

**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**

**GUADALUPE COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**APRIL 30, 2022**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants



**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**

**GUADALUPE COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**APRIL 30, 2022**



## TABLE OF CONTENTS

|  | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT   | 1-3         |
| MANAGEMENT'S DISCUSSION AND ANALYSIS   | 4-8         |
| BASIC FINANCIAL STATEMENTS   |             |
| STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET   | 9-10        |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  | 11          |
| STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES                          | 12-13       |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES | 14          |
| NOTES TO THE FINANCIAL STATEMENTS  | 15-23       |
| REQUIRED SUPPLEMENTARY INFORMATION   |             |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL - GENERAL FUND  | 25          |
| SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE  |             |
| NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)                      |             |
| SERVICES AND RATES   | 27          |
| GENERAL FUND EXPENDITURES  | 28          |
| INVESTMENTS  | N/A         |
| TAXES LEVIED AND RECEIVABLE  | 29-30       |
| LONG-TERM DEBT SERVICE REQUIREMENTS  | N/A         |
| CHANGE IN LONG-TERM BOND DEBT  | N/A         |
| COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - TWO YEARS   | 31-32       |
| BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS   | 33-34       |



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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lake McQueeney Water Control and  
Improvement District No. 1  
Guadalupe County, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Lake McQueeney Water Control and Improvement District No. 1 (the "District") as of and for the year ended April 30, 2022, 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 each major fund of the District as of April 30, 2022, 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.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.





### **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 and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Board of Directors  
Lake McQueeney Water Control and  
Improvement District No. 1

### **Supplementary 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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

July 20, 2022



**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED APRIL 30, 2022**

Management’s discussion and analysis of the financial performance of Lake McQueeney Water Control and Improvement District No. 1 (the “District”) provides an overview of the District’s financial activities for the fiscal year ended April 30, 2022. Please read it in conjunction with the District’s financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position is the District-wide statement of its financial position presenting information that includes all of the District’s assets, liabilities and deferred inflows and outflows of resources, if applicable, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenditures are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two governmental fund types. The General Fund accounts for resources not accounted for in another fund including donations and property tax revenues as well as general and administrative expenditures. The Debt Service Fund accounts for property taxes and financial resources restricted, committed or assigned for servicing the payment of contract debt service costs.

**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED APRIL 30, 2022**

**FUND FINANCIAL STATEMENTS (Continued)**

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, and the reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. The budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$972,901 as of April 30, 2022. A comparative analysis of government-wide changes in net position is presented below:

**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED APRIL 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

|   | Summary of Changes in the Statement of Net Position |                   |                                  |
|---|---|-------------------|----------------------------------|
|   | 2022  | 2021              | Change<br>Positive<br>(Negative) |
| Current and Other Assets                            | \$ 1,435,485  | \$ 391,383        | \$ 1,044,102                     |
| Capital Assets (Net of<br>Accumulated Depreciation) | <u>13,777</u>                                       | <u>11,666</u>     | <u>2,111</u>                     |
| Total Assets  | <u>\$ 1,449,262</u>                                 | <u>\$ 403,049</u> | <u>\$ 1,046,213</u>              |
| Total Liabilities                                   | <u>\$ 476,361</u>                                   | <u>\$ 2,871</u>   | <u>\$ (473,490)</u>              |
| Net Position:                                       |   |                   |                                  |
| Net Investment in Capital Assets                    | \$ 13,777   | \$ 11,666         | \$ 2,111                         |
| Restricted  | 800,116   |                   | 800,116                          |
| Unrestricted  | <u>159,008</u>                                      | <u>388,512</u>    | <u>(229,504)</u>                 |
| Total Net Position                                  | <u>\$ 972,901</u>                                   | <u>\$ 400,178</u> | <u>\$ 572,723</u>                |

The following table provides a summary of the District's operations for the years ended April 30, 2022, and April 30, 2021.

|   | Summary of Changes in the Statement of Activities |                   |                                  |
|---|---|-------------------|----------------------------------|
|   | 2022  | 2021              | Change<br>Positive<br>(Negative) |
| Revenues:   |   |                   |                                  |
| Property Taxes, Including Penalties<br>and Interest | \$ 1,379,395                                      | \$                | \$ 1,379,395                     |
| Donation - Friends of Lake McQueeney                |   | 465,000           | (465,000)                        |
| Other Revenues                                      | <u>2,113</u>                                      | <u>1,459</u>      | <u>654</u>                       |
| Total Revenues                                      | <u>\$ 1,381,508</u>                               | <u>\$ 466,459</u> | <u>\$ 915,049</u>                |
| Expenses:   |   |                   |                                  |
| Expenses for Services                               | \$ 475,309  | \$ 65,246         | \$ (410,063)                     |
| Debt Sevice Expenses                                | <u>333,476</u>                                    |                   | <u>(333,476)</u>                 |
| Total Expenses                                      | <u>\$ 808,785</u>                                 | <u>\$ 65,246</u>  | <u>\$ (743,539)</u>              |
| Change in Net Position                              | \$ 572,723  | \$ 401,213        | \$ 171,510                       |
| Net Position, Beginning of Year                     | <u>400,178</u>                                    | <u>(1,035)</u>    | <u>401,213</u>                   |
| Net Position, End of Year                           | <u>\$ 972,901</u>                                 | <u>\$ 400,178</u> | <u>\$ 572,723</u>                |

**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED APRIL 30, 2022**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The General Fund fund balance decreased by \$236,493, primarily due to capital outlay and professional and administrative expenditures exceeding property taxes allocated to operations and maintenance.

The Debt Service Fund fund balance increased to \$833,346 due to the property taxes allocated to fund the contractual payment of debt service exceeding current year GBRA interest payments and debt issuance costs.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors annually adopts an unappropriated budget and did not amend the budget for the current fiscal year. Actual revenues were \$239,227 more than budgeted revenues and actual expenditures were \$335,065 more than budgeted expenditures which resulted in a negative variance compared to budget of \$95,838. See the budget to actual comparison for more information.

**CAPITAL ASSETS**

Capital assets as of April 30, 2022, totaled \$13,777 (net of accumulated depreciation) and include the purchase of equipment to satisfy hybrid meeting requirements.

**LONG-TERM DEBT ACTIVITY**

As of April 30, 2022, the District has no long-term debt outstanding. However, the District has contractually agreed to fund principal and interest payments on \$40,000,000 of debt issued by the Guadalupe-Blanco River Authority (the "GBRA"), the proceeds of which will be used for the design and construction of a dam and hydroelectric facilities to serve Lake McQueeney. During the current year, the District paid the GBRA \$97,345 for contract debt interest costs and also paid contract debt issuance costs totaling \$170,750.

**CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS**

The adopted budget for fiscal year 2023 projects an increase in the General Fund fund balance of \$89,921. Revenues are expected to be \$232,326 and expenditures are expected to be \$142,405.



