Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

SOUTHWESTERN TRAVIS COUNTY GROUNDWATER CONSERVATION DISTRICT

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

30 SEPTEMBER 2023

Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

Arturo Montemayor III CPA, President & CEO | Stacy Britton CPA, Shareholder | Sean Bender CPA, Shareholder
Danielle Guerrero, Shareholder | Sara Carey CPA, Shareholder

Board of Directors and Management
Southwestern Travis County Groundwater Conservation District

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of the governmental activities and general fund of the Southwestern Travis County Groundwater Conservation District (District) as of and for the year ended 30 September 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the District as of 30 September 2023, 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.

Basis for Opinions

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

Correction of Error

As discussed in Note 10 to the financial statements, certain errors resulted in the understatement of amounts previously reported for accounts receivable as of 30 September 2022. Accordingly, amounts reported for accounts receivable have been restated in the 30 September 2022 financial statements, and an adjustment has been made to net position and fund balance as of 30 September 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

2110 Boca Raton Drive
Building B, Suite 102
Austin TX 78747
512.442.0380
www.montemayor.team

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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 5 and the budgetary comparison information on page 12 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.

Montemayor Britton Bender PC

6 June 2023
Austin, Texas

The following is a narrative overview and analysis of the financial activities of the Southwestern Travis County Groundwater Conservation District ("the District") for the year ended 30 September 2023. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District incurred an increase in net position of $35,910 for the year.
- Total assets amounted to $274,446 at 30 September 2023, which represented an increase of $57,976 over the $216,470 balance at 30 September 2022.

Overview of the Financial Statements

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The *basic financial statements* include two kinds of statements that present different views of the District. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business reporting on a full accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District has improved or deteriorated.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and account for 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 or contractual requirements. The District has one fund, the General Fund.

Governmental Funds: The General Fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on current fiscal year cash inflows and outflows, as well as balances of resources available for spending at the end of the fiscal year. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the General Fund with similar information presented for governmental activities in the government-wide financial statements. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Fund and government-wide financial statements.

Government-Wide Financial Analysis

Net position may serve as a useful indicator of the District's financial position. The District's net position was $229,713 as of 30 September 2023. $186,546 of the District's net position is unrestricted and available to finance day-to-day operations without constraints.

	Governmental Activities	
Assets	**9/30/2023**	**9/30/2022**
Current and other assets	$231,279	$191,009
Capital assets	43,167	25,461
Total assets	274,446	216,470
Liabilities		
Current liabilities	44,733	22,667
Total liabilities	44,733	22,667
Net position		
Net investment in capital assets and intangible assets in-progress	43,167	25,461
Unrestricted	186,546	168,342
	$229,713	$193,803

Revenues	**9/30/2023**	**9/30/2022**
Travis County Interlocal Agreement	$202,000	$150,554
Service fees revenue	113,001	170,538
Interest earnings	762	15
Total revenues	315,763	321,107
Expenses		
Payroll and related	144,850	146,791
Water conservation	135,003	56,298
Total expenses	279,853	203,089
Change in net position	35,910	118,018
Net position, beginning - restated	193,803	75,785
Net position, ending	$229,713	$193,803

Financial Analysis of the Governmental Fund

The focus of the District's Governmental Fund is to provide information on near-term inflows and outflows and on resource balances available for spending. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance serves as a useful measure of the District's net resources available for spending at fiscal year-end.

During the fiscal year ending 30 September 2023, the District's only Governmental Fund was the General Fund, and it reported ending fund balance of $186,546, an increase of $18,204 over the year-ended 30 September 2022. The District's ending unassigned fund balance of $186,546 was unencumbered and available for spending at the District's discretion.

General Fund Budgetary Highlights

General Fund revenues were $315,763, or 21%, under budget, primarily due to $58,000 and $27,000 less than anticipated in Travis County Interlocal Agreement revenue and water utility service connection fee revenue, respectively. Expenses for the General Fund were $101,506 less than budget, a variance of (25%). The budget variance resulted primarily from most expenses being less than anticipated; payroll and related ($22,323), contract/professional services ($22,666), and technical operations ($56,012).

Capital Assets

The District's capital assets at 30 September 2023, net of accumulated depreciation, totaled $24,193. The current year decrease reflects depreciation expense of $1,268.

The District's 3D model and database in-progress at 30 September 2023 totaled $18,974. The current year increase reflects capital outlay of $18,974. As the asset is in-progress, no amortization expense was recorded during the year.

