\$ (20,508)
Changes for the year:			
Service cost	34,671	-	34,671
Interest on total pension liability ⁽¹⁾	36,486	-	36,486
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(790)	-	(790)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(412)	412
Member contributions	-	22,425	(22,425)
Net investment income	-	71,614	(71,614)
Employer contributions	-	9,931	(9,931)
Other ⁽³⁾	-	1,183	(1,183)
Balances as of December 31, 2019	\$ 486,146	\$ 541,025	\$ (54,879)

(columns may not foot due to rounding)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

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

Note 6 – Employee Benefits (continued)

C Retirement Plan (continued)

Discount Rate

	<u>2019</u>	<u>2018</u>
Discount rate ⁽²⁾	8.10%	8.10%
Long-term expected rate of return, net of investment expense ⁽²⁾	8.10%	8.10%
Municipal bond rate ⁽³⁾	Does not apply	Does not apply

⁽²⁾ This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

⁽³⁾ The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply. See page 6 of the TCDRS report for further details.

Sensitivity of the Net Pension Liability/(Asset) to the Discount Rate

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the Post Oak Savannah Groundwater Conservation District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 549,042	\$ 486,146	\$ 432,582
Fiduciary net position	541,025	541,025	541,025
Net pension liability / (asset)	<u>\$ 8,017</u>	<u>\$ (54,879)</u>	<u>\$(108,443)</u>

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

Note 6 – Employee Benefits (continued)

C Retirement Plan (continued)

Long Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected Minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Developed	MSCI World Ex USA (net)	7.00%	5.20%
International Equities - Emerging	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S & P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLP)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%
		100.00%	5.19% avg

⁽¹⁾ Target asset allocation adopted at the June 2020 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation of 1.80%, per Cliffwater's 2020 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

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

Note 6 – Employee Benefits (continued)

C Retirement Plan (continued)

Deferred Outflows and Inflows of Resources Related to Pensions

As of December 31, 2019 (measurement year), the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows <u>Of Resources</u>	Deferred Outflows <u>Of Resources</u>
Differences between expected and actual experience	\$1,709	\$2,555
Changes of assumptions	-	1,576
Net difference between projected and actual earnings	10,647	-
Contributions made after measurement date ⁽³⁾	-	11,578
	<u>12,356</u>	<u>15,709</u>
Net of Deferred Inflows to Deferred Outflows		<u>\$ 3,353</u>

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

Year ended December 31:	2020	\$ (1,945)
	2021	(2,576)
	2022	1,705
	2023	(6,711)
	2024	280
	Thereafter ⁽⁴⁾	1,022

⁽³⁾ Any eligible employer contributions made after the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of the TCDRS GASB 68 report.

⁽⁴⁾ Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

Pension Expense / (Income)

Pension Expense / (Income)	<u>January 1, 2019 to December 31, 2019</u>
Service Cost	\$ 34,671
Interest on total pension liability ⁽¹⁾	36,486
Effect of plan changes	-
Administrative expenses	412
Member contributions	(22,425)
Expected investment return net of investment expenses	(36,655)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	62
Recognition of assumption changes or inputs	218
Recognition of investment gains or losses	2,764
Other ⁽²⁾	<u>(1,183)</u>
Pension Expense / (Income)	<u>\$ 14,351</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ Relates to allocation of system-wide items.

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

Note 6 – Employee Benefits (continued)

C Retirement Plan (continued)

