

REPORT OF EXAMINATION

**SOUTHWESTERN TRAVIS COUNTY
GROUNDWATER
CONSERVATION DISTRICT**

Lakeway, Texas

For the Year Ended
September 30, 2018

SOUTHWESTERN TRAVIS COUNTY GROUNDWATER CONSERVATION DISTRICT
LAKEWAY, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

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NEFFENDORF & BLOCKER, P.C.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Southwestern Travis County Groundwater Conservation District
Lakeway, TX 78734

Members of the Board:

We have audited the accompanying financial statements of the governmental activities and the major fund of Southwestern Travis County Groundwater Conservation District, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Southwestern Travis County Groundwater Conservation District, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has not presented the budgetary comparison information and that the Governmental Accounting Standards Board has determined are required to supplement, although not required to be a part of, the basic financial statements.

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis information on pages 3-8 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.

Neffendorf & Blocker P.C.
NEFFENDORF & BLOCKER, P.C.
Fredericksburg, Texas

June 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the SOUTHWESTERN TRAVIS CO GROUNDWATER CONSERVATION DISTRICT, we offer readers of the District's financial statements this narrative overview and analysis of the financial statements of the District for the year ended September 30, 2018. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements which begin on page 8.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$851 (net position). Of this amount, \$851 (unrestricted net position) may be used to meet the District's ongoing obligations to citizen's and creditors.
- The District's net position increased by \$851 as a result of this year's operations.
- At September 30, 2018, the District's governmental funds reported combined ending fund balances of \$851, an increase of \$851 in comparison with the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 8 & 10). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (also on pages 8 & 9) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 10) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 8. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider other factors as well, such as changes in the District's customers or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

- Governmental activity - Most of the District's basic services are reported here, including the operations and administration. Donations financed most of the operations for the first year.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements on pages 8 & 9 provide detailed information about the most significant funds - not the District as a whole. Governmental fund types include the general fund.

- Governmental funds - All of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the adjustments column and Note 3 to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$0 to \$851. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - were \$851 at September 30, 2018. This increase in governmental net position was the result of the District's revenues exceeding the expenditures by \$851.

Table I
Southwestern Travis County Groundwater Conservation District

NET POSITION

	Governmental Activities
	2018
Current and Other Assets	\$ <u>851</u>
Total Assets	\$ <u>851</u>
Current Liabilities	\$ <u>-</u>
Total Liabilities	\$ <u>-</u>
Net Position	
Net Investment in Unrestricted	<u>851</u>
Total Net Position	\$ <u><u>851</u></u>

Table II
Southwestern Travis County Groundwater Conservation District

CHANGES IN NET POSITION

	Governmental Activities
	2018
Revenues	
Donations	\$ 4,000
Investment Earnings	-
Other	-
Total Revenue	\$ 4,000
 Expenses:	
Salaries and Benefits	\$ -
Water Conservation	3,149
Total Expenses	\$ 3,149
 Change in New Position	 \$ 851
Net Position Beginning	-
Net Position Ending	\$ 851

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 8) reported a combined fund balance of \$851 which is more than last year's total of \$0. The primary reason for the General Fund's increase is due to the revenues exceeding the expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

At year-end the District did not have any Capital Assets.

Debt

At year-end the District had no outstanding debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at SOUTHWESTERN TRAVIS CO GROUNDWATER CONSERVATION DISTRICT, Lakeway, Texas.

BASIC FINANCIAL STATEMENTS

SOUTHWESTERN TRAVIS CO GROUNDWATER CONSERVATION DISTRICT
 STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
 SEPTEMBER 30, 2018

	General Fund	Total	Adjustments	Statement of Net Assets 2018
ASSETS				
Cash and Cash Equivalents	\$ 851	851	\$ -	\$ 851
Investments	-	-	-	-
Total Assets	\$ 851	\$ 851	\$ -	\$ 851
LIABILITIES				
Current Liabilities:				
Total Liabilities	-	-	-	-
FUND BALANCE/NET POSITION				
Fund Balance				
Unassigned	851	851	(851)	-
Total Liabilities & Fund Balances	\$ 851	\$ 851		
Net Position:				
Unrestricted			851	851
Total Net Position			\$ 851	\$ 851

The notes to the Financial Statements are an integral part of this statement.