Economic Factors, Future Years' Budgets and Tax Rates

The District factors considered in establishing a budget are the funding needs of the District operations and programs necessary to meet the objectives of the District as stated in the District's Enabling Legislation and its By-Laws. Amounts available for appropriation in the General Fund budget are $399,065; expenditures are estimated to be approximately $399,000. If these estimates are realized, the District's budgetary General fund balance is expected to be the same by the close of fiscal 2024.

Request for Information

This financial report is designed to provide a general overview of the finances of the District for all parties with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should contact the District's business office at Southwestern Travis County Groundwater Conservation District, Austin, Texas.

SOUTHWESTERN TRAVIS COUNTY GROUNDWATER CONSERVATION DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

30 SEPTEMBER 2023

	General Fund	Adjustments (Note 5)	Statement of Net Position
ASSETS			
Cash	$133,511	$0	$133,511
Service fees receivable	6,018	0	6,018
Receivable from Travis County	50,151	0	50,151
Restricted cash	41,599	0	41,599
Capital assets	0	43,167	43,167
	$231,279	43,167	274,446
LIABILITIES			
Accounts payable	$30,194	0	30,194
Accrued liabilities	14,539	0	14,539
	44,733	0	44,733
FUND BALANCES/NET POSITION			
Fund balance			
Unassigned	186,546	(186,546)	0
	$231,279		
Net Position			
Net investment in capital assets and intangible assets in progress		43,167	43,167
Unrestricted		186,546	186,546
			$229,713

The accompanying notes are an integral part of this financial statement presentation.

SOUTHWESTERN TRAVIS COUNTY GROUNDWATER CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED 30 SEPTEMBER 2023

	General Fund	Adjustments (Note 5)	Statement of Activities
EXPENDITURES/EXPENSES			
Payroll and related	$144,850	$0	$144,850
Groundwater research studies/projects	65,629	(17,706)	47,923
Contract and professional services	63,734	0	63,734
Computer equipment, software, and web services	7,353	0	7,353
Professional development/licensing/continuing education	2,911	0	2,911
Other expenses	13,082	0	13,082
	297,559	(17,706)	279,853
REVENUE			
Travis County Interlocal Agreement	202,000	0	202,000
Water utility service connection fee	38,000	0	38,000
WDA application fee	32,000	0	32,000
Production fee	31,451	0	31,451
Well construction fee	6,500	0	6,500
Other	5,812	0	5,812
	315,763	0	315,763
Change in fund balance/net position	18,204	17,706	35,910
Beginning fund balance/net position, restated	168,342	25,461	193,803
ENDING FUND BALANCE/NET POSITION	$186,546	$43,167	$229,713

The accompanying notes are an integral part of this financial statement presentation.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

The Southwestern Travis County Groundwater Conservation District (District) was created by House Bill 4345, which became effective on 1 September 2017. Voters approved the creation of the District in November 2019, giving it the authority to manage and protect groundwater resources in its territory.

The District is led by a 7-member Board of Directors, who are elected by residents of the City of Bee Cave, the City of Lakeway, Village of the Hills, and the City of West Lake Hills, as well as by residents in the District's territory beyond the municipal boundaries of those listed municipalities.

The District's operation and activities are funded by fees. The District does not have the authority to impose property taxes.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to U.S. generally accepted accounting principles applicable to governments promulgated by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The following is a summary of the significant accounting policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The District is considered a special purpose government under GASB Statement No. 34. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements to be prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's activities.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough there after to pay liabilities of the current period. For this purpose, the District considers all revenues available if they are collectible within 60 days after year-end. Expenditures are recognized in the accounting period in which the liability is incurred. Interest revenues associated with the current fiscal year are considered susceptible to accrual and have been recognized as revenues in the current fiscal year. All other revenue is considered measurable and available only when cash is received by the District.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 these estimates.

NET POSITION

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

FUND BALANCES

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District can establish limitations of the use of resources through either a commitment or an assignment. When both unassigned and committed or assigned funds are available for expenditure, committed or assigned funds are used first.

Nonspendable fund balances are amounts that cannot be spent because they are not in a spendable form are legally or contractually required to be maintained in tact. Committed fund balances include amounts that can only be used for specific purposes determined by a formal action of the Board or adoption of an ordinance.

Limitations imposed by commitments remain in place until formal Board action is taken to remove the limitation. Amounts in the assigned fund balances are intended to be used by the District for specific purposes but do not meet the criteria to be committed. Assignments are generally temporary and do not require Board action to be taken to remove the assignment.