Schedule of Deferred Inflows and Outflows of Resources

Original Amount (a)	Date Established (b)	Original Recognition Period ⁽¹⁾ (c)	Amount Recognized for 2019 Expense ⁽¹⁾ (a) + (c)	Balance of Deferred Inflows 12/31/2019	Balance of Deferred Outflows 12/31/2019
Investment (gains) or losses					
\$ (34,959)	12/31/2019	5.0	(6,992)	27,967	0
42,089	12/31/2018	5.0	8,418	0	\$ 25,253
(21,410)	12/31/2017	5.0	(4,282)	8,564	0
3,159	12/31/2016	5.0	632	0	631
24,936	12/31/2015	5.0	4,988	0	0
3,860	12/31/2014	5.0	0	0	0
Economic/ demographic (gains) or losses					
(790)	12/31/2019	8.0	(99)	691	0
(517)	12/31/2018	9.0	(57)	403	0
2,007	12/31/2017	14.0	143	0	1,578
(855)	12/31/2016	11.0	(78)	544	0
(122)	12/31/2015	12.0	(10)	71	0
1,955	12/31/2014	12.0	163	0	977
Assumption changes or inputs					
0	12/31/2019	8.0	0	0	0
0	12/31/2018	9.0	0	0	0
203	12/31/2017	14.0	15	0	159
0	12/31/2016	11.0	0	0	0
2,431	12/31/2015	12.0	203	0	1,417
0	12/31/2014	12.0	0	0	0
Employer contributions made after measurement date⁽²⁾					
	12/31/2020				11,578
Total			\$ 3,044	\$ 38,240 (*)	\$ 30,015
Net Deferred Outflows				\$3,353	

⁽¹⁾ Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

⁽²⁾ Any eligible employer contributions made after the measurement date through the employer's fiscal year end should be reflected as deferred outflows as outlined in Appendix D of the TCDRS GASB 68 Report.

(*) balances may not agree due to rounding issues in the TCDRS report

Note 7 – Prior Period Adjustment

Two adjusting entries (AUD 20 – 3 and AUD 20 – 4) were required to reconcile the management provided 2019 QuickBooks trial balance with the 2019 audited trial balance, shown on Illustration #1. However, there were no prior period adjustments for 2020.

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

Note 8 – Economic Dependence

Permit Fees and Program Fees make up 98.42% of all revenue for the District. Two entities (Blue Water System LP & Vista Ridge LLC) comprise 92% of the Permit Fees and three entities (ALCOA, Blue Water System LP & Vista Ridge LLC) comprise 86.20% of Program Fees. Of these three entities, two entities are the same in each category and comprise 84.16% of all revenue, with one of them at 60.45%. These entities are under contract for these fees as outlined in the District fee schedule.

Note 9 – Subsequent Events

Management has evaluated subsequent events through June 20, 2021; the date the financial statements were available to be issued. There were 2021 grant awards to which the Board of Directors agreed via a vote; however, there were no events that warrant a change to the financial statements for the fiscal year ending December 31, 2020.

REQUIRED COMPLIANCE AND 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, 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements; we have issued our report thereon dated June 20, 2021.

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 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, detect and/or 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, detected and/or 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.

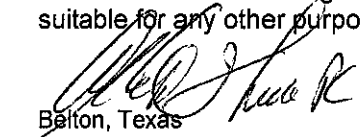
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designated to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we believe to be 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 misstatements, we performed tests of its compliance with certain legal provisions, 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

June 20, 2021

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
Profit & Loss Budget vs. Actual
January through December 2020

