

LOST PINES GROUNDWATER
CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2021



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

LOST PINES GROUNDWATER CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Directors of
Lost Pines Groundwater Conservation District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Lost Pines Groundwater Conservation District (the "District") as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

March 25, 2022

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LOST PINES GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

As management of the Lost Pines Groundwater Conservation District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2021.

Financial Highlights

- As of year-end, the District's net position was \$4,034,005 which reflects a \$441,860 increase from the prior year. Of this ending amount, \$4,003,847 represents unrestricted net position which is available to meet the District's obligations.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of two components: 1) fund financial statements and 2) the notes to financial statements. This report also includes other information intended to furnish additional detail to support the basic financial statements themselves.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Funds. The District uses an enterprise fund to account for groundwater conservation operations. The proprietary fund financial statements provide information for the groundwater conservation operation which is considered the only fund of the District.

The basic proprietary fund financial statements can be found on pages 10-13 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the fund financial statements.

The notes to the financial statements can be found on pages 17-21 of this report.

Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,034,005 at the close of the most recent fiscal year.

A small portion of District's net position, about 1%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt (if applicable) that was used to acquire those assets. As of year-end the District had \$30,158 of land. Accordingly, these assets are not available for future spending.

The remaining balance of \$4,003,847 is unrestricted and may be used to meet the District's ongoing obligations. At the end of the current fiscal year, the District is able to report positive balances in all reported categories of net position for business-type activities.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

**Lost Pines Groundwater Conservation District's
Net Position**

	Business-Type		Change
	Activities 2021	Activities 2020	
Current & other assets	\$ 4,078,288	\$ 3,616,736	\$ 461,552
Capital assets	30,158	30,158	-
Total assets	4,108,446	3,646,894	461,552
Current liabilities	74,441	54,749	19,692
Total liabilities	74,441	54,749	19,692
Net position			
Net investment in capital assets	30,158	30,158	-
Unrestricted	4,003,847	3,561,987	441,860
Total net position	\$ 4,034,005	\$ 3,592,145	\$ 441,860

The District's overall net position increased by \$441,860 from the prior fiscal year. The reasons for this overall increase are discussed in the following section for Proprietary Fund.

**Lost Pines Groundwater Conservation District's
Changes in Net Position**

	Business-Type		Change
	Activities 2021	Activities 2020	
Revenues:			
Program revenues:			
Charges for services	\$ 1,276,192	\$ 1,312,700	\$ (36,508)
Other	1,299	16,116	(14,817)
Total revenue	1,277,491	1,328,816	(51,325)
Expenses:			
Personnel services	305,427	275,627	29,800
Purchased professional and technical services	353,930	377,643	(23,713)
Other operating expenses	176,274	63,269	113,005
Total expenses	835,631	716,539	119,092
Increase (decrease) in net position	441,860	612,277	(170,417)
Net position - beginning	3,592,145	2,979,868	612,277
Net position - ending	\$ 4,034,005	\$ 3,592,145	\$ 441,860

LOST PINES GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Financial Analysis of Proprietary Fund

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Fund

Unrestricted net position of the District at the end of the year was \$4,003,847. The total change in net position for the fund was an increase of \$441,860. The increase resulted primarily from lower than budgeted expenses and higher than expected revenues for the year.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its business-type activities as of December 31, 2021, amounts to \$30,158 net of accumulated depreciation. This investment in capital assets consists of land.

	Business-type Activities 2021	Business-type Activities 2020	Change
Land	\$ 30,158	\$ 30,158	\$ -
Furniture and Equipment	10,904	10,904	-
Total	41,062	41,062	-
Less Accumulated Depreciation	(10,904)	(10,904)	-
Total Assets	\$ 30,158	\$ 30,158	\$ -

Additional information on the District's capital assets can be found in Note III.C on page 21 of this report.

Long-term Debt. At the end of the current fiscal year, the District did not have any outstanding debt.

Economic Factors and Next Year's Budgets and Rates

There are no significant changes planned to the operations of the District for next year. The adopted budget for the District for fiscal year 2022 is approximately \$1.2 million.

Requests for Information

This financial report is designed to provide a general overview of the Lost Pines Groundwater Conservation District finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Lost Pines Groundwater Conservation District, 908 N. East Loop 230, Smithville, Texas 78957, or by calling (512) 360-5088.

