

**BARTON SPRINGS/EDWARDS AQUIFER  
CONSERVATION DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**AND INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008**

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT  
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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Barton Springs/Edwards Aquifer Conservation District  
Austin, Texas

We have audited the accompanying basic financial statements of Barton Springs/Edwards Aquifer Conservation District as of and for the years ended August 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Barton Springs/ Edwards Aquifer Conservation District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Barton Springs/Edwards Aquifer Conservation District as of August 31, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Barton Springs/Edwards Aquifer Conservation District's basic financial statements. The budgetary comparison schedule on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Figer & Company  
February 11, 2010

**Barton Springs / Edwards Aquifer Conservation District**

**Management Discussion and Analysis**

**Fiscal Year Ending August 31, 2009**

The following **Management Discussion and Analysis** narrative provides an overview and summary-level analysis of the significant activities and situations that have financial reporting consequence for the fiscal year. This information is provided in conjunction with our financial statements that follow. The percentages shown in the Management Discussion & Analysis narrative are based on the comparisons of the Statements of Revenues, Expenses and Changes in Net Assets before any adjusting journal entries in the current year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Since the activities of the District are financed primarily by fees charged to external parties, such activities are reported as an enterprise fund and are considered a "business-type activity." The financial statements required for an enterprise fund are the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets presents the District's assets and liabilities, with the difference between the two reported as net assets, as of the end of the fiscal year. Over time, increases or decreases in net assets are one indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing the operating revenues and expenses of the District for the fiscal year, using the accrual basis of accounting. Therefore, revenues are recognized when earned, and expenses are recognized when incurred, regardless of when cash is received or paid.

The Statement of Cash Flows provides information about the cash receipts and cash payments of the District during the fiscal year, summarized by operating, capital and related financing, and investing activities.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

## CONDENSED FINANCIAL INFORMATION

The following table presents comparative condensed financial information on assets, liabilities and net assets.

### Condensed Statement of Net Assets August 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 1,294,619	\$ 1,316,351	\$ 1,406,374
Capital assets	455,611	365,127	356,051
Other assets	71	71	71
Total assets	<u>\$ 1,750,301</u>	<u>\$ 1,681,549</u>	<u>\$ 1,762,496</u>
Total liabilities	<u>\$ 287,014</u>	<u>\$ 112,146</u>	<u>\$ 151,930</u>
Net assets:			
Invested in capital assets	365,127	365,127	356,051
Unrestricted	<u>1,098,160</u>	<u>1,204,276</u>	<u>1,254,515</u>
Total net assets	<u>1,463,287</u>	<u>1,569,403</u>	<u>1,610,566</u>
Total liabilities and net assets	<u>\$ 1,750,301</u>	<u>\$ 1,681,549</u>	<u>\$ 1,762,496</u>

The following table presents comparative condensed financial information on revenues, expenses, and changes in net assets.

### Condensed Statement of Revenues, Expenses and Changes in Net Assets Years Ended August 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 1,395,239	\$ 1,422,093	\$ 1,320,193
Operating expenses	<u>1,514,021</u>	<u>1,512,070</u>	<u>1,354,863</u>
Operating income	<u>(118,782)</u>	<u>(89,978)</u>	<u>(34,670)</u>
Nonoperating revenues (expenses)			
Interest income	12,666	48,814	70,940
Interest expense	<u>0</u>	<u>0</u>	<u>0</u>
Total nonoperating rev/(exp)	<u>12,666</u>	<u>48,814</u>	<u>70,940</u>
Change in net assets	(106,116)	(41,163)	36,270
Net assets beginning of year	<u>\$ 1,569,403</u>	<u>\$ 1,610,566</u>	<u>\$ 1,574,296</u>
Net assets end of year	<u>\$ 1,463,287</u>	<u>\$ 1,569,403</u>	<u>\$ 1,610,566</u>