	Adopted Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES	2,884,498	-	2,884,498	3,143,295	258,797
EXPENSES					
Advertising	7,000	-	7,000	4,381	(2,619)
Education	85,000	-	85,000	36,052	(48,948)
Field and Lab Equipment	5,000	-	5,000	7,364	2,364
General Hydrologist	78,650	(28,650)	50,000	76,207	26,207
GMA 12 Hydrologist	75,000	-	75,000	48,369	(26,631)
GMA 8 Hydrologist	5,000	(2,500)	2,500	4,239	1,739
Auto	10,000	-	10,000	2,368	(7,632)
Fire Department Foam Reimbursement	-	-	-	5,942	5,942
Depreciation	-	-	-	59,970	59,970
Dues	10,000	-	10,000	5,675	(4,325)
Insurance	58,000	-	58,000	56,803	(1,197)
Loss on Disposition of Assets	-	-	-	-	-
Miscellaneous	500	-	500	321	(179)
Postage	5,000	-	5,000	4,232	(768)
Professional Fees	117,500	(1,500)	116,000	117,367	1,367
Repairs	13,600	(3,600)	10,000	13,571	3,571
Telephone	14,000	(4,000)	10,000	13,789	3,789
Travel	18,000	-	18,000	6,416	(11,584)
Utilities	8,000	-	8,000	4,469	(3,531)
Office Supplies	21,500	(5,500)	16,000	21,370	5,370
Payroll & Benefits	418,358	-	418,358	368,132	(50,226)
Monitoring Program	234,000	(109,000)	125,000	(1) 201,413	76,413
Well Assistance Program	153,050	(53,050)	100,000	117,546	17,546
Rainwater Harvesting Program	75,000	-	75,000	58,554	(16,446)
Advanced Aquifer Improvements + Brush	130,000	-	130,000	108,860	(21,140)
Conservation Programs	2,726,749	(1,676,749)	1,050,000	1,408,694	358,694
Aquifer Conservancy Program	657,456	(157,456)	500,000	80,476	(419,524)
	4,926,363	(2,042,005)	2,884,358	2,832,580	(51,778)
Excess (Deficit) of Revenues Over Expenditures (from operations)	(2,041,865)	2,042,005	140	310,715	310,575
(for additional budgetary analysis)					
Capital Expenditures:					
Monitoring equipment	-	-	-	(1) 3,905	-
Office Equipment	-	-	-	-	-
Total Capital Expenditures	-	-	-	3,905	-

(1) Capital Expenditures for the Monitoring Equipment impact on budget

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
CONTINGENT LIABILITIES AND ENCUMBERED BUDGET ITEMS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Beginning Balance</u>	<u>Change</u>	<u>Final</u>	<u>Outstanding Grants</u>
Contingent Liability:				
Outstanding conservation grant awards	1,723,643	(278,475)	1,445,168	1,445,168
Adjustments		(35,000)	(35,000)	(35,000)
Forfeitures	-	(247,441)	(247,441)	(247,441)
Total Contigent Liability (net of forfeitures)				<u>1,162,727</u>

	<u>Adopted Budget</u>	<u>Amendments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Encumbrances:					
EXPENDITURES					
Conservation grant	2,726,749	(1,676,749)	1,050,000	1,408,694	(358,694)
Well assistance grant	153,050	(53,050)	100,000	117,546	(17,546)
Monitoring and other programs expense	234,000	(109,000)	125,000	201,413	(76,413)
Aquifer Conservancy Program	657,456	(157,456)	500,000	80,476	419,524
	<u>3,771,255</u>	<u>(1,996,255)</u>	<u>1,775,000</u>	<u>1,808,129</u>	<u>(33,129)</u>

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

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - EMPLOYEES' PENSION
PLAN

For the Fiscal Year Ended December 31, 2020

	Measurement Year Ended December 31				
	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 34,671	\$ 29,802	\$ 25,766	\$ 26,716	\$ 25,104
Interest (on the Total Pension Liability)	36,486	31,193	26,457	21,588	18,110
Effect of plan changes	-	-	-	-	(4,278)
Effect of assumption changes or inputs	-	-	203	-	2,431
Effect of economic/demographic (gains) or losses	(790)	(517)	2,007	(855)	(122)
Benefit payments, including refunds of employee contributions	-	-	-	-	-
Net Change in Pension Liability	70,367	60,478	54,433	47,449	41,245
Total Pension Liability - Beginning	415,778	355,300	300,867	253,418	212,173
Total Pension Liability - Ending (a)	<u>\$ 486,145</u>	<u>\$ 415,778</u>	<u>\$ 355,300</u>	<u>\$ 300,867</u>	<u>\$ 253,418</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 9,931	\$ 8,592	\$ 7,064	\$ 15,140	\$ 15,086
Contributions - Employee	22,425	20,668	18,112	16,305	16,247
Net investment income	71,614	(7,383)	49,852	21,166	(2,818)
Benefit payments, including refunds of employee contributions	-	-	-	-	-
Administrative expense	(412)	(350)	(275)	(230)	(196)
Other	1,183	913	335	2,688	(23)
Net Change in Plan Fiduciary Net Position	104,741	22,440	75,087	55,069	28,296
Plan Fiduciary Net Position - Beginning	436,285	413,844	338,758	283,689	255,393
Plan Fiduciary Net Position - Ending (b)	<u>\$ 541,025</u>	<u>\$ 436,283</u>	<u>\$ 413,844</u>	<u>\$ 338,758</u>	<u>\$ 283,689</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ (54,879)</u>	<u>\$ (20,506)</u>	<u>\$ (58,545)</u>	<u>\$ (37,891)</u>	<u>\$ (30,271)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.29%	104.93%	116.48%	112.59%	111.95%
Covered Employee Payroll	\$ 320,352	\$ 295,262	\$ 258,738	\$ 232,926	\$ 232,101
Net Pension Liability as a Percentage of Covered Employee Payroll	(17.13%)	(6.95%)	(22.63%)	(16.27%)	(13.04%)

