

LOST PINES GROUNDWATER CONSERVATION DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2023



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS



LOST PINES GROUNDWATER CONSERVATION DISTRICT  
 ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

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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 Lost Pines Groundwater Conservation District (the “District”), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Lost Pines Groundwater Conservation 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 Lost Pines Groundwater Conservation District, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the Operating Fund 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 Lost Pines Groundwater Conservation 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 Lost Pines Groundwater Conservation 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 Lost Pines Groundwater Conservation 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 Lost Pines Groundwater Conservation 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 section which precedes the basic financial statements and the pension and other post-employment benefits liabilities related schedules following the notes to the financial statements 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.

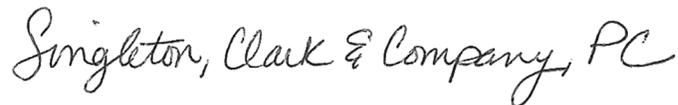
***Other Information***

Management is responsible for the other information included in the annual report. 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 15, 2024 on our consideration of Lost Pines Groundwater Conservation 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 Lost Pines Groundwater Conservation 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 Lost Pines Groundwater Conservation District’s internal control over financial reporting and compliance.



Singleton, Clark & Company, PC  
Cedar Park, Texas

March 15, 2024

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LOST PINES GROUNDWATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

## Management's Discussion and Analysis

The Management's Discussion and Analysis section of the Lost Pines Groundwater Conservation District's (hereafter the "District") Annual Financial Report offers readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023. Please read it in conjunction with the independent auditor's report beginning on page 1 of this report and the District's basic financial statements which follow this section.

## Financial Highlights

- As of year-end, the District's net position was \$4,758,560 which reflects a \$417,930 increase from the prior year. Of this ending amount, \$4,276,739 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 12-15 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 19-25 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 \$4,758,560 at the close of the most recent fiscal year.

A small portion of District's net position, about 10%, 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, \$474,909 of buildings, \$10,904 of furniture and equipment, and \$17,315 of right to use leased assets. Accordingly, these assets are not available for future spending.

**LOST PINES GROUNDWATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

The remaining balance of \$4,276,739 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.

**Condensed Statement of Net Position  
As of December 31**

	Business-Type Activities	
	2023	2022
Current assets	\$ 4,329,807	\$ 4,196,038
Capital assets	498,636	265,458
<b>Total assets</b>	<b>4,828,443</b>	<b>4,461,496</b>
Current liabilities	56,165	120,866
Noncurrent liabilities	13,718	-
<b>Total liabilities</b>	<b>69,883</b>	<b>120,866</b>
Net position:		
Net investment in capital assets	481,821	265,458
Unrestricted	4,276,739	4,075,172
<b>Total net position</b>	<b>\$ 4,758,560</b>	<b>\$ 4,340,630</b>

The District's overall net position increased by \$417,930 from the prior fiscal year.

**Condensed Statement of Activities  
For the Years Ended December 31**

	Business-Type Activities	
	2023	2022
Program Revenues:		
Charges for services	\$ 1,414,917	\$ 1,282,279
General Revenues:		
Investment Earnings	216,672	67,870
<b>Total revenue</b>	<b>1,631,589</b>	<b>1,350,149</b>
Expenses:		
Personal Services	414,863	408,076
Purchased Professional and Technical Services	648,766	486,038
Other Operating Expenses	149,870	149,410
Interest on long-term debt	160	-
<b>Total expenses</b>	<b>1,213,659</b>	<b>1,043,524</b>
Increase (decrease) in net position	417,930	306,625
Net position - beginning	4,340,630	4,034,005
<b>Net position - ending</b>	<b>\$ 4,758,560</b>	<b>\$ 4,340,630</b>

**Financial Analysis of Proprietary Fund**

LOST PINES GROUNDWATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

LOST PINES GROUNDWATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**Capital Assets and Debt Administration**

**Capital assets.** The District's investment in capital assets for business-type activities as of December 31, 2023, amounts to \$498,636 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, and right to use leased assets. The total increase in capital assets for the current fiscal year was approximately 93%.

**Capital Assets, Net of Accumulated Depreciation**

	Business-Type Activities 2023	Business-Type Activities 2022	Change
Land	\$ 30,158	\$ 30,158	\$ -
Buildings	474,909	235,300	239,609
Furniture and equipment	10,904	10,904	-
Right to use leased assets	17,315	-	17,315
Total	<u>533,286</u>	<u>276,362</u>	<u>256,924</u>
Less accumulated depreciation	<u>(34,650)</u>	<u>(10,904)</u>	<u>(23,746)</u>
Capital assets, net of depreciation	<u>\$ 498,636</u>	<u>\$ 265,458</u>	<u>\$ 233,178</u>

Additional information on the District's capital assets can be found in Note III.C on page 23 of this report.