## **FINANCIAL HIGHLIGHTS OF CHANGES IN OPERATING REVENUES**

Permittees' Water Use and Transport (export) fees and City of Austin Assessment fees, net of conservation credits to both, decreased slightly in both dollar terms and proportion of total operating revenue. This decrease in water use fees is due to the District-declared drought that required permittees to decrease their water usage, which in turn increased their conservation credits. Transport fees increased (30.3%) in FY 2009 from FY 2008 owing to a new Board-approved transport permit. There are now 2 District transport permits, one for \$51,150 and the other for \$15,500. The transport fees are \$57,350 less than the budgeted amount of \$124,400, since a pending request to substantially increase one of the current transport permits was protested and subject to a contested case, so the recognition of those fees, if the permit is approved, have been delayed well into FY 2010.

Grant income increased in FY 2009 by \$22,619 or 22.6% from the Grant income in FY 2008 (\$100,122). Although grant income increased, all of this increase was associated with a single project, the 319(h) grant; it was only 47.2% of the \$260,000 budgeted for FY 2009, which included both the HCP and 319(h) grants. No HCP invoice was submitted to Texas Parks & Wildlife Department in FY 2009; the first invoice will be in FY 2010. The 319(h) grant was expected to be completed by August 31, 2009 and thus there was the expectation that the funds budgeted would have been expended this fiscal year; but the grant is currently under an extension request, and if approved, then the remaining funds will be expended in 2010.

All "Other Fees" revenue is derived from sources such as well development fees, well application and inspection fees, annual permit fees, contractual administrative support of the Texas Alliance of Groundwater Districts, Enforcement Fines and Penalties fees of which there was \$0 for FY 2009, and a newly created Drought Management Fee for FY 2009 where \$32,000 was assessed before a rule change to not assess drought management fees to permittees with a total annual permitted pumpage volume of 2,000,000 gallons per year or less. This resulted in almost \$10,000 being credited back to those qualified permittee water use fee accounts.

Overall, the change in total annual revenue from FY 2008 to FY 2009 was slight (less than 2%).

Investment (interest) income in FY 2009 continues to decrease (by 74.3% over the prior year) as a result of the much less favorable money market returns more than offsetting the effect of the somewhat larger investment base. Investment income for FY 2009 is \$12,532, and although \$36,282 less than the prior year, it is 96.4% of what was expected and budgeted for FY 2009 (\$13,000).

## **FINANCIAL HIGHLIGHTS OF CHANGES IN OPERATING EXPENSES**

Personnel expense (salaries and wages, and related benefits) for FY 2009 is \$703,940 which is 98.6% of what was budgeted. This is a 12.1% increase from the prior year that reflects the effect of normal increases in salaries, incentive compensation, and salary-indexed fringe benefits.

Staff tax and benefit-related expenses for FY 2009 is \$119,071 which is 11.5% higher than the prior year, but includes a fluctuating accrued vacation expense account that changes

monthly. Group insurance benefits for FY 2009 are \$83,898, an increase from prior year by 7.3%. This expense will increase more dramatically in FY 2010, owing to a 24% increase in health care provisions beginning March 1, 2010.

Directors compensation for meetings increased slightly (by 6.5% or \$1,800) over the prior year, but still within the legislatively mandated maximum amount of \$9,000 per year per director, with only 4 directors currently accepting compensation. Drought compliance, rulemaking, and other mission-oriented activities demanded more director attention and involvement in FY 2009.

Direct expenses associated with the ongoing work of the various programmatic teams (Aquifer Sciences, Education and Community Outreach, Regulatory Programs) are not meaningfully comparable on a year-on-year basis, because the work programs of each vary year to year. These teams' efforts were substantially completed well within their budget and schedule constraints, which are the more important management measures.