**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED APRIL 30, 2022**

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Lake McQueeney Water Control and Improvement District No. 1, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

**LAKE MCQUEENEY**  
**WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**APRIL 30, 2022**

|   | General Fund      | Debt<br>Service Fund |
|---|-------------------|----------------------|
| <b>ASSETS</b>   |                   |                      |
| Cash and Cash Equivalents   | \$ 571,323        | \$ 817,075           |
| Receivables -   |                   |                      |
| Property Taxes  | 6,989             | 32,151               |
| Due from Other Funds  |                   | 16,271               |
| Prepaid Costs   | 7,947             |                      |
| Capital Assets (Net of Accumulated<br>Depreciation) -<br>Equipment            |                   |                      |
|   | <u>586,259</u>    | <u>865,497</u>       |
| <b>TOTAL ASSETS</b>   | <b>\$ 586,259</b> | <b>\$ 865,497</b>    |
| <b>LIABILITIES</b>  |                   |                      |
| Accounts Payable  | \$ 410,980        | \$                   |
| Accrued GBRA Interest Payable   |                   |                      |
| Due to Other Funds  | 16,271            |                      |
|   | <u>427,251</u>    | <u>-0-</u>           |
| <b>TOTAL LIABILITIES</b>  | <b>\$ 427,251</b> | <b>\$ -0-</b>        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                   |                      |
| Property Taxes  | \$ 6,989          | \$ 32,151            |
|   | <u>6,989</u>      | <u>32,151</u>        |
| <b>FUND BALANCES</b>  |                   |                      |
| Nonspendable -  |                   |                      |
| Prepaid Costs   | \$ 7,947          | \$                   |
| Restricted for GBRA Debt Service  |                   | 833,346              |
| Unassigned  | 144,072           |                      |
|   | <u>152,019</u>    | <u>833,346</u>       |
| <b>TOTAL FUND BALANCES</b>  | <b>\$ 152,019</b> | <b>\$ 833,346</b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b> |                   |                      |
|   | <u>\$ 586,259</u> | <u>\$ 865,497</u>    |
| <b>NET POSITION</b>   |                   |                      |
| Net Investment in Capital Assets  |                   |                      |
| Restricted  |                   |                      |
| Unrestricted  |                   |                      |
| <b>TOTAL NET POSITION</b>   |                   |                      |

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

| <u>Total</u>        | <u>Adjustments</u>  | <u>Statement of<br/>Net Position</u> |
|---------------------|---------------------|--------------------------------------|
| \$ 1,388,398        | \$                  | \$ 1,388,398                         |
| 39,140              |                     | 39,140                               |
| 16,271              | (16,271)            |                                      |
| 7,947               |                     | 7,947                                |
|                     | <u>13,777</u>       | <u>13,777</u>                        |
| <u>\$ 1,451,756</u> | <u>\$ (2,494)</u>   | <u>\$ 1,449,262</u>                  |
| <br>                |                     |                                      |
| \$ 410,980          | \$                  | \$ 410,980                           |
|                     | 65,381              | 65,381                               |
| 16,271              | (16,271)            |                                      |
| <u>\$ 427,251</u>   | <u>\$ 49,110</u>    | <u>\$ 476,361</u>                    |
| <br>                |                     |                                      |
| <u>\$ 39,140</u>    | <u>\$ (39,140)</u>  | <u>\$ -0-</u>                        |
| <br>                |                     |                                      |
| \$ 7,947            | \$ (7,947)          | \$                                   |
| 833,346             | (833,346)           |                                      |
| 144,072             | (144,072)           |                                      |
| <u>\$ 985,365</u>   | <u>\$ (985,365)</u> | <u>\$ - 0 -</u>                      |
| <br>                |                     |                                      |
| <u>\$ 1,451,756</u> |                     |                                      |
| <br>                |                     |                                      |
|                     | \$ 13,777           | \$ 13,777                            |
|                     | 800,116             | 800,116                              |
|                     | 159,008             | 159,008                              |
|                     | <u>\$ 972,901</u>   | <u>\$ 972,901</u>                    |

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

**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
APRIL 30, 2022**

|   |    |                 |
|---|----|-----------------|
| Total Fund Balances - Governmental Funds  | \$ | 985,365         |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>   |    |                 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental fund.                                   |    | 13,777          |
| Deferred tax revenues for the 2021 tax levy became part of recognized revenue in the governmental activities of the District.   |    | 39,140          |
| Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consisted of - |    |                 |
| Accrued GBRA Interest Payable   |    | <u>(65,381)</u> |
| Total Net Position - Governmental Activities  | \$ | <u>972,901</u>  |

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

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**LAKE MCQUEENEY**  
**WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED APRIL 30, 2022**

|  | <u>General Fund</u> | <u>Debt<br/>Service Fund</u> |
|--|---------------------|------------------------------|
| <b>REVENUES</b>  |                     |                              |
| Property Taxes   | \$ 238,547          | \$ 1,097,315                 |
| Penalty and Interest                                   | 784                 | 3,609                        |
| Investment and Miscellaneous Revenues                  | <u>1,596</u>        | <u>517</u>                   |
| <b>TOTAL REVENUES</b>                                  | <u>\$ 240,927</u>   | <u>\$ 1,101,441</u>          |
| <b>EXPENDITURES/EXPENSES</b>                           |                     |                              |
| Service Operations:                                    |                     |                              |
| Professional Fees                                      | \$ 258,894          | \$                           |
| Contracted Services                                    | 40,415              |                              |
| Depreciation   |                     |                              |
| Other  | 161,911             |                              |
| Capital Outlay   | 16,200              |                              |
| Debt Service:  |                     |                              |
| GBRA Interest Payments                                 |                     | 97,345                       |
| Debt Issuance Costs                                    |                     | <u>170,750</u>               |
| <b>TOTAL EXPENDITURES/EXPENSES</b>                     | <u>\$ 477,420</u>   | <u>\$ 268,095</u>            |
| <b>NET CHANGE IN FUND BALANCES</b>                     | \$ (236,493)        | \$ 833,346                   |
| <b>CHANGE IN NET POSITION</b>                          |                     |                              |
| <b>FUND BALANCES/NET POSITION -<br/>MAY 1, 2021</b>    | <u>388,512</u>      | <u>                    </u>  |
| <b>FUND BALANCES/NET POSITION -<br/>APRIL 30, 2022</b> | <u>\$ 152,019</u>   | <u>\$ 833,346</u>            |