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PROPRIETARY FUND FINANCIAL STATEMENTS

LOST PINES GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2021

	Business-Type Activities
	Operating Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 520,091
Investments	3,558,197
Total current assets	4,078,288
Noncurrent assets:	
Land	30,158
Total noncurrent assets	30,158
Total assets	4,108,446
LIABILITIES	
Current liabilities:	
Accounts payable	64,241
Permit deposits	10,200
Total liabilities	74,441
NET POSITION	
Investment in capital assets	30,158
Unrestricted	4,003,847
Total net position	\$ 4,034,005

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

LOST PINES GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-Type Activities
	Operating Fund
Operating revenues:	
Charges for services:	
Pumping charges	\$ 1,276,192
Total operating revenues	1,276,192
Operating expenses:	
Personnel services	305,427
Purchased professional and technical services	353,930
Other operating expenses	176,274
Total operating expenses	835,631
Operating income (loss)	440,561
Nonoperating revenues (expenses)	
Investment earnings	1,299
Total nonoperating revenues (expenses)	1,299
Change in net position	441,860
Net position-beginning	3,592,145
Net position-ending	\$ 4,034,005

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

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LOST PINES GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-Type Activities <u>Operating Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from user charges	\$ 1,276,192
Payments to suppliers and service providers	(510,512)
Payments to employees for salaries and benefits	(305,427)
Net cash provided by (used for) operating activities	<u>460,253</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(351,025)
Interest on investments	1,299
Net cash provided by investing activities	<u>(349,726)</u>
Net increase (decrease) in cash and cash equivalents	110,527
Cash and cash equivalents-beginning	<u>409,564</u>
Cash and cash equivalents-ending	<u>\$ 520,091</u>
 Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	<u>\$ 440,561</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Decrease) increase in accounts payable	47,692
(Decrease) increase in customer deposits	(28,000)
Total adjustments	<u>19,692</u>
Net cash provided by (used for) operating activities	<u>\$ 460,253</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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LOST PINES GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

I. Summary of significant accounting policies

A. Reporting entity

The Lost Pines Groundwater Conservation District (the "District") was created by an act of the Texas Legislature with the sole purpose of protecting the water supply for the residents of Bastrop County and Lee County. The District is governed locally by ten citizens, five from each respective county, who have been appointed by their respective county commissioners courts to serve as directors for a term of four years. Their charge is to determine how to best protect the underground aquifer from over-pumping so that there will be enough water for everyone, now and in the future.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described in the notes that follow.

B. Basis of presentation – fund financial statements

The fund financial statements provide information about the District's sole fund. The emphasis of fund financial statements is on major funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major enterprise fund:

The *Operating Fund* accounts for the activities of the District.

C. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Enterprise funds (proprietary funds) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

D. Budgetary information

Budgetary basis of accounting

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

The general manager submits to the board of directors the proposed budget. The directors may insert new items or may increase or decrease items of the budget, except items in proposed expenses fixed by law, but where it increases the total proposed expenses, it also provides for an increase in the total anticipated revenue to at least equal such total proposed expenses.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

The budget is adopted by a majority vote of the board of directors. The general manager may at any time transfer any unused appropriation balance or portion thereof between general classifications of expenses. Therefore, expenses should not exceed appropriations. The directors may transfer any unencumbered appropriation balance or portion thereof through formal budget amendments. Unencumbered appropriations lapse at year-end.

Budget amounts are as originally adopted prior to the beginning of the year or as amended by the board of directors during the year. Annual budgets are prepared for the proprietary fund on the generally accepted accounting principles basis.

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the government are reported at fair value (generally based on quoted market prices) except for positions in local government investment pools when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and prepaid items

The District does not have any inventory or prepaids as of year-end.

4. Capital assets

Capital assets (which include property, plant, equipment, and infrastructure assets e.g. roads, bridges, sidewalks, and similar items) are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the estimated useful lives. The District does not have any depreciable assets as of year-end.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

5. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

F. Revenues and expenses/expenses

1. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Operating Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. Stewardship, compliance and accountability

A. Violations of legal or contractual provisions

There were no expenses reported in excess of appropriations for the year ended December 31, 2021.