**Long-term Debt.** The District's long-term debt for business-type activities as of December 31, 2023, amounts to \$16,815. This accounts for an increase of \$16,815 from prior year's ending balance of -0-. This increase is attributed to the recording of new leases as per GASB 87.

**Outstanding Debt**

	Business-Type Activities 2023	Business-Type Activities 2022	Change
Leases payable	\$ 16,815	\$ -	\$ 16,815
Total	<u>\$ 16,815</u>	<u>\$ -</u>	<u>\$ 16,815</u>

Additional information on the District's long-term debt can be found in Note III.D on pages 23-25 of this report.

**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 2024 is approximately \$1.49 million.

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LOST PINES GROUNDWATER CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those interested 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 District's business office at Lost Pines Groundwater Conservation District, 317 East Hempstead Street, Giddings, TX 78942, or by calling (512) 360-5088.

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PROPRIETARY-FUND FINANCIAL STATEMENTS

LOST PINES GROUNDWATER CONSERVATION DISTRICT  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2023

	Business-Type Activities
	Operating Fund
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 145,639
Investments - current	4,141,618
Accounts receivable, net	42,550
Total current assets	4,329,807
Noncurrent Assets:	
Land	30,158
Buildings	474,909
Furniture and equipment	10,904
Right of use leased asset(s)	17,315
Accumulated depreciation	(34,650)
Total noncurrent assets	498,636
Total assets	4,828,443
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	52,768
Leases payable - current	3,097
Customer deposits	300
Total current liabilities	56,165
Noncurrent Liabilities:	
Leases payables	13,718
Total noncurrent liabilities	13,718
Total liabilities	69,883
<b>NET POSITION</b>	
Net investment in capital assets	481,821
Unrestricted	4,276,739
Total net position	\$ 4,758,560

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, 2023

	Business-Type Activities
	Operating Fund
<b>REVENUES</b>	
Operating revenues:	
Charges for services:	
Pumping charges	\$ 1,414,917
Total operating revenues	1,414,917
<b>EXPENSES</b>	
Operating expenses:	
Personnel services	414,863
Purchased professional and technical services	648,766
Other operating expenses	126,124
Depreciation	23,746
Total operating expenses	1,213,499
Operating income (loss)	201,418
Nonoperating revenues (expenses)	
Investment earnings	216,672
Interest expense	(160)
Total nonoperating revenues (expenses)	216,512
Income before transfers in (out)	417,930
Change in net position	417,930
Net position-beginning	4,340,630
Net position-ending	\$ 4,758,560

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 FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-Type Activities
	Operating Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from user charges	\$ 1,414,917
Payments to suppliers and service providers	(855,681)
Payments to employees for salaries and benefits	(414,863)
Net cash provided by (used for) operating activities	144,373
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital grants	
Acquisition and construction of capital assets	(233,178)
Issuance of long-term debt	17,315
Principal paid on capital debt	(500)
Interest paid on capital debt	(160)
Net cash provided by (used for) capital and related financing activities	(216,523)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of investments	(225,630)
Interest on investments	216,672
Net cash provided by investing activities	(8,958)
Net increase (decrease) in cash and cash equivalents	(81,108)
Cash and cash equivalents-beginning	226,747
Cash and cash equivalents-ending	\$ 145,639
<b>Reconciliation of operating income (loss) to net cash provided (used for) operating activities:</b>	
Operating income (loss)	\$ 201,418
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	23,746
(Increase) decrease in accounts receivable	(12,993)
(Decrease) increase in deposits payable	(50,100)
(Decrease) increase in accounts payable	(17,698)
Total adjustments	(57,045)
Net cash provided by (used for) operating activities	\$ 144,373

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, 2023

**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, 2023

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.

LOST PINES GROUNDWATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**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 noted expenses reported in excess of budgeted appropriations for the year ended December 31, 2023.

**B. Deficit net position**

For the year ended December 31, 2023, 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, 2023, 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, 2023

**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, 2023, the District had the following investments:

Investment Type	Maturity Time in Years			
	Less than			More
	1	1-5	6-10	Than 10
Texpool Investment Pool	\$4,141,618	\$ -	\$ -	\$ -
Total investments	\$4,141,618	\$ -	\$ -	\$ -

*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, 2023, 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.