Since the District holds elections no more often than every two years (in even-numbered years, if and when warranted), the Elections account sometimes shows large percentage differences from year to year. Similarly, legislative services tend to be biennial with the Texas Legislative Regular Sessions in odd-numbered years, so year-on-year expense changes approach 100%. There was no election in FY 2009. In FY 2009, the Texas Legislature was in session, and related legislative expenses for FY 2009 are \$30,840 which is 99.5% of what was budgeted for legislation.

Professional Services (excluding legal expenses, and excluding professional services specific to team budgets) decreased very slightly for FY 2009 (by 4.8% to \$32,040), and well within the \$77,100 budgeted. The reason professional services for FY 2009 is 41.6% less than budgeted is due to the \$26,500 allotted for web-site design that was not expended, and only spending \$3,900 or 15.6% percent of the \$25,000 budgeted for engineering services.

Legal Services expense in 2009 decreased by 37.4% from the prior year, from \$174,722 to \$109,387 of which \$18,757 was expended on the Jeremiah Venture contested case. But in FY 2008, there was extraordinary legal expense associated with the "Belterra Treatment Plant" contested case; some of these expenses extended into FY 2009, but much less than in the prior year.

Non-labor grant expenses for the HCP follow-on grant project, which was executed on June 12, 2008, were \$0 for FY 2008, but increased to \$21,700 in FY 2009, as the new project got underway; only a modest amount of District labor was expended and none was billed in FY 2009. Only non-labor grant expenses for the 319(h) project were recognized and billed in FY 2009; they decreased by 21.4% in FY 2009, with FY 2009 expense of \$77,181, compared to \$98,136.

Several expense accounts or sub-accounts showing large percentage changes reflect small dollar amounts in one or both years leading to relatively large proportional changes.

#### **KEY FACTORS INFLUENCING CAPITAL ASSETS**

Capital assets subject to depreciation include building, vehicles, and equipment with an original cost that is greater than \$5,000 and with a life exceeding one (1) year. Land is not depreciated.

The change in net capital assets consisted of annual depreciation expense (which was \$34,966 for FY 2009), and five asset acquisitions in FY 2009, one of which was part of a Westbay™ monitor well valued at \$40,202 with a depreciable life of 5 years, 2 which were field equipment valued at \$54,103 also with a depreciable life of 5 years, another which was a roof replacement valued at \$8,645, and one of which was a District vehicle that was purchased for \$22,500 using funds from the TexPool Capital account. Asset acquisitions for FY 2009 totaled \$125,450. There were no asset dispositions in FY 2009.

#### **KEY FACTORS INFLUENCING CHANGES IN CASH FUNDS**

The available cash funds (Citibank accounts and TexPool General account, excluding contingency, capital, and reserve funds) in FY 2009 was \$200,635; the decrease from \$335,165 in the prior year is attributable to the timing of depositing water use fee payments and their resulting deposits.

For FY 2009, the District transferred \$41,972 from its TexPool Capital fund account, and \$63,784 from its TexPool Contingency fund account into its General operating account to fund specific projects and to balance the FY 2009 annual budget.

In FY 2008, the District established a new, restricted-purpose capital subaccount for enforcement-related fines and penalties. This account contained \$24,700 at the end of FY 2008, and the balance remains the same at the end of FY 2009 as there were no new enforcement penalties assessed.

#### **ANTICIPATED CHANGES**

The following events related to financial management have not occurred yet, but are expected to be potentially significant in FY 2010:

- \* Continued execution, administration, and completion/finalization of the 319(h) grant that was granted an extension through February 28, 2010;
- \* Increases in both revenue and expense associated with execution, administration, and documentation for the HCP follow-on grant project;
- \* Possible annexations and their related confirmation election expenses, which could increase expense more than revenue while in start-up activities, which possibly could also increase capital funds as solicited grants and contributions are made to offset annexed-area start-up costs;
- \* Biennial director election expenses if and as contested;
- \* Possible continued higher-than-normal legal expenses associated with two on-going contested-case hearings and/or settlement negotiations; and the above-mentioned director election and possible annexation election;
- \* Saline zone studies requiring both consultant and capital expenditures and possible further desalination efforts;
- \* Continued expansion of 3-D Modeling software capability and additional training; and
- \* Development of Desired Future Conditions, possibly requiring increased consultant and legal expense.



**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**AUGUST 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,192,224	\$ 1,243,827
Accounts receivable	101,097	71,309
Prepaid expenses	<u>1,298</u>	<u>1,215</u>
Total current assets	<u>1,294,619</u>	<u>1,316,351</u>
<b>Noncurrent assets</b>		
Capital assets		
Land	165,415	165,415
Building and improvements	227,034	218,389
Office furniture and equipment	54,933	54,933
Field equipment	202,342	108,037
Vehicles	<u>88,918</u>	<u>66,418</u>
	738,642	613,192
Less accumulated depreciation	<u>(283,031)</u>	<u>(248,065)</u>
Total capital assets, net	455,611	365,127
Deposits	<u>71</u>	<u>71</u>
Total noncurrent assets	<u>455,682</u>	<u>365,198</u>
Total assets	<u>1,750,301</u>	<u>1,681,549</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	91,042	6,459
Conservation credits	45,642	25,794
Compensated absences	42,421	32,140
Deferred revenue	<u>107,909</u>	<u>47,753</u>
Total current liabilities	<u>287,014</u>	<u>112,146</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	365,127	365,127
Unrestricted	<u>1,098,160</u>	<u>1,204,276</u>
Total net assets	<u>\$ 1,463,287</u>	<u>\$ 1,569,403</u>

See accompanying notes to financial statements.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Water permit and other fees	\$ 1,265,787	\$ 1,235,917
Grant revenue	127,491	104,168
Miscellaneous	1,961	82,008
Total operating revenues	<u>1,395,239</u>	<u>1,422,093</u>
<b>OPERATING EXPENSES</b>		
Operational expenses	152,132	117,623
Salaries, wages and compensation	733,340	655,844
Employment taxes, insurance and benefits	203,414	185,449
Professional services	141,428	208,361
Team expenditures	144,072	217,566
Grant expenditures	104,669	98,905
Depreciation	34,966	28,322
Total operating expenses	<u>1,514,021</u>	<u>1,512,070</u>
Operating income	<u>(118,782)</u>	<u>(89,978)</u>
<b>NONOPERATING REVENUES</b>		
Interest revenue	12,666	48,814
Total nonoperating revenues	<u>12,666</u>	<u>48,814</u>
Change in net assets	(106,116)	(41,163)
Net assets beginning of year	<u>1,569,403</u>	<u>1,610,366</u>
Net assets end of year	<u>\$ 1,463,287</u>	<u>\$ 1,569,403</u>

See accompanying notes to financial statements.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from water permit and other use fees	\$ 1,285,376	\$ 1,276,353
Grant receipts	52,844	44,929
Payments to suppliers and employees	(345,486)	(455,434)
Payments to employees and benefits	(828,845)	(808,981)
Grant expenses	(104,669)	(98,905)
Other receipts	1,961	1,395
Net cash provided by (used by) operating activities	<u>61,181</u>	<u>(40,643)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	<u>(125,450)</u>	<u>(37,398)</u>
Net cash used by capital and related financing activities	<u>(125,450)</u>	<u>(37,398)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest	<u>12,666</u>	<u>48,814</u>
Net cash provided by investing activities	<u>12,666</u>	<u>48,814</u>
Net change in cash and cash equivalents	(51,603)	(29,226)
Cash and cash equivalents beginning of year	<u>1,243,827</u>	<u>1,273,053</u>
Cash and cash equivalents end of year	<u>\$ 1,192,224</u>	<u>\$ 1,243,827</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES</b>		
Operating loss	\$ (118,782)	\$ (89,978)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	34,966	28,322
Loss on disposal of capital assets	-	-
Change in assets and liabilities:		
Receivables, net	(29,788)	60,141
Prepaid and deferred expenses	(83)	655
Accounts payable and accrued expenses	84,583	(53,611)
Conservation credits	19,848	(42,288)
Compensated absences	10,281	8,363
Deferred revenue	<u>60,156</u>	<u>47,753</u>
Net cash provided by (used by) operating activities	<u>\$ 61,181</u>	<u>\$ (40,643)</u>

See accompanying notes to financial statements.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Barton Springs/Edwards Aquifer Conservation District (the District) is a ground-water conservation district created in 1986 by the Texas Water Commission (now the Texas Commission on Environmental Quality), validated in 1987 by the 70th Legislature (Senate Bill 988), and confirmed by the voters on August 8, 1987. The District's statutory authority is Chapter 52 of the Texas Water Code, as amended by the 70<sup>th</sup> Legislature Senate Bill 988, further amended to reference Chapter 36 of the Texas Water Code upon the repeal of Chapter 52, effective through House Bill 2294 by the 74<sup>th</sup> Legislature.

The District encompasses approximately 225 square miles and serves southern Travis County, northern Hays County, and portions of southwestern Bastrop and northwestern Caldwell Counties. The District is committed to providing for the conservation, preservation, protection, recharging, and prevention of waste of groundwater of the Barton Springs segment of the Edwards Aquifer.

The enabling legislation creating the District provides that the District may assess fees "on an annual basis, based upon the size of column pipe used in the wells, the production capacity of the well, or actual, authorized, or anticipated pumpage". The District may not assess and collect taxes. The enabling legislation, as amended by House Bill 2294 in the 74<sup>th</sup> Legislative Session, further provided that the City of Austin can be required to pay a usage fee not exceeding sixty percent of the sum of (1) the total water use fees received from all permitted users and (2) the usage fee of the City of Austin.

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

Reporting Entity

These financial statements present the operations of the District alone, and include no component units. As defined by GASB Statement No. 14, *The Financial Reporting Entity*, component units are legally separate entities that would be included in the District's reporting entity because of the significance of their operating or financial relationships with the District. Based on the specific criteria in the Statement, the District has no component units and is not a component unit of any other reporting entity as defined by the Statement.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**NOTE A – Continued**

Basis of Presentation

Basic financial statements of a governmental entity normally include both government-wide and fund financial statements. However, because the District only has one fund, only fund financial statements are presented.

The District's operations are accounted for in the proprietary fund type called an enterprise fund. Enterprise funds are required to be used to account for business-type operations for which a fee is charged to external users for goods or services. The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements.

The District's business-type activities are presented on the accrual basis of accounting. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances, all of which are considered to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	25 to 30 years
Office furniture and equipment	3 to 10 years
Field equipment	5 to 7 years
Vehicles	5 years

Compensated Absences

The District accrues accumulated unpaid vacation leave and associated employee-related costs when earned by the employee. The liability for accrued leave at August 31, 2009 and 2008 is \$42,421 and \$32,140, respectively.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**NOTE A – Continued**

Deferred Revenue

Deferred revenue consists of water permit fees received in the current fiscal year which are applicable to the succeeding fiscal year. These fees will be recognized as revenue in the fiscal year to which they apply.

Defining Operating Revenues and Expenses

The District's proprietary fund type distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses consist of charges for services (consisting of fees assessed for permittees' permitted pumpage) and the costs of providing those services, including depreciation. Operating revenues and expenses also include amounts received and spent under the terms of the agreement with Texas Parks and Wildlife Department (see Note H). All other revenues and expenses are reported as nonoperating.

Net Assets

Net assets are divided into three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net assets – consist of net assets that are restricted by the District's creditors, by the state enabling legislation, by grantors, and by other contributors.
- Unrestricted – all other net assets are reported in this category.

At August 31, 2009 and 2008, the District has no restricted net assets.

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 years ended August 31, 2009 and 2008, the District was under contract with Texas Municipal League Intergovernmental Risk Pool to cover property and general liabilities. In addition, the District purchased commercial insurance to cover commercial crime coverage and public official bonds. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through February 11, 2010, which is the date the financial statements were available to be issued.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**NOTE B – BUDGETARY CONTROL**

The District's Board of Directors adopts an annual budget of anticipated revenues and expenses prior to the beginning of each fiscal year. This budget is prepared on substantially the same basis used to reflect actual revenues and expenses, except that capital outlay is budgeted in addition to depreciation expense and transfers to contingency and reserve funds are budgeted as non-cash disbursements. Amendments to the initial budget are approved by the Board as needed at its regular meetings.

**NOTE C – DEPOSITS AND INVESTMENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

The District's cash deposits as of and during the years ended August 31, 2009 and 2008 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. Among the items that must be addressed in the policy are the following: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, and (7) investment staff quality and capabilities. The Act also determines the types of investments which the District is authorized to invest in. These include: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. Finally, the Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act.

The District participates in the Texas Local Governmental Investment Pool (TexPool), which is an external investment pool offered to local governments. TexPool is not SEC registered; however, it is regulated by the State Comptroller of Public Accounts. These investments are stated at fair value which is the same as the value of the pool shares. At August 31, 2009 and 2008, the District's investment in TexPool amounted to \$1,023,334 and \$1,226,337, respectively.

The District is in substantial compliance with the requirements of the Public Funds Investment Act and with local policies.

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE D – CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2009 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 165,415	\$ 0	\$ 0	\$ 165,415
Building and improvements	218,389	8,645	0	227,034
Office furniture and equipment	54,933	0	0	54,933
Field equipment	108,037	94,305	0	202,342
Vehicles	66,418	22,500	0	88,918
Total capital assets	\$ 613,192	\$ 125,450	\$ 0	\$ 738,642
Accumulated depreciation	(248,065)	(34,966)	0	(283,031)
Total capital assets, net	<u>\$ 365,127</u>	<u>\$ 90,484</u>	<u>\$ 0</u>	<u>\$ 455,611</u>

**NOTE E – CONSERVATION CREDITS**

The District supports and encourages a permittee's efforts to conserve water and to reduce annual pumpage as a result of conservation efforts by providing a credit to the permittee's account for the ensuing fiscal year. To be eligible for the credit, the permittee's reported pumpage volume must be less than the maximum amount pumped on an annual basis in the last three fiscal years, and the permittee must meet other requirements regarding submission of timely payments and meter readings.

Conservation credits awarded for the fiscal years ended August 31, 2009 and 2008 amounted to \$45,642 and \$25,794, respectively.

**NOTE F – DESIGNATED NET ASSETS**

The Board has designated a portion of its net assets as follows:

<u>Designation</u>	<u>Balance at August 31, 2009</u>	<u>Balance at August 31, 2008</u>
Reserve for contingencies	\$ 375,175	\$ 429,720
Reserve for payment of compensated absences	42,432	31,264
Reserve for future capital acquisitions	467,940	449,649
	<u>\$ 885,547</u>	<u>\$ 910,633</u>

Amounts equal to these reserves have been segregated into separate TexPool accounts. Such designations represent management's plans for the use of resources and do not have the same status as restrictions on net assets. Therefore, the reserves may be used by the District at any time, as directed by the Board.



**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**NOTE G – RETIREMENT PLAN**

The District provides retirement benefits for all full-time employees who are at least twenty-one years of age and have twelve months of service. The plan, a defined contribution pension plan, is a money purchase pension plan and trust. The District's contributions for the years ended August 31, 2009 and 2008 were \$51,318 and \$46,373, respectively.

As of August 31, 2009, the defined contribution pension plan assets are summarized as follows:

<u>Investment Type</u>	<u>August 31, 2009</u>
Short-term investments	\$ 11,197
Mutual funds – equity	535,902
Mutual funds – fixed income	60,946
Total plan assets	<u>\$ 608,045</u>

During the plan year ended August 31, 2009 twelve of the thirteen persons employed by the District met eligibility requirements and were participants in the Plan. Three participants who terminated prior to September 1, 2006 have account balances in the plan. No persons were receiving survivors' benefits from the plan at any time during the year ended August 31, 2009.

**NOTE H – CONTRACT AGREEMENTS**

In June 2004, the District entered into a Memorandum of Agreement with the Texas Parks and Wildlife Department (TPWD). The agreement provides that the District will prepare a draft habitat conservation plan and draft environmental impact study or environmental assessment for management of the Edwards Aquifer to address covered endangered species in the Barton Springs area, as well as protection of the water supply. The agreement covered the three-year period ended April 28, 2007. On June 12, 2008, a second, follow-on HCP grant by TPWD was awarded to the District, to complete the study and reporting initiated in the precursor grant. No revenue from this TPWD grant was recognized for either of the years ended August 31, 2009 and 2008 because no billings for this project were made until 2010.

In March 2007, the District entered into an agreement with the Texas Commission on Environmental Quality (TCEQ) to provide services regarding the (i) upgrade of the Antioch Cave recharge facility by adding water quality monitoring equipment and flow management devices and (ii) the evaluation of additional Onion Creek surface water flow control systems. The grant is not to exceed \$558,000 with a grant period of March 29, 2007 through August 31, 2009. TCEQ will reimburse up to \$334,800 contingent upon the District's minimum matching funds or in-kind contributions of \$223,200. For the years ended August 31, 2009 and 2008, the District recognized \$122,741 and \$100,122 respectively, in grant revenue from billings to TCEQ. Expenses incurred by the District for the years ended August 31, 2009 and 2008, excluding payroll and overhead, amounted to \$77,181 and \$98,136, respectively.

**SUPPLEMENTARY INFORMATION**

**BARTON SPRINGS/EDWARDS AQUIFER CONSERVATION DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(GAAP Basis)</u>	<u>Positive</u> <u>(Negative)</u>
<b>OPERATING REVENUES</b>				
Water use fees - permittees	\$ 666,088	\$ 666,089	\$ 445,605	\$ (220,484)
Water use fees - City of Austin	753,126	753,126	753,126	-
Conservation credits	-	-	(45,642)	(45,642)
Grant revenue	265,160	265,160	127,491	(137,669)
Other fees	19,500	44,450	112,698	68,248
Miscellaneous	500	500	1,961	1,461
Total operating revenues	<u>1,704,374</u>	<u>1,729,325</u>	<u>1,395,239</u>	<u>(334,086)</u>
<b>OPERATING EXPENSES</b>				
Operational expenses	206,820	239,756	152,132	87,624
Salaries, wages and compensation	753,891	759,141	733,340	25,801
Employment taxes, insurance and benefits	208,157	209,632	203,414	6,218
Professional services	102,900	161,100	141,428	19,672
Team expenditures	250,899	263,452	144,072	119,380
Grant expenditures	215,000	215,000	104,669	110,331
Depreciation	-	-	34,966	(34,966)
Total operating expenses	<u>1,737,667</u>	<u>1,848,081</u>	<u>1,514,021</u>	<u>334,060</u>
Operating income	<u>(33,293)</u>	<u>(118,756)</u>	<u>(118,782)</u>	<u>(26)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenue	33,600	13,000	12,666	(334)
Transfers to reserves	-	-	-	-
Total nonoperating revenues (expenses)	<u>33,600</u>	<u>13,000</u>	<u>12,666</u>	<u>(334)</u>
Change in net assets	307	(105,756)	(106,116)	(360)
Net assets beginning of year	<u>1,569,403</u>	<u>1,569,403</u>	<u>1,569,403</u>	<u>-</u>
Net assets end of year	<u>\$1,569,710</u>	<u>\$1,463,647</u>	<u>\$1,463,287</u>	<u>\$ (360)</u>