

Lost Creek Limited District

**Financial Statements and
Supplemental Information for the
Year Ended September 30, 2020 and
Independent Auditors' Report**



Lost Creek Limited District

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Annual Filing Affidavit | 1 |
| Independent Auditors' Report | 2 |
| Management's Discussion and Analysis | 5 |
| Basic Financial Statements: | |
| Statement of Net Position and Governmental Fund Balance Sheet | 9 |
| Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance | 10 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund | 11 |
| Notes to Basic Financial Statements | 12 |
| Supplemental Information: | |
| Index of Supplemental Schedules Required by Texas Commission on Environmental Quality | 21 |
| Supplemental Schedules Required by Texas Commission on Environmental Quality | 22 |

Annual Filing Affidavit

The State of Texas

County of Travis

I, _____
(Name of Duly Authorized District Representative)

of the Lost Creek Limited District

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the _____ day of _____, 20____, its annual audit report for the fiscal year ended September 30, 2020 and that copies of the annual audit report have been filed in the District office, located at 1305 Quaker Ridge Rd, Austin, Texas 78746.

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: _____, 20____. By: _____
(Signature of District Representative)

(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this _____ day of _____, 20____.

(Signature of Notary)

(SEAL)

(Printed Name of Notary)

My Commission Expires On: _____
Notary Public in and for the State of Texas.



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

Independent Auditors' Report

To the Board of Directors of
Lost Creek Limited District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Lost Creek Limited District (the "District"), as of and for the year ended September 30, 2020, 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.

Auditors' 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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 General Fund of the District as of September 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information required by the Texas Commission on Environmental Quality (the "TCEQ") listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information required by the TCEQ listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information required by the TCEQ listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maxwell Locke + Ritter LLP

Austin, Texas
February 3, 2021

Lost Creek Limited District

Management's Discussion and Analysis For the Year Ended September 30, 2020

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Lost Creek Limited District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2020. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are 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. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
 - *Statement of Net Position and Governmental Fund Balance Sheet*
 - *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to Basic Financial Statements*

Other supplementary information is also included.

The *Statement of Net Position and Governmental Fund Balance Sheet* includes a column (titled "General Fund") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* includes a column (titled "General Fund") that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District's adopted budget to its actual results.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*.

Schedules required by the Texas Commission on Environmental Quality are presented immediately following the *Notes to Basic Financial Statements*.

Comparative Financial Statements

Statement of Net Position

| | Governmental Activities | | |
|----------------------------------|-------------------------|-------------------|-------------|
| | 2020 | 2019 | % Change |
| Current assets | \$ 649,057 | \$ 534,344 | 21% |
| Capital assets | 383,152 | 406,969 | (6%) |
| Total assets | <u>\$ 1,032,209</u> | <u>\$ 941,313</u> | <u>10%</u> |
| Total liabilities | <u>\$ 31,530</u> | <u>\$ 12,604</u> | <u>150%</u> |
| Net investment in capital assets | \$ 383,152 | \$ 406,969 | (6%) |
| Unrestricted | 617,527 | 521,740 | 18% |
| Total net position | <u>\$ 1,000,679</u> | <u>\$ 928,709</u> | <u>8%</u> |

The District's total assets were approximately \$1 million as of September 30, 2020. Of this amount, approximately \$383,000 is included in capital assets. The District had outstanding liabilities of approximately \$32,000 as of September 30, 2020, all of which are current liabilities.

Statement of Activities

| | Governmental Activities | | |
|--|-------------------------|-------------------|-----------|
| | 2020 | 2019 | % Change |
| Greenbelt user fees | \$ 34,476 | \$ - | 100% |
| Property taxes, including penalties and interest | 473,038 | 472,361 | <1% |
| Interest | 4,265 | 7,606 | (44%) |
| Miscellaneous | - | 241 | (100%) |
| Total revenue | <u>511,779</u> | <u>480,208</u> | <u>7%</u> |
| Professional fees | 47,615 | 60,821 | (22%) |
| Contracted services | 100,128 | 108,869 | (8%) |
| Salaries and benefits | 62,190 | 63,359 | (2%) |
| Utilities | 17,212 | 11,570 | 49% |
| Repairs and maintenance | 43,918 | 41,930 | 5% |
| Greenbelt | 110,096 | 47,297 | 133% |
| Other | 30,183 | 43,365 | (30%) |
| Depreciation | 28,467 | 25,471 | 12% |
| Total expenses | <u>439,809</u> | <u>402,682</u> | <u>9%</u> |
| Change in net position | 71,970 | 77,526 | (7%) |
| Beginning net position | <u>928,709</u> | <u>851,183</u> | <u>9%</u> |
| Ending net position | <u>\$ 1,000,679</u> | <u>\$ 928,709</u> | <u>8%</u> |

