

**HIGH PLAINS UNDERGROUND WATER
CONSERVATION DISTRICT NO. 1**

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Board of Directors:

Lynn Tate, President
Brad Heffington, Vice-President
Mike Beauchamp, Secretary-Treasurer
Ronnie Hopper
Dan Seale

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis	3-6
<u>BASIC FINANCIAL STATEMENTS</u>	
Government – Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Fund	9
Reconciliation of the Governmental Funds Balance Sheet.....	10
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund.....	11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.....	12
Notes to Financial Statements	13-28
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Budgetary Comparison Schedule.....	29
Schedule of Changes in Net Pension Liability and Related Ratios	30
Schedule of Employer Contributions	31

Independent Auditor's Report

December 10, 2015

Board of Directors
High Plains Underground Water Conservation District No. 1
Lubbock, Texas

We have audited the accompanying financial statements of the governmental activities and the major fund of High Plains Underground Water Conservation District No. 1 (the District) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (Continued)

Emphasis of Matter

Change in Accounting Principle

As described in Note 6 to the financial statements, in 2015 High Plains Underground Water Conservation District No. 1 adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net pension liability and related ratios and schedule of District contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Davis, Ray & Co.

Davis, Ray & Co., PC
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of High Plains Water Underground Water Conservation District No.1's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$6,673,654 at September 30, 2015.
- During the year, the District's expenses were \$662,423 less than the \$3,343,049 generated in taxes, charges for services, grants and contributions, interest and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$5,875,514.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status. The government-wide statements report information using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- The remaining statements are *fund financial statements* that tell how *general government* services were financed in the *short term* as well as what remains for future spending. The District has only governmental funds. All of the District's basic services are included in the general fund, which focuses on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide reconciliations to the government-wide statements that explain the relationship (or differences) between the two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was \$6,673,654 at September 30, 2015. (See Table A-1).

Table A-1
HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO.1'S NET POSITION

	Governmental Activities 2015	Governmental Activities 2014	% Change
Current assets:			
Cash and cash equivalents	\$ 169,155	\$ 281,502	-39.91%
Certificates of deposit	5,848,519	5,072,511	15.30%
Receivables (net)	83,605	89,991	-7.10%
Prepaid expenses	14,918	16,512	-9.65%
Total current assets	<u>6,116,197</u>	<u>5,460,516</u>	<u>12.01%</u>
Noncurrent assets:			
Property, plant and equipment, net	686,723	725,752	-5.38%
Net pension asset	158,233	-	N/A
Total noncurrent assets	<u>844,956</u>	<u>725,752</u>	<u>16.42%</u>
Deferred outflows	<u>67,798</u>	-	N/A
Total Assets/Deferred Outflows	<u>7,028,951</u>	<u>6,186,268</u>	<u>13.62%</u>
Current liabilities:			
Accounts payable	39,646	53,833	-26.35%
Accounts payable-grants	55,496	113,332	-51.03%
Payroll tax payable	11,303	10,484	7.81%
Accrued vacation/sick leave	129,204	111,108	16.29%
Total current liabilities	<u>235,649</u>	<u>288,757</u>	<u>-18.39%</u>
Deferred inflows	<u>119,648</u>	-	N/A
Total Liabilities/Deferred Inflows	<u>355,297</u>	<u>288,757</u>	<u>23.04%</u>
Net position:			
Invested in capital assets	686,723	725,752	-5.38%
Unrestricted	5,986,931	5,171,759	15.76%
Total Net Position	<u>\$ 6,673,654</u>	<u>\$ 5,897,511</u>	<u>13.16%</u>

The \$5,986,931 of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$3,343,049. The major sources of revenue are property taxes – 84 percent, operating grants and contributions – 10 percent and charges for services - 5 percent. Interest income and miscellaneous income comprise the final 1 percent of revenue.

