

LOST PINES GROUNDWATER
CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2014



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

LOST PINES GROUNDWATER CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

TABLE OF CONTENTS

	Page	
FINANCIAL SECTION		
Independent Auditors' Report	1	
Management's Discussion and Analysis	3	
 Basic Financial Statements:		
Proprietary Fund Financial Statements:		
Statement of Net Position – Proprietary Funds	7	
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	8	
Statement of Cash Flows – Proprietary Funds	9	
Notes to the Financial Statements	10	
 REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Revenues, Expenses, and Changes in Net Position- Budget and Actual	16	
 COMPLIANCE SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		17
Schedule of Findings and Questioned Costs	19	

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

FINANCIAL SECTION

THIS PAGE IS INTENTIONALLY BLANK.



INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
Lost Pines Groundwater Conservation District

Report on the Financial Statements

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, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 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 business-type activities of the District as of December 31, 2014, 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.

THIS PAGE IS INTENTIONALLY BLANK.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section and budgetary comparison information 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2015 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC.
Cedar Park, Texas

April 23, 2015

THIS PAGE IS INTENTIONALLY BLANK.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,024,251 (*net position*). Of this amount, \$993,291 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$2,773 primarily because operating expenses slightly exceeded operating revenue.

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 supplementary 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 has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses an enterprise fund to account for groundwater conservation operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a District's functions. The District is not currently utilizing an internal service fund.

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 7-9 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 10-15 of this report.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Government-wide 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 \$1,024,251 at the close of the most recent fiscal year.

Lost Pines Groundwater Conservation District's Net Position

	Business- Type Activities 2014	Business- Type Activities 2013	Change
Current & other assets	\$ 1,061,631	\$ 1,096,343	\$ (34,712)
Capital assets	30,960	31,763	(803)
Total assets	<u>1,092,591</u>	<u>1,128,106</u>	<u>(35,515)</u>
Current liabilities	68,340	101,082	(32,742)
Total liabilities	<u>68,340</u>	<u>101,082</u>	<u>(32,742)</u>
Net position			
Net investment in capital assets	30,960	31,763	(803)
Unrestricted	993,291	995,261	(1,970)
Total net position	<u>\$ 1,024,251</u>	<u>\$ 1,027,024</u>	<u>\$ (2,773)</u>

A small portion of District's net position 3.0% reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The District uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$993,291 is unrestricted and may be used to meet the District's ongoing obligations to its citizens and creditors. 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. The same situation held true for the prior fiscal year.

The District's overall net position decreased by \$2,773 from the prior fiscal year. The reasons for this overall decrease are discussed in the following section for business-type activities.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Lost Pines Groundwater Conservation District's Changes in Net Position

	Business- Type Activities 2014	Business- Type Activities 2013	Change
Revenues:			
Program revenues:			
Charges for services	\$ 856,683	\$ 748,509	\$ 108,174
Other	4,968	4,984	(16)
Total revenue	<u>861,651</u>	<u>753,493</u>	<u>108,158</u>
Expenses:			
Personnel services	340,741	323,964	16,777
Purchased professional and technical services	465,386	328,119	137,267
Other operating expenses	57,494	67,210	(9,716)
Depreciation expense	803	803	-
Total expenses	<u>864,424</u>	<u>720,096</u>	<u>144,328</u>
Increase (decrease) in net position	<u>(2,773)</u>	<u>33,397</u>	<u>(36,170)</u>
Net position - beginning	<u>1,027,024</u>	<u>993,627</u>	<u>33,397</u>
Net position - ending	<u>\$ 1,024,251</u>	<u>\$ 1,027,024</u>	<u>\$ (2,773)</u>

Financial Analysis of Proprietary Funds

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

Proprietary Funds

Unrestricted net position of the District at the end of the year was \$993,291. The total change in net position for the fund was a decrease of \$2,773. The decrease for the Operating Fund results from operating expenditures slightly exceeding operating revenues for the current year.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its business-type activities as of December 31, 2014, amounts to \$30,960 (net of accumulated depreciation). This investment in capital assets includes land, machinery, equipment, and vehicles. The total decrease in capital assets for the current fiscal year was approximately 2.5%.