CAPITAL ASSETS

Capital assets, which include furniture and equipment and monitoring well, are reported in the applicable governmental activities columns in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Furniture and equipment and monitoring well are depreciated using the straight line method over 5 years and 20 years, respectively.

SUBSEQUENT EVENTS

The District has evaluated subsequent events as of the date of the Independent Auditor's Report. The District is not aware of any subsequent events that materially impact the financial statements.

BUDGET

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).

NOTE 3: DEPOSITS AND INVESTMENTS

At 30 September 2023 the carrying amount of the District's cash deposits was $175,110 and the bank balance was $175,343. The District did not have any deposits in excess of FDIC insurance.

NOTE 4: BUDGET

The District adopts an annual budget for each fiscal year and amends the budget as needed during the year. There were no current year amendments. The District does not use an encumbrance system and appropriations lapse at the end of each fiscal year. Revenues and expenses were less than anticipated.

NOTE 5: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance-government funds	$186,546
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the end of the year, the cost of these assets was $26,413 and the accumulated depreciation was $2,220. The effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	24,193
Intangible assets in-progress used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $18,974. The effect of including the ending balances for intangible assets in-progress in the governmental activities is to increase net position.	18,974
Net position of governmental activities	$229,713
Net change in fund balances- government funds	$18,204
Depreciation expense is not reflected in the governmental funds but is recorded in the government-wide financial statements as an expense.	(1,268)
The cost of intangible assets in-progress are not reflected in the government-wide financial statements however are reflected in the governmental funds in expense.	18,974
Change in net position of governmental activities	$35,910

NOTE 6: 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.

NOTE 7: TRAVIS COUNTY INTERLOCAL AGREEMENT

The District entered into a cost reimbursement interlocal agreement with Travis County. Travis County will provide funding not to exceed $250,000, of which $50,000 is for ground water consulting.

NOTE 8: CAPITAL ASSETS

	Beginning balance 9/30/2022	Additions	Retirements	Ending balance 9/30/2023
Capital assets not being depreciated:				
3D model and database-in progress	$0	$18,974	$0	$18,974
Capital assets being depreciated:				
Furniture and equipment	1,132	0	0	1,132
Monitoring well	25,375	0	0	25,375
Accumulated depreciation	(1,046)	(1,268)	0	(2,314)
	25,461	(1,268)	0	24,193
	$25,461	$17,706	$0	$43,167

NOTE 9: CONCENTRATIONS

Service fee revenue from one customer accounted for 14% of the District's total revenue and 62% of total service fee receivables for the year ended 30 September 2023.

NOTE 10: PRIOR PERIOD ADJUSTMENT

At 30 September 2022, accounts receivable were understated by $10,667, unassigned fund balance was understated by $10,667, and unrestricted net position was understated by $10,667 in the statement of net position and governmental funds balance sheet. The change in unrestricted fund balance/net position was understated by the same amount. A prior period adjustment was recorded to correct beginning unassigned fund balance and beginning unrestricted net position.

Beginning unassigned fund balance, as previously reported	$157,675
Prior period adjustment	10,667
Beginning unassigned fund balance, as restated	$168,342
Beginning net position, as previously reported	$183,136
Prior period adjustment	10,667
Beginning net position, as restated	$193,803

SOUTHWESTERN TRAVIS COUNTY GROUNDWATER CONSERVATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED 30 SEPTEMBER 2023

	Budget	Actual	Variance favorable (unfavorable)
REVENUE			
Travis County Interlocal Agreement	$260,000	$202,000	($58,000)
Water utility service connection fee	65,000	38,000	(27,000)
WDA application fee	30,000	32,000	2,000
Production fee	30,000	31,451	1,451
Well construction fee	2,000	6,500	4,500
Other income	12,065	5,812	(6,253)
	399,065	315,763	(83,302)
EXPENDITURES/EXPENSES			
Payroll and related	170,084	147,761	22,323
Technical operations	125,000	68,988	56,012
Contract/professional services	86,400	63,734	22,666
Office and administration	15,467	12,752	2,715
Insurance	0	2,694	(2,694)
Vehicle	2,000	1,630	370
Reserve funds	114	0	114
	399,065	297,559	101,506
Change in fund balance/net position	0	18,204	18,204
Beginning fund balance/net position, restated	168,342	168,342	0
ENDING FUND BALANCE/NET POSITION	$168,342	$186,546	$18,204

See Independent Auditor's Report.