Table A-2**CHANGES IN HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO.1'S NET POSITION**

	Governmental Activities 2015	Governmental Activities 2014	% Change
Program Revenues:			
Charges for services	\$ 339,096	\$ 342,484	-0.99%
Grants and contributions	158,720	170,170	-6.73%
General Revenues:			
Property taxes	2,815,790	17,954	15583.36%
Interest income	19,020	12,919	47.23%
Miscellaneous income	10,423	17,689	-41.08%
Gain (loss) on disposal of assets	-	(7,358)	N/A
Total Revenues	<u>3,343,049</u>	<u>553,858</u>	<u>503.59%</u>
Expenses:			
General administration	2,680,626	2,187,447	22.55%
Change in Net Position	<u>\$ 662,423</u>	<u>\$ (1,633,589)</u>	<u>140.55%</u>

The large increase in property tax revenues, as reported in the above statement, resulted from the change in fiscal year end that occurred in the prior year.

General Fund Budgetary Highlights

The District did amend its original budget to account for increases or decreases in general administration expenditure line items; however, the overall expenditure budget remained unchanged.

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

At the end of 2015, the District had invested \$686,723, net of accumulated depreciation, in capital assets; (see Table A-3). This represents a net decrease (including additions and deductions) of \$39,029 or 5 percent from last year.

Table A-3**HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO.1'S CAPITAL ASSETS**

	2015	2014
Land	\$ 180,119	\$ 180,119
Buildings & improvements	488,680	488,680
Office equipment	147,057	136,503
Furnishings	42,643	42,643
Field equipment	151,704	134,008
Vehicles	323,281	320,910
Total at historical cost	<u>1,333,484</u>	<u>1,302,863</u>
Total accumulated depreciation	(646,761)	(577,111)
Net capital assets	<u>\$ 686,723</u>	<u>\$ 725,752</u>

DEBT ADMINISTRATION

At year end, the District had no long-term or short-term debt from borrowed funds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Appraised, taxable values have increased \$121,142,251 over last year.
- The District adopted a tax rate of .008026/100 valuation for the next fiscal year.
- The District has adopted a revenue budget of \$3,044,325 a decrease of \$571,900 or 16 percent from last year's budget.
- The District has adopted an expenditure budget of \$3,044,325, a decrease of \$571,900 or 16 percent over last year's budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administration.

BASIC FINANCIAL STATEMENTS

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 169,155
Certificates of deposit	5,848,519
Property taxes receivable, net of allowances	64,082
Due from Appraisal Districts	3,619
Accounts receivable-grants	15,904
Prepaid expenses	14,918
Total Current Assets	6,116,197
Noncurrent Assets:	
Property, plant and equipment, net of accumulated depreciation (Note 2)	686,723
Net pension asset	158,233
Total Noncurrent Assets	844,956
Total Assets	6,961,153
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows of resources-pension	67,798
Total Deferred Outflows of Resources	67,798
Total Assets and Deferred Outflows of Resources	7,028,951
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	39,646
Accounts payable-grants	55,496
Payroll tax payable	11,303
Accrued compensated absences	129,204
Total Liabilities	235,649
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows of resources-grants	70,156
Deferred inflows of resources-pension	49,492
Total Deferred Inflows of Resources	119,648
Total Liabilities and Deferred Inflows of Resources	355,297
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	686,723
Unrestricted	5,986,931
Total Net Position	\$ 6,673,654

The accompanying notes to financial statements are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Governmental Activities					
General administration	\$ 2,680,626	\$ 158,720	\$ 339,096	\$ -	\$ (2,182,810)
Total Primary Government	<u>\$ 2,680,626</u>	<u>\$ 158,720</u>	<u>\$ 339,096</u>	<u>\$ -</u>	<u>\$ (2,182,810)</u>

General Revenues:		
Property taxes		\$ 2,815,790
Interest income		19,020
Miscellaneous income		<u>10,423</u>
Total Revenues		<u>2,845,233</u>
Changes in Net Position		662,423
Net Position - Beginning		<u>6,011,231</u>
Net Position - Ending		<u>\$ 6,673,654</u>

The accompanying notes to financial statements are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1