Notes to Schedule:

As accumulated data is available, ten year history will be disclosed.

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS-EMPLOYEES' PENSION PLAN
For The Year Ended December 31, 2020

Year Ending December 31	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual contribution as a % of Covered Payroll
2008	\$ 5,528	\$ 6,338	\$ (809)	\$ 97,501	6.5%
2009	7,094	8,147	(1,053)	125,334	6.5%
2010	8,080	9,230	(1,150)	142,001	6.5%
2011	9,361	11,416	(2,055)	175,626	6.5%
2012	9,557	11,923	(2,366)	183,427	6.5%
2013	10,053	12,688	(2,635)	195,199	6.5%
2014	10,043	13,978	(3,935)	215,051	6.5%
2015	10,050	15,086	(5,036)	232,101	6.5%
2016	9,643	15,140	(5,497)	232,926	6.5%
2017	7,064	7,064	-	258,738	2.7%
2018	8,592	8,592	-	295,262	2.9%
2019	9,931	9,931	-	320,352	3.1%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	0.0 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset valuation method	5 year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career (including inflation)
Investment rate of return	8.00%, net of investment expenses (including inflation)
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for Males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate Scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule.

*Only changes that affect benefits and that are effective 2015 and later are shown in the Notes to Schedule.

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

**POST OAK SAVANNAH
GROUNDWATER CONSERVATION DISTRICT
COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE
DECEMBER 31, 2020**

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, 2020. 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 31, 2020. 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. No new accounting policies were adopted, and the application of existing policies was not changed during the fiscal year ended December 31, 2020. 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, or will, correct all such misstatements. In addition, there were misstatements detected as a result of audit procedures, corrected by management, that were material, either individually or in the aggregate, to the financial statements taken as a whole. See the recommended audit adjustments for details. (Illustration 1, attached)

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; this 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 June 20, 2021.

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 issues were discussed with management during audit.

A. Adjusting Entries

It is imperative that all adjusting entries of the District are reported in the proper period. Upon review of the management provided 12/31/2019 QuickBooks trial balance, the totals did not align with our 2019 audited trial balance totals. The accounts affected included accounts payable and certain expenses. This was due to a 2019 adjusting entry (AUD 19-3R) which was recorded on 12/31/2019; the correct recording date was January 1, 2020. The discrepancy caused accounts payable to be materially understated by \$36,280.94, and those certain expenses to be materially overstated by that composite amount. A recommended adjusting entry was presented to management to correct this issue. We further recommend reviewing the adjusting entry dates after recording the said entries.

B. Uncleared Transactions – Checks and Payments

When a bank reconciliation is performed in QB, the program tracks uncleared transactions regardless of how old they become. The aggregate total of the uncleared transactions, at fiscal year end, now exceeds performance materiality. Some of these transactions date back to 2018. These transactions should be addressed to properly account for any that require being turned over to the state as escheat property. (This has been recommended in the past.)