THIS PAGE IS INTENTIONALLY BLANK.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Lost Pines Groundwater Conservation District's Capital Assets

	Business-Type Activities 2014	Business-Type Activities 2013	Change
Land	\$ 30,158	\$ 30,158	\$ -
Furniture and Equipment	10,904	10,904	-
Total	41,062	41,062	-
Less Accumulated Depreciation	(10,102)	(9,299)	(803)
Capital assets, net of depreciation	<u>\$ 30,960</u>	<u>\$ 31,763</u>	<u>\$ (803)</u>

Additional information on the District's capital assets can be found in Note III.C on page 14 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

The following economic factors currently affect the District and were considered in developing the 2015 fiscal year budget. Interest rates are expected to remain at record low levels throughout fiscal year 2015. There were no significant changes planned to the operations of the District.

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. West Loop 230, Smithville, Texas 78957, or by calling (512) 360-5088.

THIS PAGE IS INTENTIONALLY BLANK.

FUND BASIS FINANCIAL STATEMENTS

LOST PINES GROUNDWATER CONSERVATION DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2014

	Business-Type Activities
	Operating Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 235,950
Investments	816,948
Accounts receivable, net	8,733
Total current assets	1,061,631
Noncurrent assets:	
Land	30,158
Furnishings and equipment	10,904
Accumulated depreciation	(10,102)
Total noncurrent assets	30,960
Total assets	1,092,591
LIABILITIES	
Current liabilities:	
Accounts payable	26,075
Accrued liabilities	7,265
Customer deposits	35,000
Total liabilities	68,340
NET POSITION	
Net investment in capital assets	30,960
Unrestricted	993,291
Total net position	\$ 1,024,251

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 FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities
	Operating Fund
Operating revenues:	
Charges for services:	
Pumping charges	\$ 856,683
Miscellaneous revenue	4,645
Total operating revenues	861,328
Operating expenses:	
Personnel services	340,741
Purchased professional and technical services	465,386
Other operating expenses	57,494
Depreciation	803
Total operating expenses	864,424
Operating income (loss)	(3,096)
Nonoperating revenues (expenses)	
Investment earnings	323
Total nonoperating revenues (expenses)	323
Change in net position	(2,773)
Net position-beginning	1,027,024
Net position-ending	\$ 1,024,251

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

THIS PAGE IS INTENTIONALLY BLANK.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Business-Type Activities</u>
	<u>Operating Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from user charges	\$ 853,036
Payments to suppliers and service providers	(543,642)
Payments to employees for salaries and benefits	(352,721)
Net cash provided by (used for) operating activities	<u>(43,327)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	122,090
Interest on investments	323
Net cash provided by investing activities	<u>122,413</u>
Net increase (decrease) in cash and cash equivalents	79,086
Cash and cash equivalents-beginning	156,864
Cash and cash equivalents-ending	<u>\$ 235,950</u>
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	<u>\$ (3,096)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	803
(Increase) decrease in accounts receivable	(8,292)
(Decrease) increase in accounts payable	(16,962)
(Decrease) increase in accrued liabilities	(11,980)
(Decrease) increase in customer deposits	(3,800)
Total adjustments	<u>(40,231)</u>
Net cash provided by (used for) operating activities	<u>\$ (43,327)</u>

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

THIS PAGE IS INTENTIONALLY BLANK.

NOTES TO THE FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY BLANK.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 a sole purpose to protect the water supply for the residents of Bastrop and Lee Counties, Texas. 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 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 groundwater conservation 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.

Proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

D. Budgetary information

1. 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 expenditures fixed by law, but where it increases the total proposed expenditures, it also provides for an increase in the total anticipated revenue to at least equal such total proposed expenditures.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

The budget is adopted by a majority vote of the Board of Directors. The General Manager may at any time transfer any unencumbered appropriation balance or portion thereof between general classifications of expenditures. Therefore, expenditures 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.

2. Excess of expenditures over appropriations

For the year ended December 31, 2014, expenditures exceeded appropriations in the depreciation expense line item of the Operating Fund by \$803.

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 report inventories of supplies items due to the unused items being on hand at any given time being deemed immaterial. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets 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.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

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 following estimated useful lives:

Capital asset classes	Lives
Machinery and equipment	5

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 expenditures/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

Note I.D.2, on the *Excess of expenditures over appropriations*, describes a budgetary violation that occurred for the year ended December 31, 2014.