Revenues were approximately \$512,000 for the fiscal year ended September 30, 2020, which is a 7% increase from the prior year. Property taxes provided approximately \$473,000 and other revenues provided approximately \$39,000. Total expenses increased approximately \$37,000 to approximately \$440,000 for the fiscal year ended September 30, 2020, of which approximately \$412,000 related to service operations and approximately \$28,000 related to depreciation. Net position increased approximately \$72,000 for the fiscal year ended September 30, 2020.

Analysis of Governmental Fund

| | 2020 | 2019 |
|--|------------|------------|
| Cash and temporary investments | \$ 648,022 | \$ 533,476 |
| Receivables | 1,035 | 309 |
| Prepays | - | 559 |
| Total assets | \$ 649,057 | \$ 534,344 |
| Accounts payable and other liabilities | \$ 29,616 | \$ 10,690 |
| Deferred inflows of resources | 989 | 263 |
| Nonspendable fund balance | - | 559 |
| Assigned fund balance | 19,644 | - |
| Unassigned fund balance | 598,808 | 522,832 |
| Total fund balances | 618,452 | 523,391 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 649,057 | \$ 534,344 |

The *General Fund* pays for daily operating expenditures. When comparing actual to budget, actual revenues were more than final budget by approximately \$17,000 primarily due to the District beginning to charge user fees for greenbelt access during the year. Actual expenditures were less than final budget by approximately \$77,000 primarily due to less capital outlay expenditures than budgeted. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the duration. Due to the nature of the District's services, the pandemic may negatively impact the District's business, results of operations, and financial position; however, the related financial impact cannot be reasonably estimated at this time.

Capital Assets

| | 2020 | 2019 |
|--------------------------|------------|------------|
| Land | \$ 6,929 | \$ 6,929 |
| Buildings and fixtures | 371,252 | 513,535 |
| Park facilities | 465,077 | 465,077 |
| Accumulated depreciation | (460,106) | (578,572) |
| Total | \$ 383,152 | \$ 406,969 |

More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

For fiscal year 2021, which is tax year 2020, the tax rate has been set at \$0.0428 per \$100 of assessed valuation for maintenance and operating expenditures. The adopted budget for 2021 projects a fund balance decrease of approximately \$20,000 for the General Fund.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at 1305 Quaker Ridge Rd., Austin, Texas 78746.

Lost Creek Limited District

Statement of Net Position and Governmental Fund Balance Sheet September 30, 2020

| | General Fund | Adjustments (Note 2) | Statement of Net Position |
|---|-------------------|-------------------------|------------------------------|
| Assets: | | | |
| Cash | \$ 350,711 | - | 350,711 |
| Temporary investments | 297,311 | - | 297,311 |
| Receivables: | | | |
| Property taxes, net | 989 | - | 989 |
| Other | 46 | - | 46 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | - | 6,929 | 6,929 |
| Buildings and fixtures | - | 160,273 | 160,273 |
| Park facilities | - | 215,950 | 215,950 |
| Total assets | <u>\$ 649,057</u> | <u>383,152</u> | <u>1,032,209</u> |
| Liabilities: | | | |
| Accounts payable | \$ 27,316 | - | 27,316 |
| Other liabilities | 2,300 | - | 2,300 |
| Compensated absences | - | 1,914 | 1,914 |
| Total liabilities | 29,616 | 1,914 | 31,530 |
| Deferred Inflows of Resources- | | | |
| Property taxes | 989 | (989) | - |
| Fund Balance/Net Position: | | | |
| Fund balance: | | | |
| Assigned for subsequent year's budget deficit | 19,644 | (19,644) | - |
| Unassigned | 598,808 | (598,808) | - |
| Total fund balance | <u>618,452</u> | <u>(618,452)</u> | <u>-</u> |
| Total liabilities and fund balance | <u>\$ 649,057</u> | | |
| Net position: | | | |
| Net investment in capital assets | | \$ 383,152 | 383,152 |
| Unrestricted | | 617,527 | 617,527 |
| Total net position | | <u>\$ 1,000,679</u> | <u>1,000,679</u> |