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

LOST PINES GROUNDWATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

**C. Capital Assets**

Capital assets activity for the year ended December 31, 2023, was as follows:

**Business-Type Activities:**

	Balance 1/1/23	Increases	Decreases	Balance 12/31/23
Capital assets, not being depreciated:				
Land	\$ 30,158	\$ -	\$ -	\$ 30,158
Total capital assets, not being depreciated	30,158	-	-	30,158
Capital assets, being depreciated:				
Buildings and improvements	235,300	239,609	-	474,909
Machinery, equipment, and vehicles	10,904	-	-	10,904
Right to use leased assets	-	17,315	-	17,315
Total capital assets, being depreciated	246,204	256,924	-	503,128
Less accumulated depreciation for:				
Buildings and improvements	-	(23,746)	-	(23,746)
Machinery, equipment, and vehicles	(10,904)	-	-	(10,904)
Right to use leased assets	-	-	-	-
Total accumulated depreciation	(10,904)	(23,746)	-	(34,650)
Total capital assets being depreciated, net	235,300	233,178	-	468,478
Business-type activities capital assets, net	\$ 265,458	\$ 233,178	\$ -	\$ 498,636

**D. Long-Term Liabilities**

Details of long-term debt obligations outstanding at December 31, 2023 are as follows:

**Business-type Activities:**

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 12/31/23
<b>Leases payable</b>					
Sharp BP70C45 - Copier	2023	\$ 17,315	5.60%	2028	\$ 16,815
Total leases payable					\$ 16,815

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LOST PINES GROUNDWATER CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

Changes in the District’s long-term liabilities for the year ended December 31, 2023 are as follows:

**Business-type Activities**

Description	Balance 1/1/23	Additions	Deletions	Balance 12/31/23	Due in One Year
Leases payable	\$ -	\$ 17,315	\$ (500)	\$ 16,815	\$ 3,097
Business-type activities long-term liabilities	<u>\$ -</u>	<u>\$ 17,315</u>	<u>\$ (500)</u>	<u>\$ 16,815</u>	<u>\$ 3,097</u>

The debt service requirements for the City’s leases payable are as follows:

Year Ending December 31	Principal	Interest	Total
2024	\$ 3,097	\$ 863	\$ 3,960
2025	3,275	685	3,960
2026	3,463	497	3,960
2027	3,662	298	3,960
2028	3,318	88	3,406
	<u>\$ 16,815</u>	<u>\$ 2,431</u>	<u>\$ 19,246</u>

**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 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.

**F. Commitments and Contingencies**

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

**G. Subsequent Events**

The District has evaluated subsequent events through March 15, 2024 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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## OTHER REPORTING

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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, 2023

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Pumping Charges	\$ 1,348,000	\$ 1,348,000	\$ 1,414,917	\$ 66,917
Investment earnings	-	-	216,672	216,672
Total revenues	<u>1,348,000</u>	<u>1,348,000</u>	<u>1,631,589</u>	<u>283,589</u>
<b>EXPENSES</b>				
Current:				
Personnel Services	429,200	430,205	414,863	15,342
Purchased Professional and Technical Services	754,000	871,000	648,766	222,234
Other Operating Expenses	165,300	430,100	149,870	280,230
Interest Expense	-	-	160	(160)
Total Expenses	<u>1,348,500</u>	<u>1,731,305</u>	<u>1,213,659</u>	<u>517,646</u>
Excess (deficiency) of revenues over expenses	<u>(500)</u>	<u>(383,305)</u>	<u>417,930</u>	<u>801,235</u>
Net Change in Net Position	(500)	(383,305)	417,930	801,235
Net position - beginning	4,340,630	4,340,630	4,340,630	-
Net position - ending	<u>\$ 4,340,130</u>	<u>\$ 3,957,325</u>	<u>\$ 4,758,560</u>	<u>\$ 801,235</u>

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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  
the 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, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Lost Pines Groundwater Conservation District's basic financial statements and have issued our report thereon dated March 15, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lost Pines Groundwater Conservation District's internal control over financial reporting (internal control) as a basis for designing 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 Lost Pines Groundwater Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lost Pines Groundwater Conservation 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 a 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lost Pines Groundwater Conservation 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 financial statements. 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

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

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive, flowing style.

Singleton, Clark & Company, PC  
Cedar Park, Texas

March 15, 2024

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LOST PINES GROUNDWATER CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

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**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

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**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, 2023 and 2022.

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**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

Not applicable.