C. Reconciling QuickBooks to Audited Financials

A material adjusting entry was required to reconcile the management-provided 2019 QuickBooks financial statement numbers with our 2019 audited financial statement numbers; the adjusting entry amount in the aggregate was \$42,968.88. We have recommended an adjusting entry to correct and agree balances at the end of 2019 with the results of the audit. We further recommend adjusting in the current period and not changing anything in prior period.

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,



June 20, 2021

POST OAK SAVANNAH GROUNDWATER CONSERVATION DISTRICT

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES
AND MATERIAL WEAKNESSES AS REQUIRED BY
STATEMENT ON AUDITING STANDARDS NO. 115
(AU-C SECTION 325 and AU-C SECTION 265)**

DECEMBER 31, 2020

ALTON D. THIELE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

300 EAST AVENUE C

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 financial statements of Post Oak Savannah Groundwater Conservation District (the District) as of and for the year ended December 31, 2020, 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) and its accounting policies and procedures as a basis for designing our auditing procedures to opine on the financial statements, but not to opine on the effectiveness of the District's internal control. Accordingly, we do not opine 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, 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, detected, and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these 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.

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



ALTON D. THIELE, P.C.

Belton, Texas

June 20, 2021

ALTON D. THIELE, P.C.

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

I have reviewed the attached adjustment journal entries with the auditors (and/or reviewers) and agree to make these adjustments on the Post Oak Savannah GCD accounting computer system as of December 31, 2020.

Signed: _____

(also print your name)

Date: _____

ADJUSTING ENTRIES 2020

AUD 20 - 1			
12/31/2019	6670 - Program Expense:6673 - Monitoring Programs	4,147.50	
	5060 - Hydrologist	356.60	
	5040 - GMA 12:5042 - Hydrologist	920.00	
	6679 - Well Assistance Program	9,305.00	
	6681 - Advanced Aquifer Improvements	9,640.00	
	5060 - Hydrologist	2,070.00	
	6670 - Program Expense:6673 - Monitoring Programs	7,650.00	
	6680 - Rainwater Harvesting Grants:6680-1 - Education & Public Relations	1786.04	
	5050 - GMA 8	405.80	
	2000 - Accounts Payable		36,280.94
		<u>36,280.94</u>	<u>36,280.94</u>

Proposed Audit Entry AUD 20 - 1:
(To reverse AUD 19-3R. This entry should have been made in 2020, not 2019)

AUD 20 - 2			
1/1/2020	6670 - Program Expense:6673 - Monitoring Programs	4,147.50	
	5060 - Hydrologist	356.60	
	5040 - GMA 12:5042 - Hydrologist	920.00	
	6679 - Well Assistance Program	9,305.00	
	6681 - Advanced Aquifer Improvements	9,640.00	
	5060 - Hydrologist	2,070.00	
	6670 - Program Expense:6673 - Monitoring Programs	7,650.00	
	6680 - Rainwater Harvesting Grants:6680-1 - Education & Public Relations	1,786.04	
	5050 - GMA 8	405.80	
	2000 - Accounts Payable	36,280.94	
		<u>36,280.94</u>	<u>36,280.94</u>

Proposed Audit Entry AUD 20 - 2:
(Reverse of GJE AUD 19 - 3 Entry to accrue additional a/p paid after year end)

AUD 20 - 3			
12/31/2019	1599 - Less Accumulated Depreciation	0.12	
	2100 - Payroll Liabilities	4,303.70	
	Aquifer Conservancy Program:ACP Annual Payment	623.00	
	Aquifer Conservancy Program:ACP Sign Up Bonus	13,632.30	
	6350 - Travel & Ent:6370 - Meals	20.57	
	6681 - Advanced A6670 - Program Expense:6671 - Conservation programsquifer Improvements	20,985.51	
	2000 - Accounts Payable		14,255.30
	1010 - Post Oak Savannah Groundwater		20.57
	1525 - Office Equipment		0.02
	6180 - Insurance:6183 - Health Insurance		4,303.70
	6670 - Program Expense:6673 - Monitoring Programs:6771 - Field Supplies		20,985.61
		<u>39,565.20</u>	<u>39,565.20</u>