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

Lost Creek Limited District

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance Year Ended September 30, 2020

| | General Fund | Adjustments (Note 2) | Statement of Activities |
|---|-------------------|-------------------------|----------------------------|
| Expenditures: | | | |
| Service operations: | | | |
| Professional fees | \$ 47,615 | - | 47,615 |
| Contracted services | 100,128 | - | 100,128 |
| Salaries and benefits | 62,190 | - | 62,190 |
| Utilities | 17,212 | - | 17,212 |
| Repairs and maintenance | 43,918 | - | 43,918 |
| Greenbelt | 110,096 | - | 110,096 |
| Other | 30,183 | - | 30,183 |
| Capital outlay | 4,650 | (4,650) | - |
| Depreciation | - | 28,467 | 28,467 |
| Total expenditures/expenses | <u>415,992</u> | <u>23,817</u> | <u>439,809</u> |
| Revenues: | | | |
| Program revenues- | | | |
| Greenbelt user fees | <u>34,476</u> | <u>-</u> | <u>34,476</u> |
| Net program expense | | | <u>(405,333)</u> |
| General revenues: | | | |
| Property taxes, including penalties and interest | 472,312 | 726 | 473,038 |
| Interest | <u>4,265</u> | <u>-</u> | <u>4,265</u> |
| Total general revenues | <u>476,577</u> | <u>726</u> | <u>477,303</u> |
| Total revenues | <u>511,053</u> | <u>726</u> | <u>511,779</u> |
| Excess of revenues over expenditures | 95,061 | (95,061) | - |
| Change in net position | - | 71,970 | 71,970 |
| Fund balance/net position: | | | |
| Beginning of year | <u>523,391</u> | <u>405,318</u> | <u>928,709</u> |
| End of year | <u>\$ 618,452</u> | <u>382,227</u> | <u>1,000,679</u> |

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

Lost Creek Limited District

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Year Ended September 30, 2020

| | Original and Final Budget | Actual | Variance |
|--|------------------------------|---------|----------|
| Revenues: | | | |
| Greenbelt user fees | \$ - | 34,476 | 34,476 |
| Property taxes, including penalties and interest | 467,072 | 472,312 | 5,240 |
| Interest | 7,800 | 4,265 | (3,535) |
| Miscellaneous | 18,779 | - | (18,779) |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 493,651 | 511,053 | 17,402 |
| | <hr/> | <hr/> | <hr/> |
| Expenditures: | | | |
| Service operations: | | | |
| Professional fees | 68,200 | 47,615 | 20,585 |
| Contracted services | 100,166 | 100,128 | 38 |
| Salaries and benefits | 65,592 | 62,190 | 3,402 |
| Utilities | 18,058 | 17,212 | 846 |
| Repairs and maintenance | 38,538 | 43,918 | (5,380) |
| Greenbelt | 76,100 | 110,096 | (33,996) |
| Other | 37,788 | 30,183 | 7,605 |
| Capital outlay | 88,920 | 4,650 | 84,270 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 493,362 | 415,992 | 77,370 |
| | <hr/> | <hr/> | <hr/> |
| Excess of revenues over expenditures | 289 | 95,061 | 94,772 |
| | <hr/> | <hr/> | <hr/> |
| Fund balance: | | | |
| Beginning of year | 523,391 | 523,391 | - |
| | <hr/> | <hr/> | <hr/> |
| End of year | \$ 523,680 | 618,452 | 94,772 |
| | <hr/> | <hr/> | <hr/> |

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

Lost Creek Limited District

Notes to Basic Financial Statements Year Ended September 30, 2020

1. Summary of Significant Accounting Policies

Lost Creek Limited District (the “District”), located in Travis County, Texas, was created effective December 15, 2015 upon conversion of the Lost Creek Municipal Utility District into the District. The District was created in accordance with an Amended and Restated Strategic Partnership Agreement (the “Agreement”) with the City of Austin. Under the Agreement, the District is empowered to develop and maintain parklands and greenbelt areas, park and recreational facilities, and provide deed restriction enforcement within the District.