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

| <u>Total</u> | <u>Adjustments</u> | <u>Statement of<br/>Activities</u> |
|--------------|--------------------|------------------------------------|
| \$ 1,335,862 | \$ 39,140          | \$ 1,375,002                       |
| 4,393        |                    | 4,393                              |
| 2,113        |                    | 2,113                              |
| \$ 1,342,368 | \$ 39,140          | \$ 1,381,508                       |
| <br>         |                    |                                    |
| \$ 258,894   | \$ 11,666          | \$ 270,560                         |
| 40,415       |                    | 40,415                             |
|              | 2,423              | 2,423                              |
| 161,911      |                    | 161,911                            |
| 16,200       | (16,200)           |                                    |
| 97,345       | 65,381             | 162,726                            |
| 170,750      |                    | 170,750                            |
| \$ 745,515   | \$ 63,270          | \$ 808,785                         |
| <br>         |                    |                                    |
| \$ 596,853   | \$ (596,853)       | \$                                 |
|              | 572,723            | 572,723                            |
| 388,512      | 11,666             | 400,178                            |
| \$ 985,365   | \$ (12,464)        | \$ 972,901                         |

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

**LAKE MCQUEENEY**  
**WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED APRIL 30, 2022**

|  |    |         |
|--|----|---------|
| Net Change in Fund Balances - Governmental Funds | \$ | 596,853 |
|--|----|---------|

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

|  |  |        |
|--|--|--------|
| Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. |  | 39,140 |
|--|--|--------|

|  |  |         |
|--|--|---------|
| Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. |  | (2,423) |
|--|--|---------|

|   |  |       |
|---|--|-------|
| Capital outlay is shown as expenditures in governmental funds but is reflected as capital assets subject to depreciation in the government-wide financial statements. |  | 4,534 |
|---|--|-------|

|   |  |          |
|---|--|----------|
| Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. |  | (65,381) |
|---|--|----------|

|  |    |                |
|--|----|----------------|
| Change in Net Position - Governmental Activities | \$ | <u>572,723</u> |
|--|----|----------------|

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



**LAKE MCQUEENEY**  
**WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2022**

**NOTE 1. CREATION OF DISTRICT**

Lake McQueeney Water Control and Improvement District No. 1 (the “District”) was created, organized and established on December 17, 2019, pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 51 of the Texas Water Code, and confirmed by an election held on November 3, 2020. The District was created for the purpose of repairing the Lake McQueeney dam and flood gates and the maintenance and operation of Lake McQueeney within its geographical jurisdiction. The District is governed by a five-member Board of Directors who were elected by District residents on November 3, 2020. The District held its first meeting on April 9, 2020.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

**LAKE MCQUEENEY**  
**WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Amounts recorded due to and due from other funds, if any, are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

**LAKE MCQUEENEY**  
**WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental Funds

The District has two governmental funds and considers each to be a major fund.

General Fund - To account for resources not accounted for in another fund, ad valorem taxes and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing the payment of contract debt service costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term contract debt, which are recognized as expenditures when payment is due. Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of April 30, 2022, the General Fund owed the Debt Service Fund \$16,271 for tax collections and contract debt related costs.

Budgeting

An unappropriated budget was adopted for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the fiscal year. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

**LAKE MCQUEENEY**  
**WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by directors are considered to be wages subject to federal income tax withholding for payroll tax purposes only.

Accounting 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 amount 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 expenditures during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized if they have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on equipment using no salvage value and the straight-line method of depreciation over 5 years.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balance provides an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

**LAKE MCQUEENEY**  
**WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2022**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

*Nonspendable:* amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted:* amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed:* amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District does not have any assigned fund balances.

*Unassigned:* all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

**NOTE 3. CONTRACT DEBT**

At an election held on November 3, 2020, voters of the District approved the provisions of a contract between the District and the Guadalupe-Blanco River Authority (the "GBRA") (see further discussion at Note 7). The District is authorized to levy a contract tax to repay principal and interest due on the contractual debt issued by the GBRA.

In December 2021, the GBRA issued \$40,000,000 of Contract Revenue Bonds, Series 2021, with interest rates ranging from 0.60% to 2.13% and principal maturities through August 15, 2051. The proceeds of the bonds are to be used for the design and construction of dam and hydroelectric facilities to serve Lake McQueeney. In exchange, the District is obligated to fund principal and interest payments due on the bonds issued by the GBRA. For the fiscal year ended April 30, 2022, the District paid the GBRA \$97,345 for interest due on the bonds.

**LAKE MCQUEENEY**  
**WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2022**

**NOTE 3. CONTRACT DEBT (Continued)**

As of April 30, 2022, the District's future contractual financing (debt service) obligations due to the GBRA for the bonds are as follows:

| Fiscal Year | Principal            | Interest             | Total                |
|-------------|----------------------|----------------------|----------------------|
| 2023        | \$                   | \$ 523,050           | \$ 523,050           |
| 2024        |                      | 523,050              | 523,050              |
| 2025        | 1,260,000            | 519,270              | 1,779,270            |
| 2026        | 1,265,000            | 511,695              | 1,776,695            |
| 2027        | 1,275,000            | 504,075              | 1,779,075            |
| 2028-2032   | 6,485,000            | 2,404,483            | 8,889,483            |
| 2033-2037   | 6,685,000            | 2,195,569            | 8,880,569            |
| 2038-2042   | 7,035,000            | 1,824,876            | 8,859,876            |
| 2043-2047   | 7,615,000            | 1,228,016            | 8,843,016            |
| 2048-2052   | 8,380,000            | 445,581              | 8,825,581            |
|             | <u>\$ 40,000,000</u> | <u>\$ 10,679,665</u> | <u>\$ 50,679,665</u> |

During the year ended April 30, 2022, the District levied an ad valorem contract tax rate of \$0.23 per \$100 of assessed valuation, which resulted in a tax levy of \$1,129,466 on the adjusted taxable valuation of \$496,901,500 for the 2021 tax year. The contract between the District and the GBRA (see further discussion at Note 7) requires the District to levy and collect an ad valorem contract tax sufficient to pay interest and principal on bonds issued by the GBRA to fund dam and hydroelectric facilities serving District residents. See Note 6 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter

**NOTE 4. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

**LAKE MCQUEENEY**  
**WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2022**

**NOTE 4. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

Cash and cash equivalents include cash on deposit as well as money market funds. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

At fiscal year end, the carrying amount of the District's deposits, which includes \$13,077 of cash on deposit and \$1,375,321 of money market funds, was \$1,388,398 and the bank balance was \$1,384,085. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance was covered by collateral pledged in the name of the District.

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

As of April 30, 2022, the District had no investments.

All cash in the Debt Service Fund is restricted for contract debt service payments to the Guadalupe-Blanco River Authority.