Proposed Audit Entry AUD 20 - 3:
(To adjust 2019 QuickBook Final Trial Balance amounts to Final Trial Balance amounts)

AUD 20 - 4			
12/31/2019	1005 - POSGCD MONEY MARKET ACCOUNT	3,403.68	
	1200 - Accounts Receivable		3,403.68
		<u>3,403.68</u>	<u>3,403.68</u>

Proposed Audit Entry AUD 20 - 4:
(To adjust 2019 QuickBook Final Trial Balance amounts to Final Trial Balance amounts)

AUD 20 - 5			
12/31/2020	6550 - Office Supplies:6550 - Office Supplies - Other	75.76	
	6110 - Automobile Expense:6113 - Miscellaneous	10.00	
	6110 - Automobile Expense:6114 - Repairs	4.86	
	1515 - Monitoring Equipment		90.62
		<u>90.62</u>	<u>90.62</u>

Proposed Audit Entry AUD 20 - 5:
(To reclassify Fixed Asset INCREASES that ought to be EXPENSES)

AUD 20 - 6			
12/31/2020	1515 - Monitoring Equipment	2,070.00	
	6670 - Program Expense:6673 - Monitoring Programs		2,070.00
		<u>2,070.00</u>	<u>2,070.00</u>

Proposed Audit Entry AUD 20 - 6:
(To reclassify EXPENSES as Fixed Assets: CC Lynch & Assoc./Inv. #200223 for \$2,070.00 on 01/23/2020.)

AUD 20 - 7			
12/31/2020	6150 - Depreciation Expense	59,970.43	
	1599 - Less Accumulated Depreciation		59,970.43
		<u>59,970.43</u>	<u>59,970.43</u>

Proposed Audit Entry AUD 20 - 7:
(To reconcile the QuickBooks DEPRECIATION to Intuit EASY ACCT DEPRECIATION).

AUD 20 - 8		
12/31/2020	4026 · Transport Permit Fee	138,307.95
	4170 · Program Fees	17,847.67
	2300 · Deferred Inflows of Resources	156,155.62
		<u>156,155.62</u>
		<u>156,155.62</u>

Proposed Audit Entry AUD 20 - 8:
(Entry to adjust deferred inflow for current year activity).

AUD 20 - 9		
12/31/2020	6183 · Health Insurance	4,303.70
	2100 · Payroll Liability	4,303.70
		<u>4,303.70</u>
		<u>4,303.70</u>

Proposed Audit Entry AUD 20 - 9:
(Entry to adjust the Health Insurance expense not booked to proper accounts for FEBRUARY 2020.)

AUD 20 - 10		
12/31/2020	6183 · Health Insurance	5,098.57
	2115 · Health Insurance Payable	5,098.57
		<u>5,098.57</u>
		<u>5,098.57</u>

Proposed Audit Entry AUD 20 - 10:
(Entry to adjust the Health Insurance expense not booked to proper accounts for APRIL 2020.)

AUD 20 - 11		
12/31/2020	6183 · Health Insurance	4,166.83
	2115 · Health Insurance Payable	4,166.83
		<u>4,166.83</u>
		<u>4,166.83</u>

Proposed Audit Entry AUD 20 - 11:
(Entry to record a Health Insurance Payable for December 2020 Health Insurance paid in JANUARY 2021.)

AUD 20 - 11R		
1/1/2021	2115 · Health Insurance Payable	4,166.83
	6183 · Health Insurance	4,166.83
		<u>4,166.83</u>
		<u>4,166.83</u>

Proposed Audit Entry AUD 20 - 12:
(Entry to reverse DECEMBER 2019 Health Insurance recorded in JANUARY 2020.)