The District is governed by a five-member Board of Directors (the “Board”) which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”) since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units which are included in the District’s reporting entity.

Government-Wide and Fund Financial Statements

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are 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. Government-wide statements are comprised of the statement of net position and the statement of activities.

The government-wide financial statements report information on all activities of the District.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and interest on temporary investments.

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 District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Major revenue sources considered susceptible to accrual include interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

The District reports the following major governmental fund -

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. The budget is proposed by the District's General Manager for the fiscal year commencing the following October 1, and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles. Amendments to the budget are approved by the Board.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Investments - Temporary investments throughout the year consisted of investments in an external local government investment pool. The external local government investment pool is recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Ad Valorem Property Taxes - Property taxes, penalties and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Allowances for uncollectibles are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At September 30, 2020, the District had an allowance for uncollectible property taxes of \$4,160.

Capital Assets - Capital assets, which include land, buildings and fixtures, and park facilities are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets (other than land) are depreciated using the straight-line method over the following estimated useful lives:

| Asset | Years |
|------------------------|-------|
| Buildings and fixtures | 5-30 |
| Park facilities | 5-30 |

Compensated Absences - Vacation and sick leave are credited by full-time employees through the use of Paid Time Off (“PTO”). Credit may be accumulated at the following annual rates based on years of service:

| Years of Service | PTO Per Year |
|------------------|--------------|
| 0-5 | 176 Hours |
| 5-14 | 216 Hours |
| 15 or more | 255 Hours |

Employees can carry over 120 hours annually and accumulate a maximum of 500 hours.

Fund Balance - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental fund. See Note 6 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District’s net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District’s acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2022.

2. Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|---|----------------------------|
| Governmental fund total fund balance | \$ 618,452 |
| Capital assets used in governmental activities are not current financial resources and are therefore not reported in the governmental fund balance sheet. | 383,152 |
| Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund. | (1,914) |
| Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the fund. | <u>989</u> |
| Total net position | <u><u>\$ 1,000,679</u></u> |

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|-------------------------|
| Excess of revenues over expenditures | \$ 95,061 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense: | |
| Capital outlay | 4,650 |
| Depreciation expense | (28,467) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund- | |
| Property tax revenue | <u>726</u> |
| Change in net position | <u><u>\$ 71,970</u></u> |

3. Cash and Temporary Investments

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2020, such deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

The District is entitled to invest in: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or any state of the United States or their respective agencies and instrumentalities, counties, cities, and other political subdivisions; (3) fully insured or collateralized certificates of deposit from banks doing business in the State of Texas; (4) fully insured certificates of deposit purchased from a broker or a bank that has its main office or a branch office in the State of Texas; (5) fully collateralized repurchase agreements with a defined termination date executed with a primary dealer; (6) commercial paper rated A1/P1 or its equivalent by two nationally recognized rating agencies; (7) AAA-rated, SEC registered money market mutual funds; (8) AAA-rated, constant-dollar local government investment pools; and (9) interest bearing accounts of any FDIC bank in the State of Texas.

Investments held at September 30, 2020 consisted of the following:

| <u>Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Days)</u> | <u>Standard & Poor's Rating</u> |
|--|-------------------|---|-------------------------------------|
| Public funds investment pool - TexPool | \$ 297,311 | 1 | AAAm |

At September 30, 2020, the District had investments in one external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"). Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. These investments are reported by the District at amortized cost under GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool's investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manage daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the external local government investment pool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. This pool does not impose any liquidity fees or redemption gates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 2020, investments were included in an external local governmental investment pool with ratings from Standard and Poor's in compliance with the District's investment policy.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government.

Interest Rate Risk - The District considers the holdings in the external local governmental investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. As of September 30, 2020, the District was not exposed to significant interest rate risk.

4. Property Taxes

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Travis Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred inflows of resources. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

In October 2019, the District levied a maintenance tax rate of \$0.0425 per \$100 of assessed valuation to finance maintenance and operating expenditures. The total 2019 tax levy was \$472,284 based on a taxable valuation of \$1,110,092,885.