B. Deficit fund equity

For the year ended December 31, 2014 there were no funds reported with deficit fund equity.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

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. The District does not have a deposit policy for custodial credit risk. As of December 31, 2014, the District's bank balance was \$128,352 and fully covered by FDIC.

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, 2014, 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	\$ 816,948	\$ -	\$ -	\$ -
Total Investments	\$ 816,948	\$ -	\$ -	\$ -

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, 2014, 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.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

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.

C. Capital Assets

Capital assets activity for the year ended December 31, 2014, was as follows:

Business-Type Activities :

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital assets, not being depreciated:				
Land	\$ 30,158	\$ -	\$ -	\$ 30,158
Total capital assets, not being depreciated	30,158	-	-	30,158
Capital assets, being depreciated:				
Machinery, equipment, and vehicles	10,904	-	-	10,904
Total capital assets, being depreciated	10,904	-	-	10,904
Less accumulated depreciation for:				
Machinery, equipment, and vehicles	(9,299)	(803)	-	(10,102)
Total accumulated depreciation	(9,299)	(803)	-	(10,102)
Total capital assets being depreciated, net	1,605	(803)	-	802
Business-type activities capital assets, net	\$ 31,763	\$ (803)	\$ -	\$ 30,960

D. Accrued liabilities

Accrued liabilities reported by the District at December 31, 2014, were as follows:

	<u>Operating Fund</u>
Accounts payable	\$ 26,075
Accrued liabilities	7,265
Customer deposits	35,000
Total accrued liabilities	<u>\$ 68,340</u>

THIS PAGE IS INTENTIONALLY BLANK.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

E. 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 fiscal year 2014, 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.

F. Contingencies

The District is a defendant in a case with Forestar (USA) Real Estate, Inc. which is pending in the 335th Judicial District Court of the State of Texas. Forestar claims damages in excess of \$15 million. The District believes that the claims are without merit and intends to vigorously defend its position. The ultimate outcome of this litigation cannot be presently determined. Accordingly, adjustments, if any, that might result from the resolution of this matter have not been reflected in the financial statements.

G. Subsequent events

There were no subsequent events that occurred after year end meeting the requirements for disclosure.

THIS PAGE IS INTENTIONALLY BLANK.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY BLANK.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
BUDGET VERSUS ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
OPERATING REVENUES				
Pumping charges	\$ 803,100	\$ 803,100	\$ 856,683	\$ 53,583
Miscellaneous revenue	20,000	20,000	4,645	(15,355)
Total operating revenues	<u>823,100</u>	<u>823,100</u>	<u>861,328</u>	<u>38,228</u>
OPERATING EXPENSES				
Current:				
Personnel services	341,950	344,789	340,741	4,048
Purchased professional and technical services	415,000	533,177	465,386	67,791
Other operating expenses	67,700	69,298	57,494	11,804
Depreciation expense	-	-	803	(803)
Total expenditures	<u>824,650</u>	<u>947,264</u>	<u>864,424</u>	<u>82,840</u>
Excess (deficiency) of revenues over expenditures	<u>(1,550)</u>	<u>(124,164)</u>	<u>(3,096)</u>	<u>121,068</u>
NON-OPERATING REVENUE (EXPENSES)				
Investment earnings	600	600	323	(277)
Total non-operating revenue (expenses)	<u>600</u>	<u>600</u>	<u>323</u>	<u>(277)</u>
Net change in net position	(950)	(123,564)	(2,773)	120,791
Net position - beginning	1,027,024	1,027,024	1,027,024	-
Net position - ending	<u>\$ 1,026,074</u>	<u>\$ 903,460</u>	<u>\$ 1,024,251</u>	<u>\$ 120,791</u>

THIS PAGE IS INTENTIONALLY BLANK.

COMPLIANCE SECTION

THIS PAGE IS INTENTIONALLY BLANK.



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

To the Board of Directors
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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

THIS PAGE IS INTENTIONALLY BLANK.

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

April 23, 2015

THIS PAGE IS INTENTIONALLY BLANK.