BALANCE SHEET GOVERNMENTAL FUND SEPTEMBER 30, 2015

	General Fund	Total Governmental Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ 169,155	\$ 169,155
Certificates of deposit	5,848,519	5,848,519
Property taxes receivable, net of allowances	64,082	64,082
Due from Appraisal Districts	3,619	3,619
Accounts receivable-grants	15,904	15,904
Prepaid expenses	14,918	14,918
Total Assets	\$ 6,116,197	\$ 6,116,197
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 39,646	\$ 39,646
Accounts payable-grants	55,496	55,496
Payroll tax payable	11,303	11,303
Total Liabilities	106,445	106,445
Deferred Inflows of Resources:		
Unavailable resources-property taxes	64,082	64,082
Unavailable resources-grants	70,156	70,156
Total Deferred Inflows of Resources	134,238	134,238
Fund Balances:		
Committed for:		
Technical development	400,000	400,000
Restricted for:		
Regional Planning Grants	111,429	111,429
Unassigned	5,364,085	5,364,085
Total Fund Balances	5,875,514	5,875,514
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,116,197	\$ 6,116,197

The accompanying notes to financial statements are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
 RECONCILIATION OF GOVERNMENTAL
 FUNDS BALANCE SHEET
 SEPTEMBER 30, 2015

Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities:

Governmental Fund Balances	\$	5,875,514
Amounts reported in governmental activities and in the statement of net position are different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds:		686,723
Net pension asset required by GASB 68 is not reported in the funds:		158,233
Defferred outflows of resources for pensions are not reported in the funds:		67,798
Defferred inflows of resources for pensions are not reported in the funds:		(49,492)
Property taxes receivable unavailable to pay current expenditures are deferred in the funds:		64,082
Payables for compensated absences which are not due in the current period are not reported in the funds:		<u>(129,204)</u>
Net Position of Governmental Activities	\$	<u><u>6,673,654</u></u>

The accompanying notes to financial statements are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
SEPTEMBER 30, 2015

	General Fund	Total Governmental Funds
<u>REVENUES</u>		
Taxes, penalties and interest	\$ 2,815,527	\$ 2,815,527
Depletion map sales	30,820	30,820
Investment income	19,020	19,020
Grants and contracts	339,096	339,096
Permit fees	127,900	127,900
Other	10,423	10,423
	<u>3,342,786</u>	<u>3,342,786</u>
Total Revenues	<u>3,342,786</u>	<u>3,342,786</u>
 <u>EXPENDITURES</u>		
General administration	2,622,069	2,622,069
Capital outlay:		
Current expenditures	64,250	64,250
	<u>2,686,319</u>	<u>2,686,319</u>
Total Expenditures	<u>2,686,319</u>	<u>2,686,319</u>
Excess (deficiency) of revenues over expenditures	656,467	656,467
Fund Balance, September 30, 2014	<u>5,219,047</u>	<u>5,219,047</u>
Fund Balance, September 30, 2015	<u>\$ 5,875,514</u>	<u>\$ 5,875,514</u>

The accompanying notes to financial statements are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Net Changes in Governmental Fund Balances	\$	656,467
Amounts reported for governmental activities and in the statement of activities (SOA) are different because:		
The depreciation and loss on disposal of capital assets used in governmental activities is not reported in the funds:		(103,279)
Capital outlays are not reported as expenses in the SOA:		64,250
Certain property taxes are deferred in the funds. This is the change in these amounts this year:		263
Per GASB 68, pension expense reported in the fund is different than amounts reported in the SOA:		62,817
Compensated absences are accrued in the SOA. This is the change in these amounts this year:		<u>(18,095)</u>
Change in Net Position of Governmental Activities	\$	<u><u>662,423</u></u>

The accompanying notes to financial statements are an integral part of this statement.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The High Plains Underground Water Conservation District No. 1 (the "District") was formed for the purpose of conserving, preserving, protecting, and recharging the underground water of subdivision No. 1 of the underground water reservoir located under the high plains of Texas. The District was authorized by Article 7880-3c Revised Civil Statutes of the State of Texas (Acts of the 51st Legislature, 1949). The District's programs include providing water depletion information to landowners, regulating the spacing of irrigation wells and educating the public concerning water conservation issues. The District's operations are financed primarily from ad valorem taxes. The District operates under a board-manager form of government. There are five elected board member positions. The members of the Board of Directors are elected by the public, have authority to make decisions, appoint administrators and managers, and significantly influence operations and have the primary accountability for fiscal matters. The District is not included in any other governmental reporting entity and has no component units included within the reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

General Fund:

This fund is established to account for resources devoted to financing the general operations of the District. Property tax revenue and other sources of revenue used to finance the fundamental operations of the District are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 31. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. Property taxes are deferred in the fiscal year for which they are levied and are recorded as revenue in the fiscal year in which they are received. Taxes levied and uncollected are carried as an asset of the appropriate fund. An allowance is established for delinquent taxes to the extent that their collectability is improbable.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget is prepared for the next succeeding fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to October 1, a meeting is held and the budget is legally adopted by the District's Board of Directors. At least three days public notice of the meeting must be given.
3. Formal budgetary integration is employed as a management control device during the year.
4. Unused appropriations for the annually budgeted funds lapse at the end of the year.
5. The budget amounts shown in the financial statements contain both the original and final budget as amended by the board.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits, Securities, and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas Water Code. The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. All deposits are categorized as insured or collateralized with securities held by the District or by its agent in the District's name. All deposits were covered by federal depository insurance and pledged securities and were properly secured at all times.

The District's investment policies and types of investment are governed by the Public Funds Investments Act. Investments are reported by the District at cost in accordance with Governmental Accounting Standards Board Statement (GASB) No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools". The District's management believes that it complied with the requirements of the Public Funds Investments Act.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk.

At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Analysis of Specific Deposit and Investment Risks (Continued)

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment.

At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment.

At year end, the District was not exposed to foreign currency risk.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Fund Balances

Fund balances of the governmental fund are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as prepaid items or inventories) or are legally or contractually required to remain intact.

Restricted Fund Balance – represents amounts that are constrained either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) by constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for specific purpose pursuant to formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes the specified use by taking the same type of formal action. Commitments are typically done through the adoption and amendment of the budget. The District has currently committed \$400,000 to technical development.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority.

Unassigned Fund Balance – represents all other spendable amounts. These amounts are unconstrained in that they may be spent for any purpose.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those fund balance classifications can be used.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statements of financial position will sometimes report a separate section for deferred outflows/inflows of resources. These separate financial statement elements, deferred outflows/inflows of resources, represents a consumption or acquisition of net position or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of resources (revenue) until that time.

Note 2 CHANGES IN GENERAL FIXED ASSETS

The following is a summary of changes in the property, plant and equipment for the year ended September 30, 2015:

	Balance 9/30/2014	Additions	Retirements	Balance 9/30/2015
Land & Improvements	\$ 180,119	\$ -	\$ -	\$ 180,119
Buildings & Improvements	488,680	-	-	488,680
Office Equipment	136,503	10,554	-	147,057
Furniture & Fixtures	42,643	-	-	42,643
Field Equipment	134,008	17,696	-	151,704
Vehicles	320,910	36,000	(33,629)	323,281
Total Fixed Assets	1,302,863	64,250	(33,629)	1,333,484
Less Accumulated Depreciation:				
Land & Improvements	10,492	792	-	11,284
Buildings & Improvements	234,173	15,780	-	249,953
Office Equipment	74,068	19,345	-	93,413
Furniture & Fixtures	25,775	4,422	-	30,197
Field Equipment	85,942	15,882	-	101,824
Vehicles	146,661	47,058	(33,629)	160,090
Total Accumulated Depreciation	577,111	103,279	(33,629)	646,761
Net Fixed Assets	\$ 725,752	\$ (39,029)	\$ -	\$ 686,723

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 3 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 September 30, 2015, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 4 SUBSEQUENT EVENTS

Management has evaluated and noted no subsequent events through December 10, 2015, the date which the financial statements were available for issues.

Note 5 PENSION PLAN

Plan Description

The District provides a defined benefit plan for all of its full-time employees in the state-wide Texas County and District Retirement System (TCDRS), an agent multiple-employer public employee retirement system. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code.

The District adopts the 8-year/Age 60/ Rule of 80 Retirement Eligibility/30 years of service any age. Members shall have an 8-year service eligibility requirement for vesting and retirement at age 60. A vested member shall have the right to retire and receive a service retirement annuity when the years of such credited service added to his or her years of attained age equals or exceeds eighty (80). A member shall have the right to retire and receive a service retirement annuity when the years of such credited service equals or exceeds thirty (30). Service performed by each member for the District on and after the participating date will receive multiple matching credit, which when added to the rate used to determine the current service credit, will total 150% of the member's deposits. Members shall have an optional 8-year service eligibility requirement for vesting at age 60 as approved by the presiding officer of the District.