AUD 20 - 12		
12/31/2020	6561 · 941 Taxes	24,670.87
	6560 · Payroll Expenses	24,670.87
		<u>24,670.87</u>
		<u>24,670.87</u>

Proposed Audit Entry AUD 20 - 12:
(Entry to reclassify Payroll Taxes.)

AUD 20 - 13		
12/31/2020	1600 · Net Pension Assets	34,373.00
	1700 · Deferred Outflows - Benefits	37,146.00
	6590 · Pension Expense	14,351.00
	6560 · Payroll Expenses - Other	11,578.00
		<u>48,724.00</u>
		<u>48,724.00</u>

Proposed Audit Entry AUD 20 - 13:
(Entry to adjust for current year GASB 68 reporting.)

AUD 20 - 14		
12/31/2020	8600 · Uncompensated Abscences	1,913.44
	2600 · Uncomp Abscences Liability	1,913.44
		<u>1,913.44</u>
		<u>1,913.44</u>

Proposed Audit Entry AUD 20 - 14:
(Entry to adjust uncompensated absences to actual.)

AUD 20 - 15		
12/31/2020	3000 · Investment in Capital Assets	56,065.93
	3100 · Unrestricted Net Assets	56,065.93
		<u>56,065.93</u>
		<u>56,065.93</u>

Proposed Audit Entry AUD 20 - 15:
(Entry to adjust investment in capital assets for current year activity.)



Post Oak Savannah Groundwater Conservation District

310 East Avenue C
P. O. Box 92
Milano, Texas 76556

Phone: 512-455-9900
Fax: 512-455-9909
Email: gwestbrook@posgcd.org
Website: www.posgcd.org

Gary Westbrook, General Manager

June 20, 2021

Alton D. Thiele, P.C.
Belton, Texas 76513

We are providing this letter in connection with your audit of the basic financial statements of Post Oak Savannah Groundwater Conservation District, which comprise the respective financial position of the business-type activities and the aggregate remaining fund information as of December 31, 2020, the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, and in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 20, 2021, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 31, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds, other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements, which are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenses, loans, transfers, leasing arrangements, guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) As of the financial statement date and the date of this letter, we are not aware of any uncorrected misstatements.
- 9) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly disclosed.

Information Provided

10) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters as applicable.
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of the Board of Directors, committees of the Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

12) We have disclosed to you the results, if any, of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud affecting the District involving—

- a) Management,
- b) Employees who have significant roles in internal control, or
- c) Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements, communicated by employees, former employees, regulators, or others.

15) We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

17) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government - specific

18) We have made available to you all financial records and related data.

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

21) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

22) We are responsible for compliance with the laws, regulations, provisions of contracts and grant agreements applicable to us, including tax, debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

23) There are no violations or possible violations of budget ordinances, laws, regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, or any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency or for reporting on noncompliance.

24) As part of your audit, you assisted with preparation of the basic financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services, and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those basic financial statements and related notes.

25) Post Oak Savannah Groundwater Conservation District is a "District" formed by the 77th Texas Legislature with House Bill 1784, Article 3, Section 3.01, under Section 59, Article XVI of the Texas Constitution.

26) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged.

- 27) We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
- 28) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 29) The financial statements properly classify all funds and activities.
- 30) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 31) Components of net position (net investment in capital assets, restricted and unrestricted net assets) and equity amounts are properly classified and, if applicable, approved.
- 32) Expenses have been appropriately classified in, or allocated to, functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 33) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 34) Special and extraordinary items are appropriately classified and reported.
- 35) Deposits, investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 36) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and, if applicable, depreciated.
- 37) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that the net position was properly recognized under the policy.
- 38) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

No events have occurred subsequent to the statement of net position date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Signed: _____

Title: President, Post Oak Savannah GCD
(or other Board designee)

Title: _____

Signed: _____

Title: General Manager, Post Oak Savannah GCD
(or other Board designee)

Title: _____