5. Capital Assets

Capital assets activity for the year ended September 30, 2020 was as follows:

| | Balance September 30, 2019 | Additions | Retirements | Balance September 30, 2020 |
|---|----------------------------------|-----------|-------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 6,929 | - | - | 6,929 |
| Total capital assets not being depreciated | 6,929 | - | - | 6,929 |
| Capital assets being depreciated: | | | | |
| Buildings and fixtures | 513,535 | 4,650 | (146,933) | 371,252 |
| Park facilities | 465,077 | - | - | 465,077 |
| Total capital assets being depreciated | 978,612 | 4,650 | (146,933) | 836,329 |
| Less accumulated depreciation for: | | | | |
| Building and fixtures | (348,484) | (9,428) | 146,933 | (210,979) |
| Park facilities | (230,088) | (19,039) | - | (249,127) |
| Total accumulated depreciation | (578,572) | (28,467) | 146,933 | (460,106) |
| Total capital assets being depreciated, net | 400,040 | (23,817) | - | 376,223 |
| Capital assets, net | \$ 406,969 | (23,817) | - | 383,152 |

6. Fund Balance

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, the Board may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances is included in the Governmental Fund Balance Sheet on page 9. Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has the authority to assign fund balance for a specific purpose. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

7. Retirement Plans

The District offers a 401(a) employee benefit plan (the "401(a) Plan") for all employees that have been employed by the District for at least six months. Eligible employees who participate in the 401(a) Plan must contribute at least 4% of their salary to the 401(a) Plan. The District is required to contribute 10% of eligible payroll to the 401(a) Plan. Employees are fully vested in the 401(a) Plan after four years of participation. During the year ended September 30, 2020, the District contributed \$4,763 to the 401(a) Plan.

The District offers its employees a deferred compensation plan (the "457 Plan") in accordance with Section 457 of the Internal Revenue Code. The 457 Plan permits participating employees to defer a portion of their salaries until future years. Participation in the 457 Plan is optional and the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. During the year ended September 30, 2020, there were no participants in the 457 Plan.

8. Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies to effectively manage its risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

9. Contingencies

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the duration. Due to the nature of the District's services, the pandemic may negatively impact the District's business, results of operations, and financial position; however, the related financial impact cannot be reasonably estimated at this time.

Lost Creek Limited District

**Index of Supplemental Schedules Required by
Texas Commission on Environmental Quality
Year Ended September 30, 2020**

| <u>Schedule Included</u> | | |
|--------------------------|-----------|--|
| <u>Yes</u> | <u>No</u> | |
| <u>X</u> | | TSI-0 Notes Required by the Water District Accounting Manual |
| | <u>X</u> | TSI-1 Schedule of Services and Rates |
| <u>X</u> | | TSI-2 Schedule of General Fund Expenditures |
| <u>X</u> | | TSI-3 Schedule of Temporary Investments |
| <u>X</u> | | TSI-4 Analysis of Taxes Levied and Receivable |
| | <u>X</u> | TSI-5 Long-Term Debt Service Requirements by Years |
| | <u>X</u> | TSI-6 Analysis of Changes in Long-Term Bonded Debt |
| <u>X</u> | | TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund - Five Years |
| <u>X</u> | | TSI-8 Board Members, Key Personnel and Consultants |

Lost Creek Limited District

TSI-0 Notes Required by the Water District Accounting Manual Year Ended September 30, 2020

The notes which follow are not necessarily required for fair presentation of the audited basic financial statements of the District which are contained in the preceding section of this report. They are presented in conformity with requirements of the Texas Commission on Environmental Quality to assure disclosure of specifically required facts.

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

See Note 9 to basic financial statements.

(C) Pension Coverage

See Note 7 to basic financial statements.

(D) Pledge of Revenues

Not applicable.

(E) Compliance with Debt Service Requirements

Not applicable.

(F) Redemption of Bonds

Not applicable.