**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
APRIL 30, 2022**

**NOTE 5. CAPITAL ASSETS**

Capital assets as of April 30, 2022, consisted of the following:

|  | May 1,<br>2021   | Increases        | Decreases        | April 30,<br>2022 |
|--|------------------|------------------|------------------|-------------------|
| <b>Capital Assets Not Being Depreciated</b>                              |                  |                  |                  |                   |
| Construction in Progress   | \$ 11,666        | \$ -0-           | \$ 11,666        | \$ -0-            |
| <b>Capital Assets Subject to Depreciation</b>                            |                  |                  |                  |                   |
| Equipment  | \$ -0-           | \$ 16,200        | \$ -0-           | \$ 16,200         |
| <b>Accumulated Depreciation</b>  |                  |                  |                  |                   |
| Equipment  | \$ -0-           | \$ 2,423         | \$ -0-           | \$ 2,423          |
| <b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b> | <u>\$ -0-</u>    | <u>\$ 13,777</u> | <u>\$ -0-</u>    | <u>\$ 13,777</u>  |
| <b>Total Assets, Net of Accumulated Depreciation</b>                     | <u>\$ 11,666</u> | <u>\$ 13,777</u> | <u>\$ 11,666</u> | <u>\$ 13,777</u>  |

**NOTE 6. MAINTENANCE TAX**

At an election held on November 3, 2020, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.05 per \$100 of assessed valuation of taxable property within the District. During the year ended April 30, 2022, the District levied an ad valorem maintenance tax rate of \$0.05 per \$100 of assessed valuation, which resulted in a tax levy of \$245,536 on the adjusted taxable valuation of \$496,901,500 for the 2021 tax year. The maintenance tax is to be used by the General Fund to fund expenditures of planning, constructing, acquiring, operating, maintaining and repairing dam and flood gate facilities serving the District.

**NOTE 7. GUADALUPE-BLANCO RIVER AUTHORITY**

The GBRA was created by the Texas Legislature to provide stewardship for water resources in its ten-county statutory district, with Lake McQueeney being within the GBRA's statutory boundaries. On October 27, 2020, the District entered into a Contract for Financing and Operation of Lake McQueeney Dam and Hydroelectric Facilities with the GBRA to facilitate the replacement of the flood gates and stabilization of the dam and to work cooperatively on the design, construction, finance and ongoing maintenance of the Lake McQueeney dam.



**LAKE MCQUEENEY**  
**WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2022**

**NOTE 7. GUADALUPE-BLANCO RIVER AUTHORITY (Continued)**

Pursuant to the Contract with the GBRA, the GBRA will own and operate the dam, flood gates and hydroelectric facilities on Lake McQueeney and serving the District. The District is responsible for funding the debt service obligations of the GBRA's \$40,000,000 Series 2021 Contract Revenue Bonds (see discussion at Note 3) and for the GBRA's annual operation and maintenance expenses for operating the dam, flood gates and hydroelectric facilities, which the District anticipates financing with future tax revenue and hydroelectric generation revenues.

**NOTE 8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and there have been no settlements.

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**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**

**REQUIRED SUPPLEMENTARY INFORMATION**

**APRIL 30, 2022**



**LAKE MCQUEENEY**  
**WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED APRIL 30, 2022**

|                                       | Original and<br>Final Budget | Actual              | Variance<br>Positive<br>(Negative) |
|---------------------------------------|------------------------------|---------------------|------------------------------------|
| <b>REVENUES</b>                       |                              |                     |                                    |
| Property Taxes                        | \$                           | \$ 238,547          | \$ 238,547                         |
| Penalty and Interest                  |                              | 784                 | 784                                |
| Investment and Miscellaneous Revenues | 1,700                        | 1,596               | (104)                              |
| <b>TOTAL REVENUES</b>                 | <b>\$ 1,700</b>              | <b>\$ 240,927</b>   | <b>\$ 239,227</b>                  |
| <b>EXPENDITURES</b>                   |                              |                     |                                    |
| Service Operations:                   |                              |                     |                                    |
| Professional Fees                     | \$ 72,000                    | \$ 258,894          | \$ (186,894)                       |
| Contracted Services                   | 40,000                       | 40,415              | (415)                              |
| Other                                 | 15,355                       | 161,911             | (146,556)                          |
| Capital Outlay                        | 15,000                       | 16,200              | (1,200)                            |
| <b>TOTAL EXPENDITURES</b>             | <b>\$ 142,355</b>            | <b>\$ 477,420</b>   | <b>\$ (335,065)</b>                |
| <b>NET CHANGE IN FUND BALANCE</b>     | <b>\$ (140,655)</b>          | <b>\$ (236,493)</b> | <b>\$ (95,838)</b>                 |
| <b>FUND BALANCE - MAY 1, 2021</b>     | <b>388,512</b>               | <b>388,512</b>      |                                    |
| <b>FUND BALANCE - APRIL 30, 2022</b>  | <b>\$ 247,857</b>            | <b>\$ 152,019</b>   | <b>\$ (95,838)</b>                 |

See accompanying independent auditor's report.

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**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE  
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**APRIL 30, 2022**





**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
SERVICES AND RATES  
FOR THE YEAR ENDED APRIL 30, 2022**

**1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:**

|               |  |               |                      |               |            |
|---------------|--|---------------|----------------------|---------------|------------|
| <u>      </u> | Retail Water   | <u>      </u> | Wholesale Water      | <u>  X  </u>  | Drainage   |
| <u>      </u> | Retail Wastewater  | <u>      </u> | Wholesale Wastewater | <u>      </u> | Irrigation |
| <u>      </u> | Parks/Recreation   | <u>      </u> | Fire Protection      | <u>      </u> | Security   |
| <u>      </u> | Solid Waste/Garbage  | <u>      </u> | Flood Control        | <u>      </u> | Roads      |
| <u>      </u> | Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)   |               |                      |               |            |
| <u>  X  </u>  | Other: To facilitate the repair or replacement of Lake McQueeney dam and flood gates and to provide financing of future operating and maintenance costs. |               |                      |               |            |

**2. RETAIL SERVICE PROVIDERS:** Not applicable

**3. TOTAL WATER CONSUMPTION:** Not applicable

**4. STANDBY FEES:** Not applicable

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes   X   No       

County in which District is located:

Guadalupe County, Texas

Is the District located within a city?

Entirely        Partly   X   Not at all       

City in which District is located:

City of Seguin, Texas

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely        Partly   X   Not at all       

ETJ in which District is located:

City of New Braunfels and City of Seguin, Texas

Are Board Members appointed by an office outside the District?

Yes        No   X  

See accompanying independent auditor's report.