SOUTHWESTERN TRAVIS CO GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED - SEPTEMBER 30, 2018

	General Fund	Total	Adjustments	Statement of Activities 2018
<u>Revenues:</u>				
Donations	\$ 4,000	\$ 4,000	\$ -	\$ 4,000
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
<u>Expenditures/Expenses:</u>				
Insurance	957	957		957
Office Expense	192	192		192
Professional and Legal Fees	2,000	2,000		2,000
Total Expenditures/Expenses	<u>3,149</u>	<u>3,149</u>	<u>-</u>	<u>3,149</u>
Excess (deficiency) of revenues over expenditures	851	851	(851)	
Change in Net Position			851	851
<u>Fund Balance/Net Position</u>				
Beginning of the Year	-	-	-	-
End of the Year	<u>\$ 851</u>	<u>\$ 851</u>	<u>\$ -</u>	<u>\$ 851</u>

The notes to the Financial Statements are an integral part of this statement.

SOUTHWESTEN TRAVIS COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE 1. CREATION OF DISTRICT

The SOUTHWESTERN TRAVIS CO GROUNDWATER CONSERVATION DISTRICT (the "District") was created by House Bill 4345 which became effective on September 1, 2017. The District has the powers and duties as included in Chapter 36 of the Texas Water Code, applicable to groundwater conservation districts created under Section 59, Article XVI, Texas Constitution. The initial board of seven temporary directors were appointed.

Voters approved the creation of the District in November, 2019. The District's board of directors (7) are elected by residents of the District.

The District's operation and activities will be funded with fees. The District does not have the authority to impose property taxes.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of SOUTHWESTERN TRAVIS CO GROUNDWATER CONSERVATION DISTRICT conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

The District has developed criteria to determine if the activities of any outside agencies or organizations should be included within its financial statements. The criteria includes the amount of oversight responsibility exercised by the District over the activities of an agency or organization, the scope of public service of an agency or organization, and the nature of any special financing relationships which may exist between the District and an agency or organization. Oversight responsibility includes financial interdependency, selection of the governing authority, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The District's financial statements include all funds over which the District exercises oversight responsibility. The District does not exercise oversight responsibility over any other reporting entity. Also, The District is not included as a part of any other reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the SOUTHWESTERN TRAVIS CO GROUNDWATER CONSERVATION DISTRICT nonfiduciary activities. *Governmental activities* include sources supported by donations for the first year of operations.

The Statement of Activities demonstrates how other people or entities that participate in services the District operates have shared in the payment of the direct costs.

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position

1. Deposits and investments

The government'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. Fund Equity

Beginning with fiscal year end September 30, 2018, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

3. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. DEPOSITS AND INVESTMENTS

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

At September 30, 2018, the carrying amount of the District's deposits was \$851 and the bank balance was \$851. The District's cash deposits at September 30, 2018 and during the year ended September 30, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

NOTE 4. 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. The District contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the District is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2018 were \$957.

NOTE 5. SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 11, 2022 the date which the financial statements were available to be issued. The District is not aware of any subsequent events that materially impact the financial statements.



NEFFENDORF & BLOCKER, P.C.

June 14, 2022

To the Board of Directors
SOUTHWESTERN TRAVIS CO GROUNDWATER CONSERVATION DISTRICT
Lakeway, TX 78734

We have audited the financial statements of the governmental activities and the major fund of SOUTHWESTERN TRAVIS CO GROUNDWATER CONSERVATION DISTRICT for the year ended September 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 14, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SOUTHWESTERN TRAVIS CO GROUNDWATER CONSERVATION DISTRICT are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by SOUTHWESTERN TRAVIS CO GROUNDWATER CONSERVATION DISTRICT during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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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 June 14, 2022.

Management Consultations with Other Independent Accountants

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

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 SOUTHWESTERN TRAVIS CO GROUNDWATER CONSERVATION DISTRICT's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Comments and Recommendations

Board Policies

In accordance with Chapter 36 of the Texas Water Code, the District should adopt the following policies:

1. Code of Ethics Policy
2. Travel Expenditures Policy
3. District Investment Policy
4. Professional Services Policy
5. Management Policy

We have attached a copy of a sample policy for the District's use.

Restriction on Use

This information is intended solely for the use of the Board of Director and management of SOUTHWESTERN TRAVIS CO GROUNDWATER CONSERVATION DISTRICT and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Neffendorf & Blocker, P.C.

NEFFENDORF & BLOCKER, P.C.

Fredericksburg, Texas