B. Deficit net position

For the year ended December 31, 2021, the District did not report deficit net position.

III. Detailed notes on all activities and funds

A. Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. For the year ended December 31, 2021, the District did not have a cash balance that exceeded its coverage (FDIC and/or pledged collateral).

LOST PINES GROUNDWATER CONSERVATION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

III. Detailed notes on all activities and funds (continued)

B. Investments

The state treasurer’s investment pool (the “Pool”) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.E.2, *Investments*, for a discussion of how the shares in the Pool are valued. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state. The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the state treasurer’s investment pool.

As of December 31, 2021, the District had the following investments:

Investment Type	Maturity Time in Years			
	Less than 1	1-5	6-10	More Than 10
TexPool Investment Pool	\$3,558,197	\$ -	\$ -	\$ -
Total Investments	\$3,558,197	\$ -	\$ -	\$ -

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months.

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the District’s policy to limit its investments in these investment types to the top rating issued by NRSROs. As of December 31, 2021, the District’s investment in the TexPool Investment Pool was rated AAAM by Standard & Poor’s.

Concentration of credit risk. The District’s investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the government’s total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

III. Detailed notes on all activities and funds (continued)

C. Capital Assets

Capital assets activity for the year ended December 31, 2021, was as follows:

Business-Type Activities:

	Balance 1/1/21	Increases	Decreases	Balance 12/31/21
Capital assets, not being depreciated:				
Land	\$ 30,158	\$ -	\$ -	\$ 30,158
Total capital assets, not being depreciated	30,158	-	-	30,158
Capital assets, being depreciated:				
Furniture and Equipment	10,904	-	-	10,904
Total capital assets, being depreciated	10,904	-	-	10,904
Less accumulated depreciation for:				
Furniture and Equipment	(10,904)	-	-	(10,904)
Total accumulated depreciation	(10,904)	-	-	(10,904)
Total capital assets being depreciated, net	-	-	-	-
Business-type activities capital assets	\$ 30,158	\$ -	\$ -	\$ 30,158

D. 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, 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.

E. Commitments and Contingencies

The District was not involved in any litigation at year end which would require recording/ disclosure.

F. Subsequent Events

The District has evaluated subsequent events through March 25, 2022 which represents the date this report was available to be issued; and as a result, no events were noted which require recording and/or disclosure.

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LOST PINES GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Operating revenues:				
Pumping charges	\$ 1,323,245	\$ 1,323,245	\$ 1,276,192	\$ (47,053)
Total operating revenues	<u>1,323,245</u>	<u>1,323,245</u>	<u>1,276,192</u>	<u>(47,053)</u>
Operating expenses:				
Current:				
Personnel services	305,720	305,720	305,427	293
Purchased professional and technical services	819,000	819,000	353,930	465,070
Other operating expenses	198,525	198,525	176,274	22,251
Total expenditures	<u>1,323,245</u>	<u>1,323,245</u>	<u>835,631</u>	<u>487,614</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>440,561</u>	<u>440,561</u>
Nonoperating revenues (expenses)				
Investment earnings	-	-	1,299	1,299
Total non-operating revenue (expenses)	<u>-</u>	<u>-</u>	<u>1,299</u>	<u>1,299</u>
Net change in net position	-	-	441,860	441,860
Net position - beginning	3,592,145	3,592,145	3,592,145	-
Net position - ending	<u>\$ 3,592,145</u>	<u>\$ 3,592,145</u>	<u>\$ 4,034,005</u>	<u>\$ 441,860</u>

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SINGLETON, CLARK & COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Lost Pines Groundwater Conservation District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Lost Pines Groundwater Conservation District (the "District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

March 25, 2022

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LOST PINES GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Under the guidelines of federal Uniform Guidance, a Single Audit was not required due to expenses of federal awards being below \$750,000.

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended December 31, 2021 and 2020.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with federal Uniform Guidance:

Not Applicable.

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March 25, 2022

To the Board of Directors of the
Lost Pines Groundwater Conservation District

We have audited the financial statements of the business-type activities of the Lost Pines Groundwater Conservation District for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Opinion on the Financial Statements

The primary purpose of a financial audit is for the auditor to render an opinion as to whether the financial statements of the audited organization appear to be free from material misstatement and adhere to generally accepted accounting principles. This opinion must be based on a systematic review of the evidence supporting the financial statement amounts. In conjunction with the audit, the auditor must also consider 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 on internal control.