**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED APRIL 30, 2022**

|                                   |                   |
|-----------------------------------|-------------------|
| PROFESSIONAL FEES:                |                   |
| Auditing                          | \$ 7,000          |
| Engineering                       | 5,638             |
| Legal                             | <u>246,256</u>    |
| TOTAL PROFESSIONAL FEES           | <u>\$ 258,894</u> |
| CONTRACTED SERVICES:              |                   |
| Appraisal District                | \$ 9,106          |
| Bookkeeping                       | 15,841            |
| Tax Collector                     | 247               |
| Other - Public Relations          | <u>15,221</u>     |
| TOTAL CONTRACTED SERVICES         | <u>\$ 40,415</u>  |
| UTILITIES                         | <u>\$ 3,177</u>   |
| ADMINISTRATIVE EXPENDITURES:      |                   |
| Insurance                         | \$ 4,738          |
| Election Costs                    | 135,970           |
| Office Supplies and Postage       | 2,086             |
| Travel and Meetings               | 3,084             |
| Website Hosting and Other         | <u>12,856</u>     |
| TOTAL ADMINISTRATIVE EXPENDITURES | <u>\$ 158,734</u> |
| CAPITAL OUTLAY                    | <u>\$ 16,200</u>  |
| TOTAL EXPENDITURES                | <u>\$ 477,420</u> |

See accompanying independent auditor's report.

**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED APRIL 30, 2022**

|                                      | Maintenance Taxes |            | Contract Taxes |              |
|--------------------------------------|-------------------|------------|----------------|--------------|
| TAXES RECEIVABLE -<br>MAY 1, 2021    | \$                | -0-        | \$             | -0-          |
| Adjustments to Beginning<br>Balance  |                   | \$ -0-     |                | \$ -0-       |
| Original 2021 Tax Levy               | \$                | 238,458    | \$             | 1,096,908    |
| Adjustment to 2021 Tax Levy          |                   | 7,078      |                | 245,536      |
| TOTAL TO BE<br>ACCOUNTED FOR         |                   | \$ 245,536 |                | \$ 1,129,466 |
| TAX COLLECTIONS:                     |                   |            |                |              |
| Prior Years                          | \$                |            |                |              |
| Current Year                         |                   | 238,547    |                | 1,097,315    |
| TAXES RECEIVABLE -<br>APRIL 30, 2022 |                   | \$ 6,989   |                | \$ 32,151    |
| TAXES RECEIVABLE BY<br>YEAR:         |                   |            |                |              |
| 2021                                 |                   | \$ 6,989   |                | \$ 32,151    |

See accompanying independent auditor's report.

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**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED APRIL 30, 2022**

|   | 2021           |
|---|----------------|
| PROPERTY VALUATIONS:                          |                |
| Land  | \$ 270,556,621 |
| Improvements                                  | 269,386,779    |
| Personal Property                             | 257,163        |
| Exemptions                                    | (43,299,063)   |
| TOTAL PROPERTY VALUATIONS                     | \$ 496,901,500 |
| TAX RATES PER \$100 VALUATION:                |                |
| Maintenance                                   | \$ 0.05        |
| Contract                                      | 0.23           |
| TOTAL TAX RATES PER \$100 VALUATION           | \$ 0.28        |
| ADJUSTED TAX LEVY*                            | \$ 1,375,002   |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | 97.15 %        |

\* Based on adjusted tax levy at the time of audit for the fiscal year in which the tax was levied.

Maintenance Tax - Maintenance tax rate in an unlimited amount per \$100 of assessed valuation approved by voters on November 3, 2020.

See accompanying independent auditor's report.

**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND - TWO YEARS**

|   | Amounts           |                   | Percentage of<br>Total Revenues |                |
|---|-------------------|-------------------|---------------------------------|----------------|
|   | 2022              | 2021              | 2022                            | 2021           |
| <b>REVENUES</b>                         |                   |                   |                                 |                |
| Property Taxes                          | \$ 238,547        | \$                | 99.0 %                          | %              |
| Penalty and Interest                    | 784               |                   | 0.3                             |                |
| Donation - Friends of Lake McQueeney    |                   | 465,000           |                                 | 99.7           |
| Investment and Miscellaneous Revenues   | <u>1,596</u>      | <u>1,459</u>      | <u>0.7</u>                      | <u>0.3</u>     |
| <b>TOTAL REVENUES</b>                   | <u>\$ 240,927</u> | <u>\$ 466,459</u> | <u>100.0 %</u>                  | <u>100.0 %</u> |
| <b>EXPENDITURES</b>                     |                   |                   |                                 |                |
| Professional Fees                       | \$ 258,894        | \$ 23,298         | 107.5 %                         | 5.0 %          |
| Contracted Services                     | 40,415            | 40,819            | 16.8                            | 8.8            |
| Other                                   | 161,911           | 12,795            | 67.2                            | 2.7            |
| Capital Outlay                          | <u>16,200</u>     |                   | <u>6.7</u>                      |                |
| <b>TOTAL EXPENDITURES</b>               | <u>\$ 477,420</u> | <u>\$ 76,912</u>  | <u>198.2 %</u>                  | <u>16.5 %</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>       | \$ (236,493)      | \$ 389,547        | <u>(98.2) %</u>                 | <u>83.5 %</u>  |
| <b>BEGINNING FUND BALANCE (DEFICIT)</b> | <u>388,512</u>    | <u>(1,035)</u>    |                                 |                |
| <b>ENDING FUND BALANCE</b>              | <u>\$ 152,019</u> | <u>\$ 388,512</u> |                                 |                |

See accompanying independent auditor's report.

**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
DEBT SERVICE FUND - TWO YEARS**

|   | Amounts             |                 | Percentage of<br>Total Revenues |              |
|---|---------------------|-----------------|---------------------------------|--------------|
|   | 2022                | 2021            | 2022                            | 2021         |
| <b>REVENUES</b>                                       |                     |                 |                                 |              |
| Property Taxes  | \$ 1,097,315        | \$              | 99.6 %                          | %            |
| Penalty and Interest                                  | 3,609               |                 | 0.3                             |              |
| Investment and Miscellaneous Revenues                 | 517                 |                 | 0.1                             |              |
| <b>TOTAL REVENUES</b>                                 | <u>\$ 1,101,441</u> | <u>\$ - 0 -</u> | <u>100.0 %</u>                  | <u>N/A %</u> |
| <b>EXPENDITURES</b>                                   |                     |                 |                                 |              |
| Contract Debt Service Interest and Fees               | \$ 97,345           | \$              | 8.8 %                           | %            |
| Debt Issuance Costs                                   | 170,750             |                 | 15.5                            |              |
| <b>TOTAL EXPENDITURES</b>                             | <u>\$ 268,095</u>   | <u>\$ - 0 -</u> | <u>24.3 %</u>                   | <u>N/A %</u> |
| <b>NET CHANGE IN FUND BALANCE</b>                     | <u>\$ 833,346</u>   | <u>\$ - 0 -</u> | <u>75.7 %</u>                   | <u>N/A %</u> |
| <b>BEGINNING FUND BALANCE</b>                         |                     |                 |                                 |              |
| <b>ENDING FUND BALANCE</b>                            | <u>\$ 833,346</u>   | <u>\$ - 0 -</u> |                                 |              |
| <b>TOTAL ACTIVE RETAIL WATER<br/>CONNECTIONS</b>      | <u>N/A</u>          | <u>N/A</u>      |                                 |              |
| <b>TOTAL ACTIVE RETAIL WASTEWATER<br/>CONNECTIONS</b> | <u>N/A</u>          | <u>N/A</u>      |                                 |              |

See accompanying independent auditor's report.