Lost Creek Limited District

TSI-2 Schedule of General Fund Expenditures Year Ended September 30, 2020

| | | |
|---|----|----------------|
| Personnel expenditures (including benefits) | \$ | 62,190 |
| Professional fees: | | |
| Auditing | | 10,500 |
| Legal | | 37,115 |
| Purchased services for resale- | | |
| Bulk water and wastewater purchases | | - |
| Contracted services: | | |
| Bookkeeping | | 6,000 |
| General manager | | 78,300 |
| Tax collector | | 4,728 |
| Other contracted services | | 11,100 |
| Utilities | | 17,212 |
| Repairs and maintenance | | 43,918 |
| Administrative expenditures: | | |
| Directors' fees | | 9,900 |
| Office supplies | | 3,832 |
| Insurance | | 6,536 |
| Other administrative expenditures | | 8,946 |
| Capital outlay: | | |
| Capitalized assets | | 4,650 |
| Expenditures not capitalized | | - |
| Tap connection expenditures | | - |
| Solid waste disposal | | - |
| Parks and recreation | | 110,096 |
| Other expenditures | | 969 |
| Total expenditures | \$ | <u>415,992</u> |

Number of persons employed by the District: 1 Full-Time 5 Part-Time
(Does not include independent contractors or consultants)

Lost Creek Limited District

TSI-3 Schedule of Temporary Investments September 30, 2020

| Funds | Identification or Certificate Number | Interest Rate | Maturity Date | Balance at September 30, 2020 | Accrued Interest Receivable at September 30, 2020 |
|-----------------------|--|------------------|------------------|-------------------------------------|---|
| General Fund - | | | | | |
| Investment in TexPool | 7964300001 | Variable | N/A | \$ 297,311 | \$ - |
| Total General Fund | | | | <u>297,311</u> | <u>-</u> |
| Total - all funds | | | | <u><u>\$ 297,311</u></u> | <u><u>\$ -</u></u> |

Lost Creek Limited District

TSI-4 Analysis of Taxes Levied and Receivable Year Ended September 30, 2020

| | Maintenance Taxes | Debt Service Taxes |
|--------------------------------------|----------------------|--------------------------|
| Taxes receivable, September 30, 2019 | \$ 4,423 | \$ - |
| 2019 Tax Roll | 472,284 | - |
| Adjustments | (451) | - |
| Total to be accounted for | <u>476,256</u> | <u>-</u> |
| Tax collections: | | |
| Current year | 470,767 | - |
| Prior years | 340 | - |
| Total collections | <u>471,107</u> | <u>-</u> |
| Taxes receivable, September 30, 2020 | <u>\$ 5,149</u> | <u>\$ -</u> |
| Taxes receivable, by years | | |
| 2019 | \$ 2,136 | \$ - |
| 2018 | 522 | - |
| 2017 | 571 | - |
| 2016 | 357 | - |
| 2015 and earlier | 1,563 | - |
| Taxes receivable, September 30, 2020 | <u>\$ 5,149</u> | <u>\$ -</u> |

| | 2019 | 2018 | 2017 | 2016 |
|--|-------------------|----------------|----------------|----------------|
| Property valuations- | | | | |
| Land improvements and personal property | \$ 1,110,092,885 | 1,038,598,590 | 1,001,541,602 | 940,969,613 |
| Tax rates per \$100 valuation*: | | | | |
| Maintenance tax rates | \$ 0.0425 | 0.0450 | 0.0489 | 0.0525 |
| Debt service tax rates | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| Total tax rates per \$100 valuation | <u>\$ 0.0425</u> | <u>0.0450</u> | <u>0.0489</u> | <u>0.0525</u> |
| Original tax levy | <u>\$ 472,284</u> | <u>468,158</u> | <u>488,256</u> | <u>494,009</u> |
| Percent of taxes collected to taxes levied | <u>99.5%</u> | <u>99.9%</u> | <u>99.9%</u> | <u>99.9%</u> |

* Maintenance tax - maximum tax rate of \$0.070 per \$100 of assessed valuation was approved by voters on May 11, 2013.

Lost Creek Limited District

TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund Five Years Ended September 30, 2020

| | Amounts | | | | | Percent of Fund Total Revenues | | | | |
|--|------------------|----------------|----------------|----------------|----------------|--------------------------------|--------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Revenues: | | | | | | | | | | |
| Greenbelt user fees | \$ 34,476 | - | - | - | - | 6.7 % | - | - | - | - |
| Property taxes, including penalties and interest | 472,312 | 478,178 | 484,637 | 494,830 | 602,856 | 92.5 | 98.4 | 99.1 | 99.4 | 99.9 |
| Interest | 4,265 | 7,606 | 4,183 | 2,584 | 658 | 0.8 | 1.6 | 0.9 | 0.5 | 0.1 |
| Miscellaneous | - | 241 | 27 | 385 | 278 | - | - | - | 0.1 | - |
| Total revenues | 511,053 | 486,025 | 488,847 | 497,799 | 603,792 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Expenditures: | | | | | | | | | | |
| Service operations: | | | | | | | | | | |
| Professional fees | 47,615 | 60,821 | 45,994 | 59,440 | 43,354 | 9.3 | 12.6 | 9.4 | 12.0 | 7.1 |
| Contracted services | 100,128 | 108,869 | 109,019 | 108,940 | 94,899 | 19.6 | 22.4 | 22.3 | 21.9 | 15.7 |
| Salaries and benefits | 62,190 | 63,359 | 61,649 | 59,459 | 40,768 | 12.2 | 13.0 | 12.6 | 11.9 | 6.8 |
| Utilities | 17,212 | 11,570 | 16,100 | 11,363 | - | 3.4 | 2.4 | 3.3 | 2.3 | - |
| Repairs and maintenance | 43,918 | 41,930 | 52,836 | 89,850 | 19,735 | 8.6 | 8.6 | 10.8 | 18.0 | 3.3 |
| Greenbelt | 110,096 | 47,297 | 52,889 | 62,627 | 59,945 | 21.5 | 9.7 | 10.8 | 12.6 | 9.9 |
| Other | 30,183 | 38,161 | 33,370 | 41,374 | 37,440 | 5.9 | 7.9 | 6.8 | 8.3 | 6.2 |
| Capital outlay | 4,650 | 86,243 | 55,312 | 14,053 | - | 0.9 | 17.7 | 11.3 | 2.8 | - |
| Total expenditures | 415,992 | 458,250 | 427,169 | 447,106 | 296,141 | 81.4 | 94.3 | 87.4 | 89.8 | 49.0 |
| Excess of revenues over expenditures | \$ 95,061 | 27,775 | 61,678 | 50,693 | 307,651 | 18.6 % | 5.7 | 12.6 | 10.2 | 51.0 |
| Total active retail water connections | - | - | - | - | - | | | | | |
| Total active retail wastewater connections | - | - | - | - | - | | | | | |

Lost Creek Limited District

TSI-8 Board Members, Key Personnel and Consultants Year Ended September 30, 2020

Complete District Mailing Address: 1305 Quaker Ridge Rd, Austin, Texas 78746

District Business Telephone Number: (512) 327-6243

Submission date of the most recent District Registration Form:
(TWC Sections 36.054 and 49.054) December 13, 2018

Limit on fees of office that a director may receive during a fiscal year:
(Set by Board Resolution - TWC Sections 49.060) \$7,200

| Name | Term of Office Elected & Expires or Date Hired | Fees 9/30/2020 | Expense Reimbursements 9/30/2020 | Title at 9/30/2020 |
|-----------------------|---|-------------------|--|-----------------------|
| <u>Board Members:</u> | | | | |
| Leah Stewart | Elected 11/18 - 11/22 | \$ - | \$ - | President |
| Megan Marrs | Elected 11/18 - 11/22 | 4,350 | - | Vice President |
| Madeleine Connor | Elected 11/16 - 11/20 | - | - | Secretary |
| Andy Bitner | Elected 11/16 - 11/20 | 2,850 | - | Treasurer |
| Chris Vetromile | Elected 11/18 - 11/22 | 2,700 | - | Director |

Note: No director is disqualified from serving on this board under the Texas Water Code.

(continued)

Lost Creek Limited District

TSI-8 Board Members, Key Personnel and Consultants (continued) Year Ended September 30, 2020

| <u>Name</u> | <u>Date Hired</u> | <u>Fees and Expense Reimbursements 9/30/2020</u> | <u>Title at Year End</u> |
|--------------------------------------|-------------------|--|------------------------------|
| <u>Consultants:</u> | | | |
| McLean & Howard, LLP | 2017 | \$ 32,622 | Attorney |
| Pinnacle Texas Management Services | 2016 | 95,400 | General Manager/Bookkeeper |
| Maxwell Locke & Ritter LLP | 2018 | 10,500 | Auditor |
| Travis County Tax Assessor/Collector | 2016 | 2,693 | Tax Collector |