LOST PINES GROUNDWATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ 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

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, 2014 and 2013.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with Section 510(c) of OMB Circular A-133:

Not Applicable.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285 286 287 288 289 290 291 292 293 294 295 296 297 298 299 300 301 302 303 304 305 306 307 308 309 310 311 312 313 314 315 316 317 318 319 320 321 322 323 324 325 326 327 328 329 330 331 332 333 334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353 354 355 356 357 358 359 360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383 384 385 386 387 388 389 390 391 392 393 394 395 396 397 398 399 400 401 402 403 404 405 406 407 408 409 410 411 412 413 414 415 416 417 418 419 420 421 422 423 424 425 426 427 428 429 430 431 432 433 434 435 436 437 438 439 440 441 442 443 444 445 446 447 448 449 450 451 452 453 454 455 456 457 458 459 460 461 462 463 464 465 466 467 468 469 470 471 472 473 474 475 476 477 478 479 480 481 482 483 484 485 486 487 488 489 490 491 492 493 494 495 496 497 498 499 500 501 502 503 504 505 506 507 508 509 510 511 512 513 514 515 516 517 518 519 520 521 522 523 524 525 526 527 528 529 530 531 532 533 534 535 536 537 538 539 540 541 542 543 544 545 546 547 548 549 550 551 552 553 554 555 556 557 558 559 560 561 562 563 564 565 566 567 568 569 570 571 572 573 574 575 576 577 578 579 580 581 582 583 584 585 586 587 588 589 590 591 592 593 594 595 596 597 598 599 600 601 602 603 604 605 606 607 608 609 610 611 612 613 614 615 616 617 618 619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639 640 641 642 643 644 645 646 647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700 701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719 720 721 722 723 724 725 726 727 728 729 730 731 732 733 734 735 736 737 738 739 740 741 742 743 744 745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763 764 765 766 767 768 769 770 771 772 773 774 775 776 777 778 779 780 781 782 783 784 785 786 787 788 789 790 791 792 793 794 795 796 797 798 799 800 801 802 803 804 805 806 807 808 809 810 811 812 813 814 815 816 817 818 819 820 821 822 823 824 825 826 827 828 829 830 831 832 833 834 835 836 837 838 839 840 841 842 843 844 845 846 847 848 849 850 851 852 853 854 855 856 857 858 859 860 861 862 863 864 865 866 867 868 869 870 871 872 873 874 875 876 877 878 879 880 881 882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898 899 900 901 902 903 904 905 906 907 908 909 910 911 912 913 914 915 916 917 918 919 920 921 922 923 924 925 926 927 928 929 930 931 932 933 934 935 936 937 938 939 940 941 942 943 944 945 946 947 948 949 950 951 952 953 954 955 956 957 958 959 960 961 962 963 964 965 966 967 968 969 970 971 972 973 974 975 976 977 978 979 980 981 982 983 984 985 986 987 988 989 990 991 992 993 994 995 996 997 998 999 1000

LOST PINES GROUNDWATER CONSERVATION DISTRICT

FY2014 AUDIT REPORTING PACKAGE

DECEMBER 31, 2014

LOST PINES GROUNDWATER CONSERVATION DISTRICT
AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED DECEMBER 31, 2014

Contents

Section I Required Communications with the Governing Body, Including Internal Control Related Matters

Section II Summary of Audit Adjustments

Section III Management Representation Letter

SECTION – I

**Required Communications with the Governing Body,
Including Internal Control Related Matters**



April 23, 2015

To the Board of Directors
Lost Pines Groundwater Conservation District

We have audited the financial statements of the business-type activities of Lost Pines Groundwater Conservation District for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated January 8, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Communication of Significant Audit Related Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by 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 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the estimated remaining useful lives of the District's facilities and equipment is based on prior experience and common life spans of the different categories of capital assets. We evaluated the key factors and assumptions used to develop the estimate of the remaining useful lives of facilities and equipment in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are 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 April 23, 2015.