**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
APRIL 30, 2022**

District Mailing Address - Lake McQueeney Water Control and Improvement District No. 1  
c/o Allen Boone Humphries Robinson LLP  
3200 Southwest Freeway, Suite 2600  
Houston, TX 77027

District Telephone Number - (713) 860-6400

| <b>Board Members:</b> | Term of Office<br>(Elected or Appointed) | Fees of Office<br>for the<br>year ended<br><u>April 30, 2022</u> | Expense Reimbursements<br>for the<br>year ended<br><u>April 30, 2022</u> | <u>Title</u>                          |
|-----------------------|--|--|--|---------------------------------------|
| Robert L. Worth, Jr.  | 11/2020<br>05/2024<br>(Elected)          | \$ -0-   | \$ -0-   | President                             |
| Paul A. Mueller       | 11/2020<br>05/2024<br>(Elected)          | \$ -0-   | \$ -0-   | Vice<br>President                     |
| Lindsey Gillum        | 11/2020<br>05/2024<br>(Elected)          | \$ -0-   | \$ -0-   | Secretary                             |
| David Doughtie        | 11/2020<br>05/2022<br>(Elected)          | \$ -0-   | \$ -0-   | Treasurer /<br>Assistant<br>Secretary |
| John Ewald            | 11/2020<br>05/2022<br>(Elected)          | \$ -0-   | \$ -0-   | Assistant<br>Vice<br>President        |

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: November 12, 2020

The Board of Directors of the District waives payment of fees of office for the duties of a director as set by Board Resolution on April 9, 2020. Directors shall be entitled to receive reimbursement for expenses reasonably and necessarily incurred while engaging in activities on behalf of the District.

See accompanying independent auditor's report.



**LAKE MCQUEENEY  
WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
APRIL 30, 2022**

| <b>Consultants:</b>                     | <u>Date<br/>Hired</u> | <u>Fees /<br/>Compensation<br/>for the<br/>year ended<br/>April 30, 2022</u> | <u>Title</u>                           |
|---|-----------------------|--|--|
| Allen Boone Humphries Robinson LLP      | 04/09/20              | \$ 400,000<br>\$ 93,750  | General Counsel *<br>GBRA Debt Related |
| McCall Gibson Swedlund Barfoot PLLC     | 05/13/21              | \$ 7,000   | Auditor                                |
| Municipal Accounts & Consulting, L.P.   | 04/09/20              | \$ 16,871  | Bookkeeper                             |
| Pape-Dawson Engineers, Inc.             | 04/09/20              | \$ 5,638   | Engineer                               |
| Post Oak Municipal Advisors, LLC        | 05/14/20              | \$ 77,000  | Financial Advisor                      |
| Mark Burton and Ghia Lewis              | 04/09/20              | \$ -0-   | Investment Officers                    |
| Guadalupe County Tax Assessor Collector | 02/23/21              | \$ 247   | Tax Assessor/<br>Collector             |

\* By agreement, prior to fiscal year 2022 general counsel had held billing subject to the levy of the District's initial tax. The District levied a maintenance tax in fiscal year 2022 and will pay past due and current general counsel billings as they are able to do so.

See accompanying independent auditor's report.



**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
*Certified Public Accountants*

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Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708

PO Box 29584  
Austin, TX 78755-5126  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

July 20, 2022

Board of Directors  
Lake McQueeney Water Control and  
Improvement District No. 1

We have audited the financial statements of the governmental activities and each major fund of Lake McQueeney Water Control and Improvement District No. 1 (the "District") for the year ended April 30, 2022. 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 evergreen audit engagement letter to you dated May 13, 2021, and subsequent audit continuance letters. Professional standards also require that we communicate to you the following information related to our audit. For the purposes of this letter, the term "management" refers to the Board of Directors and/or District consultants.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. Significant accounting policies used by the District, including new accounting policies, if any, that have been adopted and implemented during the current fiscal year, are discussed in Note 2. We noted no transactions entered into by the 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. The financial statement disclosures are neutral, consistent, and clear.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were management's estimate of depreciable lives of capital assets. Depreciation of infrastructure assets is based on industry wide accepted estimated useful lives taken on a straight-line basis. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The District's Bookkeeper and Board of Directors will be provided with all such adjustments.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 20, 2022.

*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 Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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 the 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 were engaged to perform the following non-attest services for the District: (1) preparation of financial statements and related notes and schedules in conformity with accounting principles generally accepted in the United States of America and (2) preparation of the capital assets schedule. These services were performed based on information provided by you. We performed these services in accordance with applicable professional standards. The non-attest services we performed are limited to those specifically defined and did not result in assuming management responsibilities.

We applied certain limited procedures to the Management's Discussion and Analysis and the budgetary comparison schedule for the General Fund, which are 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.

We were engaged to report on supplementary information required by the Texas Commission on Environmental Quality, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Directors of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