Our opinion on the financial statements appears within the Independent Auditor's Report on page 3 of the Annual Financial Report. This opinion is classified as *Unmodified*.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Lost Pines Groundwater Conservation District are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2021. We noted no transactions entered into by the Lost Pines Groundwater Conservation District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of current year and accumulated depreciation on long-term capital assets is based on the historical cost of these assets and estimates of their useful lives. We evaluated the recorded asset values, estimated useful lives, and accumulated depreciation amounts to determine that they appear reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 25, 2022.

Management Consultations with Other Independent Accountants

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

Net Position of the Operating Fund

The Operating Fund is the main operating fund of the Lost Pines Groundwater Conservation District and contains the primary financial resources available to provide for ongoing District operations. The ending fund balance level of the Operating Fund is therefore a good indicator of the financial health of the District. A commonly accepted best practice for net position is to maintain an ending net position level of at least 25% of annual Operating Fund expenses. As of December 31, 2021, the net position of the Operating Fund was \$4,034,005 in total, which represented 483% of Operating Fund expenses for the year.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Lost Pines Groundwater Conservation District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Audit Findings, Internal Control, and Compliance Related Matters

Government Auditing Standards and the federal Uniform Guidance require an auditor to report material weaknesses and significant deficiencies found in the internal control of an organization, as well as material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A regular *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet potentially more consequential than a regular deficiency and important enough to merit attention by those charged with governance.

Material noncompliance with provisions of laws, regulations, contracts, and grant agreements occurs when the noncompliance is to a large enough degree that there could be a material effect on the determination of financial statement amounts or consequences severe enough to potentially affect the organization's operations.

No matters came to our attention during the audit that would require reporting in accordance with the above criteria.

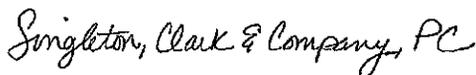
Other Matters

We applied certain limited procedures to the management's discussion and analysis section, preceding the financial statements, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the board of trustees and management of the Lost Pines Groundwater Conservation District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Singleton, Clark & Company, PC

Cedar Park, Texas

Client: 40-0006.0 - Lost Pines Groundwater Conservation District
 Engagement: Audit 21 - Lost Pines Groundwater Conservation District
 Period Ending: 12/31/2021
 Trial Balance: 3600.01 - Annual Trial Balance - 2 Year
 Workpaper: 3700.01 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust balances from prior year ending balances.		6000.05		
3900	Retained Earnings		47,712.39	
1200	Accounts Receivable			47,712.39
Total			<u>47,712.39</u>	<u>47,712.39</u>
Adjusting Journal Entries JE # 2				
To reverse prior year and record current year accounts payable balances.		5100.03		
2000	Accounts Payable		16,550.62	
5325.3	Labor:5325 -+ Employee Benefits:5325.30 -+ Retirement Match		1,459.00	
7315	Professional Services:7315 -+ Hydro/Geologist		24,447.09	
7450	Professional Services:7450 -+ Legal Fees		38,336.94	
2010	Accounts Payable			64,243.03
7450	Professional Services:7450 -+ Legal Fees			16,550.62
Total			<u>80,793.65</u>	<u>80,793.65</u>
Adjusting Journal Entries JE # 3				
To record interest income as of year end.		3600.01		
1032	TexPool		113.55	
4900	Income:4900 -+ Interest Income			113.55
Total			<u>113.55</u>	<u>113.55</u>
Adjusting Journal Entries JE # 4				
To reclass unnatural receivable balance as of year end.		4200.02		
1200	Accounts Receivable		6,175.00	
1400	Accounts Receivable Other		100.00	
4025	Income:4025 -+ User Fees			6,275.00
Total			<u>6,275.00</u>	<u>6,275.00</u>
Adjusting Journal Entries JE # 5				
To reverse venue deposit refunded at year end.		3700.02		
1010	Checking - First National Bank		50.00	
8694.04	-+ Venue			50.00
Total			<u>50.00</u>	<u>50.00</u>

These entries have been reviewed and approved by management and will be posted to the accounting system as of the fiscal year end audited.

SIGNED: _____

DATE: _____