Contributions

TCDRS participation is mandatory for all eligible employees. All participating employees must contribute the same percentage of salary as elected by the governing board. The contribution rate for the employees is 7%. The District's monthly contributions to the System will be at a rate that equals or exceeds the required rate as annually determined by the System actuary. The rate consists of a normal cost contribution rate plus the rate required, as a level percent of payroll, to amortize the unfunded actuarial liability over the plan's 15-year amortization period or to amortize the overfunded actuarial accrued liability over the plan's 30-year amortization period. Both the employees and the District make contributions monthly. Since the District needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2013 valuation is effective for rates beginning January 2015).

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 5 PENSION PLAN (CONTINUED)

Actuarial Assumptions

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2014 funding valuation (see page 20, following, for details), except as noted below and throughout this report. Please see the employer summary actuarial valuation report as of December 31, 2014 for further details.

Following are the key assumptions and methods used in this GASB analysis.

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as funding valuation: See Appendix B of TCDRS report.
Salary Increases	Same as funding valuation: See Appendix B of TCDRS report.
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for High Plains Underground Water Conservation District No. 1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation: See Appendix B of TCDRS report.
Turnover	Same as funding valuation: See Appendix B of TCDRS report.
Mortality	Same as funding valuation: See Appendix B of TCDRS report.

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 5 PENSION 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 January 2015 information for a 7-10 year time horizon.

Note the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities - Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities - Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

⁽¹⁾ Target asset allocation adopted at the April 2015 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.7%, per 2015 capital market assumptions.

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

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 5 PENSION PLAN (CONTINUED)

Depletion of Plan Assets/GASB Discount Rate

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

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

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

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

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

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

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

Note 5 PENSION PLAN (CONTINUED)

Depletion of Plan Assets/GASB Discount Rate (Continued)

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Sensitivity Analysis

The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 8.10%, as well as what the High Plains Underground Water Conservation District No. 1 net pension liability/(asset) 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	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension liability	\$1,697,269	\$1,530,599	\$1,390,502
Fiduciary net position	1,688,832	1,688,832	1,688,832
Net pension liability/(asset)	<u>\$8,437</u>	<u>(\$158,233)</u>	<u>(\$298,330)</u>

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 5 PENSION PLAN (CONTINUED)

Changes in Net Pension Liability/(Asset)

Changes in Net Pension Liability/ (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Balances as of December 31, 2013	\$1,476,473	\$1,539,552	\$(63,079)
Changes for the year:			
Service cost	98,889	0	98,889
Interest on total pension liability ⁽¹⁾	119,457	0	119,457
Effect of plan changes	0	0	0
Effect of economic/demographic losses	(61,865)	0	(61,865)
Effect of assumptions changes or inputs	0	0	0
Refund of contributions	(42,198)	(42,198)	0
Benefit payments	(60,157)	(60,157)	0
Administrative expenses	0	(1,250)	1,250
Member contributions	0	68,464	(68,464)
Net investment income	0	105,048	(105,048)
Employer contributions	0	68,464	(68,464)
Other ⁽²⁾	0	10,909	(10,909)
Balances as of December 31, 2014	<u>\$1,530,599</u>	<u>\$1,688,832</u>	<u>\$(158,233)</u>

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

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

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 5 PENSION PLAN (CONTINUED)

Breakdown of Pension Expense

Pension Expense/(Income)	<u>January 1, 2014 to December 31, 2014</u>
Service cost	\$98,889
Interest on total pension liability ⁽¹⁾	119,457
Effect of plan changes	0
Administrative expenses	1,250
Member contributions	(68,464)
Expected investment return net of investment expenses	(127,710)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(12,373)
Recognition of assumption changes or inputs	0
Recognition of investment gains or losses	4,532
Other ⁽²⁾	(10,919)
 Pension expense/(income)	 \$4,672

⁽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.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 5 PENSION PLAN (CONTINUED)

Deferred Inflows/Outflows of Resources

As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

<u>Deferred Inflows/Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$49,492	\$0
Changes of assumptions	0	0
Net difference between projected and actual earnings	0	18,130
Contributions subsequent to measurement date ⁽³⁾	N/A	49,668

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

Year ended December 31:

2015	\$(7,841)
2016	(7,841)
2017	(7,841)
2018	(7,841)
2019	0
Thereafter ⁽⁴⁾	0

⁽³⁾ If eligible employer contributions were made subsequent to the measurement date through the employer's fiscal year-end, the employer should reflect these contributions, adjusted as outlined in Appendix C of the TCDRS 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.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

Note 5 PENSION PLAN (CONTINUED)

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period ⁽¹⁾	Amount Recognized in 12/31/2014 Expense ⁽¹⁾	Balance of Deferred Inflows 12/31/2014	Balance of Deferred Outflows 12/31/2014
Investment (gains) or losses	\$22,662	12/31/2014	5.0	\$4,532	\$0	\$18,130
Economic/ demographic (gains) or losses	(61,865)	12/31/2014	5.0	(12,373)	(49,492)	0
Assumption changes or inputs	0	12/31/2014	5.0	0	0	0
Employer contributions made subsequent to measurement date	N/A	N/A	N/A	N/A	N/A	\$49,668

⁽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⁾ If eligible employer contributions were made subsequent to the measurement date, the employer should reflect these contributions, adjusted as outlined in Appendix C of the TCDRS report.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 6 CHANGE IN ACCOUNTING POLICIES

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented the provisions of this Statement for the year ended September 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year, pension-related charts as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions and a net pension asset/liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

Note 7 DEFERRED RESOURCES

For the fiscal year 2015, the District made a prior period adjustment due to the adoption of GASB Statement No. 68 which required the restatement of the September 30, 2014 net position in Governmental Activities. This resulted in an increase in net position at October 1, 2014 of \$113,720. This change is in accordance with generally accepted accounting principles.

Note 8 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the potential for claims against the District exists. Management believes that any potential losses from these claims, individually or in the aggregate, would not be material to the District's financial position or results of operations.

Grant Programs – The District participates in State grant programs, which are governed by various rules and regulations of the grantor agencies. Cost charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 9 GRANTS AND CONTRACTS

During the year, the District entered into the following interlocal cooperation agreement or contract:

- a) The Texas Water Development Board agreed to reimburse the District certain costs of developing a regional water management plan. The District received a total of \$315,263 during the year as reimbursement for payments made to the subcontractor of the grant as well as ancillary out-of-pocket expenses incurred by the District in relation to this project.
- b) Texas Tech University agreed to reimburse the District cost associated with a water conservation demonstration site. The District received a total of \$10,672 during the year as reimbursement for out-of-pocket expenses incurred in relation to this project.
- c) The Texas Water Development Board agreed to reimburse the District certain costs under a cost-share reimbursement grant for agriculture conservations. The District received a total of \$13,161 during the year in relation to this grant that was in return distributed to well owners participating in the program.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 10 HEALTH CARE COVERAGE

The District sponsors a fully insured health insurance plan to provide health care benefits to staff members and their dependents. The District paid premiums of \$540 per month per staff members depending on the type of plan. Staff members, at their option, authorized payroll deductions to pay premium for their dependents. During the year, the District paid 75% of the premiums for employee dependents.

Note 11 COMPENSATED ABSENCES

The District allows employees to accumulate unused sick leave to a maximum of 60 days. Sick leave is accrued at the rate of eight hours per month. Unused sick leave accumulated in excess of 60 days is paid to the employees annually. Upon termination, up to 30 days of accumulated sick leave will be paid to the employee.

Earned vacation time is accrued according to the following schedule:

- Less than 10 years of service accrues 8 hours per month with a maximum carryover of 24 days.
- More than 10 years of service accrues 10 hours per month with a maximum carryover of 30 days.

Unused accrued compensated absences as of September 30, 2015 totaled \$129,204.

REQUIRED SUPPLEMENTARY INFORMATION

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>				
Taxes, penalties and interest	\$ 2,790,000	\$ 2,790,000	\$ 2,815,527	\$ 25,527
Investment income	11,225	11,225	19,020	7,795
Depletion map sales	25,000	25,000	30,820	5,820
Permit fees	250,000	250,000	127,900	(122,100)
Grants and contracts	535,000	535,000	339,096	(195,904)
Other	5,000	5,000	10,423	5,423
Total Revenues	<u>3,616,225</u>	<u>3,616,225</u>	<u>3,342,786</u>	<u>(273,439)</u>
<u>EXPENDITURES</u>				
General administration:				
Salaries and benefits	1,310,000	1,315,000	1,302,080	12,920
Office expenses	248,000	250,500	164,213	86,287
Utilities	26,725	26,725	16,380	10,345
Insurance	25,500	27,500	25,674	1,826
Legal and professional	340,500	346,500	265,112	81,388
Maintenance and repairs	135,000	135,000	72,212	62,788
Field supplies	57,500	57,500	27,294	30,206
Public relations and education	333,500	333,500	164,353	169,147
Regional water planning and grants	610,000	610,000	395,817	214,183
Other	287,500	287,500	188,934	98,566
Total general administration	<u>3,374,225</u>	<u>3,389,725</u>	<u>2,622,069</u>	<u>767,656</u>
Capital outlay:				
Current expenditures	242,000	226,500	64,250	162,250
Total Expenditures	<u>3,616,225</u>	<u>3,616,225</u>	<u>2,686,319</u>	<u>929,906</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	656,467	656,467
Fund Balance, September 30, 2014	<u>5,219,047</u>	<u>5,219,047</u>	<u>5,219,047</u>	<u>-</u>
Fund Balance, September 30, 2015	<u>\$ 5,219,047</u>	<u>\$ 5,219,047</u>	<u>\$ 5,875,514</u>	<u>\$ 656,467</u>

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
GASB 68 DISCLOSURE MEASUREMENT DATE DECEMBER 31, 2014

	<u>YEAR ENDED DECEMBER 31, 2014</u>
TOTAL PENSION LIABILITY	
Service cost	\$ 98,889
Interest on total pension liability	119,457
Effect of plan changes	-
Effect of assumption changes or inputs	-
Effect of economic/demographic (gains) or losses	(61,865)
Benefit payments/refunds of contributions	<u>(102,355)</u>
Net Change in Total Pension Liability	54,126
Total Pension Liability, Beginning	<u>1,476,473</u>
Total Pension Liability, Ending	<u>\$ 1,530,599</u>
Fiduciary Net Position	
Employer contributions	\$ 68,464
Member contributions	68,464
Investment income net of investment expenses	105,048
Benefit payments/refunds of contributions	(102,355)
Administrative expenses	(1,250)
Other	<u>10,909</u>
Net Change in Fiduciary Position	149,280
Fiduciary Position, Beginning	<u>1,539,552</u>
Fiduciary Position, Ending	<u>\$ 1,688,832</u>
Net Pension Liability / (Asset), Ending	<u>\$ (158,233)</u>
Fiduciary Net Position as a % of total pension liability	110.34%
Pensionable Covered Payroll	\$ 978,050
Net Pension Liability as a % of covered payroll	-16.18%

This schedule is presented to illustrate the requirement to show information for 10 years. Recalculations of prior years are not required in accordance with GASB 68, therefore, only the years for which the new GASB statements have been implemented are shown.

HIGH PLAINS UNDERGROUND WATER CONSERVATION DISTRICT NO. 1
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GASB 68 DISCLOSURE MEASUREMENT DATE DECEMBER 31, 2014

YEAR ENDING DECEMBER 31	ACTUARIALLY DETERMINED CONTRIBUTION	ACTUAL EMPLOYER CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	PENSIONABLE COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	26,713	27,681	(968)	692,034	4.0%
2007	29,925	29,925	-	742,562	4.0%
2008	36,487	39,488	(3,001)	789,755	5.0%
2009	36,925	40,937	(4,012)	818,734	5.0%
2010	33,296	43,056	(9,760)	717,592	6.0%
2011	44,479	55,831	(11,352)	930,523	6.0%
2012	59,523	70,740	(11,217)	1,010,576	7.0%
2013	64,632	74,657	(10,025)	1,066,534	7.0%
2014	59,368	68,464	(9,096)	978,050	7.0%

Payroll is calculated based on contributions as reported to TCDRS.