McCall Gibson Swedlund Barfoot PLLC

**Lake McQueeney WCID #1**  
**Trial Balance Worksheet - Grouped by Type**

| Account  | Type | Description  | 04/30/21<br>Adjusted Balance | 04/30/22<br>Unadjusted Balance | Adjusting JE<br>Adjustments | 04/30/22<br>Adjusted Balance | 04/30/22<br>WP Reference |
|----------|------|--|------------------------------|--------------------------------|-----------------------------|------------------------------|--------------------------|
| 1-110    | A    | CASH IN BANK   | 5,077.24                     | 13,077.22                      |                             | 13,077.22                    | B-1a                     |
| 1-113.1  | A    | MONEY MARKET CASH  | 382,053.05                   | 1,375,320.71                   |                             | 558,245.64                   | B-1a                     |
|          |      | 1.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | (817,075.07)                |                              |                          |
| 1-115.2  | A    | Maintenance Tax Receivable   | 0.00                         | 6,989.39                       |                             | 6,989.39                     | D-1                      |
| 1-115.21 | A    | Contract Tax Receivable  | 0.00                         | 32,151.22                      |                             | 0.00                         | D-1                      |
|          |      | 1.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | (32,151.22)                 |                              |                          |
| 1-116.2  | A    | Prepaid Insurance  | 4,253.35                     | 7,946.87                       |                             | 7,946.87                     |                          |
| 1-117.02 | A    | Due to DSF   | 0.00                         | 0.00                           |                             | (16,271.49)                  |                          |
|          |      | 1.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | (16,271.49)                 |                              |                          |
|          |      | <b>Total Assets</b>  | <u>391,383.64</u>            | <u>1,435,485.41</u>            | <u>(865,497.78)</u>         | <u>569,987.63</u>            |                          |
| 1-120    | L    | Accounts Payable   | (2,871.13)                   | (410,980.35)                   |                             | (410,980.35)                 | N-1                      |
| 1-127.80 | L    | Deferred Inflows - Property Taxes                                      | 0.00                         | (6,989.39)                     |                             | (6,989.39)                   | D-1                      |
| 1-127.81 | L    | Deferred Inflows - Contract Tax  | 0.00                         | (32,151.22)                    |                             | 0.00                         | D-1                      |
|          |      | 1.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | 32,151.22                   |                              |                          |
|          |      | <b>Total Liabilities</b>   | <u>(2,871.13)</u>            | <u>(450,120.96)</u>            | <u>32,151.22</u>            | <u>(417,969.74)</u>          |                          |
| 1-130.1  | Q    | Unassigned Fund Balance  | 1,034.64                     | (388,512.51)                   |                             | (388,512.51)                 | ~                        |
|          |      | <b>Total Equity</b>  | <u>1,034.64</u>              | <u>(388,512.51)</u>            | <u>0.00</u>                 | <u>(388,512.51)</u>          |                          |
|          |      | <b>Total Liabilities &amp; Equity</b>                                  | <u>(1,836.49)</u>            | <u>(838,633.47)</u>            | <u>32,151.22</u>            | <u>(806,482.25)</u>          |                          |
| 1-143.2  | R    | FRIENDS OF LAKE MCQUEENEY  | (465,000.00)                 | 0.00                           |                             | 0.00                         |                          |
| 1-143.3  | R    | Miscellaneous Income   | (171.00)                     | (115.00)                       |                             | (115.00)                     | pass                     |
| 1-143.50 | R    | Maintenance Tax Collections  | 0.00                         | (238,546.83)                   |                             | (238,546.83)                 | D-1                      |
| 1-143.51 | R    | Contract Tax Collections   | 0.00                         | (1,097,315.46)                 |                             | 0.00                         | D-1                      |
|          |      | 1.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | 1,097,315.46                |                              |                          |
| 1-143.55 | R    | P&I - Maintenance Tax  | 0.00                         | (784.49)                       |                             | (784.49)                     | D-1                      |
| 1-143.56 | R    | P&I - Contract Tax   | 0.00                         | (3,608.66)                     |                             | 0.00                         | D-1                      |
|          |      | 1.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | 3,608.66                    |                              |                          |
| 1-143.7  | R    | Interest Earned on Temp Investmt                                       | (1,288.35)                   | (1,997.35)                     |                             | (1,479.59)                   | B-1d                     |
|          |      | 1.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | 517.76                      |                              |                          |
|          |      | <b>Total Revenue</b>   | <u>(466,459.35)</u>          | <u>(1,342,367.79)</u>          | <u>1,101,441.88</u>         | <u>(240,925.91)</u>          |                          |
| 1-161.3  | E    | Maintenance & Repairs  | 2,240.37                     | 0.00                           |                             | 0.00                         | W-1-1                    |
| 1-163.3  | E    | Legal Fees   | 0.00                         | 245,315.33                     |                             | 245,315.33                   | W-2                      |
| 1-163.32 | E    | Legal Fees-Construction  | 0.00                         | 940.62                         |                             | 940.62                       | W-2                      |
| 1-163.4  | E    | Auditing Fees  | 0.00                         | 7,000.00                       |                             | 7,000.00                     | W-4                      |

**Lake McQueeney WCID #1**  
**Trial Balance Worksheet - Grouped by Type**

| Account  | Type | Description   | 04/30/21<br>Adjusted Balance | 04/30/22<br>Unadjusted Balance | Adjusting JE<br>Adjustments | 04/30/22<br>Adjusted Balance | 04/30/22<br>WP Reference |
|----------|------|---|------------------------------|--------------------------------|-----------------------------|------------------------------|--------------------------|
| 1-163.5  | E    | Engineering Fees  | 23,298.21                    | 5,638.22                       |                             | 5,638.22                     | W-3                      |
| 1-163.65 | E    | Tax Assessor/Appraisal  | 0.00                         | 9,352.50                       |                             | 9,352.50                     | W-4                      |
| 1-163.7  | E    | ELECTION EXPENSE  | 348.00                       | 135,969.89                     |                             | 135,969.89                   | W-2                      |
| 1-163.8  | E    | PUBLIC RELATIONS  | 31,748.10                    | 15,220.55                      |                             | 15,220.55                    | W-4                      |
| 1-163.85 | E    | WEBSITE HOSTING & MAINTENANCE   | 4,550.00                     | 2,400.00                       |                             | 2,400.00                     | W-4                      |
| 1-163.9  | E    | Telephone Expense   | 0.00                         | 3,177.38                       |                             | 3,177.38                     | W-2                      |
| 1-164.3  | E    | Bookkeeping Fees  | 9,070.50                     | 15,840.86                      |                             | 15,840.86                    | W-4                      |
| 1-164.6  | E    | Printing & Office Supplies  | 180.80                       | 906.10                         |                             | 906.10                       | W-2                      |
| 1-164.7  | E    | Filing Fees   | 132.15                       | 55.00                          |                             | 55.00                        | W-2                      |
| 1-164.8  | E    | Delivery Expense  | 439.01                       | 1,068.59                       |                             | 1,068.59                     | W-2                      |
| 1-165.2  | E    | Postage   | 25.40                        | 56.39                          |                             | 56.39                        | W-2                      |
| 1-165.3  | E    | Insurance & Surety Bond   | 4,230.26                     | 4,738.48                       |                             | 4,738.48                     |                          |
| 1-165.4  | E    | Travel Exepnse  | 0.00                         | 3,084.20                       |                             | 3,084.20                     | W-2                      |
| 1-165.6  | E    | Miscellaneous Expense   | 649.40                       | 10,456.42                      |                             | 10,456.42                    | W-2                      |
| 1-167.00 | E    | Bond Issuance Expense   | 0.00                         | 170,750.00                     |                             | 0.00                         | W-4                      |
|          |      | 1.01 To create a DSF for the GBRA contract<br>tax and debt service costs. |                              |                                | (170,750.00)                |                              |                          |
| 1-167.05 | E    | GBRA Debt Service Pmt - Interest  | 0.00                         | 97,345.32                      |                             | 0.00                         | O-1                      |
|          |      | 1.01 To create a DSF for the GBRA contract<br>tax and debt service costs. |                              |                                | (97,345.32)                 |                              |                          |
| 1-171.00 | E    | CAPITAL OUTLAY  | 0.00                         | 16,200.00                      |                             | 16,200.00                    | W-4/I-2                  |
|          |      | <b>Total Expense</b>  | <u>76,912.20</u>             | <u>745,515.85</u>              | <u>(268,095.32)</u>         | <u>477,420.53</u>            |                          |
|          |      | <b>Totals</b>   | <u>0.00</u>                  | <u>0.00</u>                    | <u>0.00</u>                 | <u>0.00</u>                  |                          |
|          |      | <b>Net Profit/(Loss)</b>  | <u>389,547.15</u>            | <u>596,851.94</u>              | <u>(833,346.56)</u>         | <u>(236,494.62)</u>          |                          |