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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

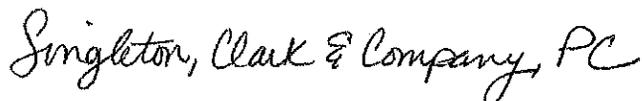
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of 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

SECTION - II

SUMMARY OF AUDIT ADJUSTMENTS

Client: 40-0006.0 - Lost Pines Groundwater Conservation District
 Engagement: Audit 14 - Lost Pines Groundwater Conservation District
 Period Ending: 12/31/2014
 Trial Balance: 3600.01 - Annual Trial Balance - 2 Year
 Workpaper: 3700.01 - Adjusting Journal Entries Report

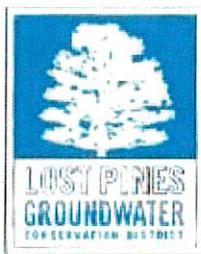
Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
Entry to rollforward fund balance.			
1710	Land	30,158.00	
3900	Retained Earnings	12,877.56	
2010	Accounts Payable		43,035.56
Total		43,035.56	43,035.56
Adjusting Journal Entries JE # 2			
Entry to book depreciation expense.			
6800	Depreciation Expense - Prop. Fund Types Only	803.25	
1790	Accumulated Depreciation		803.25
Total		803.25	803.25
Adjusting Journal Entries JE # 3			
Entry to reverse prior year accounts payable balance.			
2010	Accounts Payable	43,035.56	
7450	Professional Services:7450 + Legal Fees		43,035.56
Total		43,035.56	43,035.56
Adjusting Journal Entries JE # 4			
Entry to book accounts payable at year end.			
7315	Professional Services:7315 + Hydro/Geologist	9,100.80	
7450	Professional Services:7450 + Legal Fees	16,972.43	
2010	Accounts Payable		26,073.23
Total		26,073.23	26,073.23
Adjusting Journal Entries JE # 5			
Entry to reclass accounts receivable amount.			
1400	Accounts Receivable Other	27,742.36	
1200	Accounts Receivable		27,742.36
Total		27,742.36	27,742.36
Adjusting Journal Entries JE # 6			
Entry to correct end of year payroll entry booked incorrectly.			
1010	Checking - First National Bank	3,660.71	
2225	Payroll Liabilities		3,660.71
Total		3,660.71	3,660.71
Adjusting Journal Entries JE # 7			
Entry to correct TexPool balance and interest at year end.			
1032	TexPool	40.17	
4900	Income:4900 + Interest Income		40.17
Total		40.17	40.17
Adjusting Journal Entries JE # 8			

Client: **40-0006.0 - Lost Pines Groundwater Conservation District**
 Engagement: **Audit 14 - Lost Pines Groundwater Conservation District**
 Period Ending: **12/31/2014**
 Trial Balance: **3600.01 - Annual Trial Balance - 2 Year**
 Workpaper: **3700.01 - Adjusting Journal Entries Report**

Account	Description	Debit	Credit
Entry to correct customer deposit balance at year end.			
2280	Customer Deposits	2,400.01	
4950	Income:4950 + Other Income		2,400.01
Total		<u>2,400.01</u>	<u>2,400.01</u>

SECTION - III

MANAGEMENT REPRESENTATION LETTER



Lost Pines Groundwater Conservation District
908 NE Loop 230
Post Office Box 1027
Smithville, TX 78957
Tax ID Number 74-2955722

512-360-5088
FAX: 512-360-5448
Email: lpgcd@lostpineswater.org
Web Site: www.lostpineswater.org

Joe Cooper, General Manager

April 23, 2015

Singleton, Clark & Company, PC
1130 Cottonwood Creek Trail
Building B, Suite 4
Cedar Park, Texas 78613

This representation letter is provided in connection with your audit of the financial statements of Lost Pines Groundwater Conservation District, which comprise the respective financial position of the business-type activities as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of April 23, 2015, the following representations made to you during your audit.

Financial Statements

- 1) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 2) We acknowledge our responsibility 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.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 4) Significant assumptions we used in making accounting estimates are reasonable.
- 5) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- 6) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 7) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements, if any, is attached to the representation letter.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 18) We have made available to you all financial records and related data.
- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

- 20) We have taken timely and appropriate steps to remedy fraud, violations of laws, regulations, contracts, or grant agreements, or abuse if matters such as these have been reported to us.
- 21) We have a process to track the status of audit findings and recommendations if they have been reported to us.
- 22) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether any related recommendations have been implemented.
- 23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, if any findings have been reported.
- 24) The district has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 28) The district has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The district has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 31) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 32) The financial statements properly classify all funds and activities.
- 33) All funds that meet the quantitative criteria in [GASB Statement Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 35) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.

- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets; are properly capitalized, reported, and, if applicable, depreciated.
- 42) We have appropriately disclosed the district's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature: _____
Title: General Manager

Signature: _____
Title: Office Manager