**Lake McQueeney WCID #1**  
**Trial Balance Worksheet - Grouped by Type**

| Account  | Type | Description  | 04/30/21<br>Adjusted Balance | 04/30/22<br>Unadjusted Balance | Adjusting JE<br>Adjustments | 04/30/22<br>Adjusted Balance | 04/30/22<br>WP Reference |
|----------|------|--|------------------------------|--------------------------------|-----------------------------|------------------------------|--------------------------|
| 2-113.1  | A    | MONEY MARKET CASH  | 0.00                         | 0.00                           |                             | 817,075.07                   |                          |
|          |      | 2.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | 817,075.07                  |                              |                          |
| 2-115.21 | A    | Contract Tax Receivable  | 0.00                         | 0.00                           |                             | 32,151.22                    |                          |
|          |      | 2.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | 32,151.22                   |                              |                          |
| 2-117.01 | A    | Due from GF  | 0.00                         | 0.00                           |                             | 16,271.49                    |                          |
|          |      | 2.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | 16,271.49                   |                              |                          |
|          |      | <b>Total Assets</b>  | <u>0.00</u>                  | <u>0.00</u>                    | <u>865,497.78</u>           | <u>865,497.78</u>            |                          |
| 2-127.81 | L    | Deferred Inflows - Contract Tax  | 0.00                         | 0.00                           |                             | (32,151.22)                  |                          |
|          |      | 2.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | (32,151.22)                 |                              |                          |
|          |      | <b>Total Liabilities</b>   | <u>0.00</u>                  | <u>0.00</u>                    | <u>(32,151.22)</u>          | <u>(32,151.22)</u>           |                          |
|          |      | <b>Total Equity</b>  |                              |                                |                             |                              |                          |
|          |      | <b>Total Liabilities &amp; Equity</b>                                  | <u>0.00</u>                  | <u>0.00</u>                    | <u>(32,151.22)</u>          | <u>(32,151.22)</u>           |                          |
| 2-143.51 | R    | Contract Tax Collections   | 0.00                         | 0.00                           |                             | (1,097,315.46)               |                          |
|          |      | 2.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | (1,097,315.46)              |                              |                          |
| 2-143.56 | R    | P&I - Contract Tax   | 0.00                         | 0.00                           |                             | (3,608.66)                   |                          |
|          |      | 2.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | (3,608.66)                  |                              |                          |
| 2-143.7  | R    | Interest Earnings  | 0.00                         | 0.00                           |                             | (517.76)                     |                          |
|          |      | 2.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | (517.76)                    |                              |                          |
|          |      | <b>Total Revenue</b>   | <u>0.00</u>                  | <u>0.00</u>                    | <u>(1,101,441.88)</u>       | <u>(1,101,441.88)</u>        |                          |
| 2-163.65 | E    | Tax Assesor/Appraisal  | 0.00                         | 0.00                           |                             | 0.00                         |                          |
|          |      | 2.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | 0.00                        |                              |                          |
| 2-167.00 | E    | Bond Issuance Expense  | 0.00                         | 0.00                           |                             | 170,750.00                   |                          |
|          |      | 2.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | 170,750.00                  |                              |                          |
| 2-167.05 | E    | GBRA Debt Servcie Pmt - Interest                                       | 0.00                         | 0.00                           |                             | 97,345.32                    |                          |
|          |      | 2.01 To create a DSF for the GBRA contract tax and debt service costs. |                              |                                | 97,345.32                   |                              |                          |
|          |      | <b>Total Expense</b>   | <u>0.00</u>                  | <u>0.00</u>                    | <u>268,095.32</u>           | <u>268,095.32</u>            |                          |
|          |      | <b>Totals</b>  | <u>0.00</u>                  | <u>0.00</u>                    | <u>0.00</u>                 | <u>0.00</u>                  |                          |
|          |      | <b>Net Profit/(Loss)</b>   | <u>0.00</u>                  | <u>0.00</u>                    | <u>833,346.56</u>           | <u>833,346.56</u>            |                          |

**Lake McQueeney WCID #1**  
**Trial Balance Worksheet - Grouped by Type**

| Account | Type | Description | 04/30/21<br>Adjusted Balance | 04/30/22<br>Unadjusted Balance | Adjusting JE<br>Adjustments | 04/30/22<br>Adjusted Balance | 04/30/22<br>WP Reference |
|---------|------|-------------|------------------------------|--------------------------------|-----------------------------|------------------------------|--------------------------|
|---------|------|-------------|------------------------------|--------------------------------|-----------------------------|------------------------------|--------------------------|



# **McCALL GIBSON SWEDLUND BARFOOT PLLC**

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July 20, 2022

Board of Directors  
Lake McQueeney Water Control and  
Improvement District No. 1  
Guadalupe County, Texas

In planning and performing our audit of the financial statements of Lake McQueeney Water Control and Improvement District No. 1 (the "District") as of and for the year ended April 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. As such, our consideration of internal control would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the District's financial statements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Material Weaknesses**

This year and last year we observed the following deficiencies in the District's internal control that we consider to be material weaknesses.

The District's management consists of an elected Board of Directors (the "Directors"). The day-to-day operations are performed by private companies ("Consultants") under contract with the District. The Directors of the District supervise the performance of the Consultants. Although, Consultants can be part of the District's system of internal control, the Consultants are not members of management. Ultimately, the Directors of the District are responsible for the design and implementation of the system of internal control.

As is common within the system of internal control of most small organizations, the accounting function of the District does not include preparation of the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. Accordingly, the District has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness of the District's system of internal control over financial reporting.

**Material Weaknesses (Continued)**

During the course of performing the audit, the auditor prepares various journal entries to present the financial statements on the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to be a material weakness in internal control. In addition, the District's Management relies on the District's auditor to prepare the capital asset and depreciation schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function is considered to be a material weakness in the system of internal control. Auditing standards do not make exceptions for reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

We agree with the objective to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the material weaknesses above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor.

**Management's Response**

The Board engages a bonded bookkeeper who possesses industry knowledge and expertise, including a concentration in special districts accounting. The Board also engages a financial advisor and tax assessor/collector who possess industry knowledge and expertise, as well as legal and professional engineering services. The Board has consulted with its independent auditor concerning this "management letter" and the auditor does not recommend any change in the Board's bookkeeping or audit procedures at this time. To the best of its knowledge, the Board conducts the District's business affairs in the same manner as other similarly situated special districts, and, based on the recommendations of its auditor, does not believe that the addition of an employee to oversee the monthly and annual financial reporting process or to prepare financial statements or that undertaking an additional annual audit is necessary or cost effective.

**Conclusion**

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas