

**FRANKLIN COUNTY WATER DISTRICT**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

FRANKLIN COUNTY WATER DISTRICT

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## INTRODUCTORY SECTION

FRANKLIN COUNTY WATER DISTRICT  
LIST OF PRINCIPAL OFFICIALS  
December 31, 2021

OFFICERS

Gary Cunningham – President  
Billy M Jordan – Vice President  
Rodney Newsom – Secretary

DIRECTORS

Jennifer Dennis  
Carmen Sparks

KEY PERSONNEL

David Weidman – General Manager  
J.R. Alphin – Operations Manager

DISTRICT ADDRESS

Franklin County Water District  
P.O. Box 559  
Mount Vernon, Texas 75457  
Phone (903) 537-4536

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }  
 }  
COUNTY OF: Franklin }

I, Gary Cunningham, President  
(Name of Duly Authorized District Representative)

of the Franklin County Water District  
(Name of District)

hereby swear, or affirm, that the district named above has reviewed, approved, and filed at a meeting of the Board of Directors of the District on the 15th day of March, 2022, its annual audit report for the fiscal year or period ended December 31, 2021, and that copies of the annual audit report have been filed in the district office, located at 112 N. Houston St., Mount Vernon, Texas, Franklin.  
(Address of District) (County)

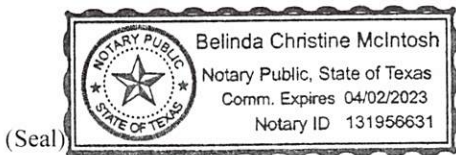
The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date March 15, 2022

By:   
(Signature of District Representative)

Gary Cunningham, President  
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this 15th day of March, 2022.



  
(Signature of Notary)

My Commission Expires on: 04/02/2023, Notary Public in and for the State of Texas.

FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Franklin County Water District  
Mount Vernon, Texas

We have audited the accompanying financial statements of Franklin County Water District as of and for the year ended December 31, 2021, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franklin County Water District as of December 31, 2021, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Franklin County Water District. The introductory section and supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or provide any assurance on it.

*Jox, Byrd + Company, P.C.*

Dallas, Texas  
March 8, 2022



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is provided by the Franklin County Water District, hereafter referred to as the District.

The Franklin County Water District is a conservation and reclamation district that was created by a special act of the Texas Legislature in 1965. The District's statutory duty is to control, store, and preserve and distribute its (the District's) waters and flood waters for all useful purposes. The District is the sole provider of wholesale water for Franklin County. The District has three wholesale water customers and one water rights holder. The District, as an ancillary function, oversees the leases and acts as landlord for District owned land, collecting lease payments and use fees. The District manages and operates park and recreational facilities on Lake Cypress Springs.

### Financial Highlights

- At the end of the year, the District reported total assets of \$15,599,227 and net position of \$13,432,049.
- The net position of the District increased during the year by \$170,007, or approximately 1.3%.
- The District had an operating loss of \$81,194 for the year, primarily due to engineering fees associated with planning for repairs to the dam and legal fees associated with the District's pursuit of remedies for damages arising from contracted work at the lake.
- The District's net capital assets decreased during the year by \$166,815 due to depreciation, net of capital asset acquisitions of \$49,926.

### Overview of the Financial Statements

This section is intended to serve as introduction to the District's basic financial statements. The basic financial statements are: 1) Statement of Net Position; 2) Statement of Revenues, Expenses, and Changes in Net Position; and 3) Statement of Cash Flows.

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and creditworthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The financial statements also include notes that explain in more detail some of the information in the financial statements.

## Overview of Financial Activities and Analysis

To begin our analysis, summaries of the District's Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position are presented below.

### Condensed Statements of Net Position

	<u>12/31/21</u>	<u>12/31/20</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 7,236,151	\$ 7,111,602	\$ 124,549	1.8%
Capital assets, net	<u>8,363,076</u>	<u>8,529,891</u>	<u>(166,815)</u>	<u>-2.0%</u>
Total assets	<u>\$ 15,599,227</u>	<u>\$ 15,641,493</u>	<u>\$ (42,266)</u>	<u>-0.3%</u>
Long-term debt outstanding	\$ 1,657,358	\$ 1,875,058	\$ (217,700)	-11.6%
Other liabilities	<u>509,820</u>	<u>504,393</u>	<u>5,427</u>	<u>1.1%</u>
Total liabilities	<u>\$ 2,167,178</u>	<u>\$ 2,379,451</u>	<u>\$ (212,273)</u>	<u>-8.9%</u>
Invested in capital assets, net of related debt	\$ 6,705,718	\$ 6,654,833	\$ 50,885	0.8%
Restricted	<u>132,255</u>	<u>108,183</u>	<u>24,072</u>	<u>22.3%</u>
Unrestricted	<u>6,594,076</u>	<u>6,499,026</u>	<u>95,050</u>	<u>1.5%</u>
Total net position	<u>\$ 13,432,049</u>	<u>\$ 13,262,042</u>	<u>\$ 170,007</u>	<u>1.3%</u>

### Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>Year Ended 12/31/21</u>	<u>Year Ended 12/31/20</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenues	\$ 1,927,687	\$ 1,736,701	\$ 190,986	11.0%
Non-operating revenues	<u>278,635</u>	<u>313,465</u>	<u>(34,830)</u>	<u>-11.1%</u>
Total revenues	<u>2,206,322</u>	<u>2,050,166</u>	<u>156,156</u>	<u>7.6%</u>
Depreciation expense	66,581	210,225	(143,644)	-68.3%
Other operating expense	1,942,300	1,719,826	222,474	12.9%
Non-operating expense	<u>251,201</u>	<u>59,922</u>	<u>191,279</u>	<u>319.2%</u>
Total expense	<u>2,260,082</u>	<u>1,989,973</u>	<u>270,109</u>	<u>13.6%</u>
Change in net position	(53,760)	60,193	(113,953)	-189.3%
Beginning net position	<u>13,262,040</u>	<u>13,201,847</u>	<u>60,193</u>	<u>0.5%</u>
Ending net position	<u>\$ 13,208,280</u>	<u>\$ 13,262,040</u>	<u>\$ (53,760)</u>	<u>-0.4%</u>

## Overview of Financial Activities and Analysis – continued

The overall financial position and regular, ongoing operations of the District remain sound. The \$166,815 decrease in capital assets is attributable to depreciation expense, net of capital expenditures of \$49,926. Bonds payable declined \$225,000 representing principal paid during 2021.

The \$190,986 increase in operating revenues is due to normal fluctuations. Operating revenues are generally driven by individual transactions which vary from year to year. The increase in operating expenses in 2021 is mainly attributable to engineering expenses associated with ongoing studies necessary to determine effective methods for repairing erosion of the dam, and legal fees associated with the District's pursuit of remedies for damages arising from contracted work at the lake.

### Capital Asset and Debt Administration

The District's investment in capital assets as of December 31, 2021, consisted of land, lake construction, dam reconstruction, buildings, machinery and equipment, vehicles, and park and lake assets.

The District's long-term debt activity during 2021 consisted of scheduled principal payment in the amount of \$225,000.

### Economic Factors and Next Year's Budgets and Rates

During 2013, the District began addressing erosion issues relating to the dam remediation project with its attorneys and consulting engineers. The District's litigation to address these erosion issues was settled in 2018, and the District is currently exploring options for repairing the erosion.

### Requests for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Franklin County Water District, P.O. Box 559, Mount Vernon, Texas 75457.

FRANKLIN COUNTY WATER DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2021

ASSETS

CURRENT ASSETS

Unrestricted cash and cash equivalents	\$ 6,877,196
Investments	2,547
Receivables:	
Property taxes receivable, net	217,123
Accounts receivable	4,933
Total current assets	7,101,799

RESTRICTED ASSETS

Cash restricted for debt service	132,255
Utility deposits	2,097
Capital assets, net	8,363,076
	\$ 15,599,227

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 19,132
Accrued interest payable	6,536
Other accrued liabilities	25,024
Bonds payable, current portion	230,000
Deferred revenue	459,128
Total current liabilities	739,820

NONCURRENT LIABILITIES

Bonds payable, noncurrent portion	1,427,358
	2,167,178

NET POSITION

Invested in capital assets, net of related debt	6,705,718
Restricted for debt service	132,255
Unrestricted	6,594,076
	13,432,049
	\$ 15,599,227

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

FRANKLIN COUNTY WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended December 31, 2021

OPERATING REVENUES	
Permits and other fees	\$ 631,490
Water sales and M&O fees	546,963
Admission fees	517,385
Lease rental and bonus income	231,849
Total operating revenues	<u>1,927,687</u>
OPERATING EXPENSES	
Labor and personnel	905,342
Legal fees and other professional fees	307,766
Depreciation	215,789
Engineering fees	160,009
Utilities	103,987
Repairs and maintenance	96,497
Supplies	66,581
Insurance	35,633
Other operating expenses	117,277
Total operating expenses	<u>2,008,881</u>
Operating loss	<u>(81,194)</u>
NON-OPERATING REVENUES AND (EXPENSES)	
Ad valorem taxes	259,304
Interest income	21,419
Gain on disposal of capital assets	3,048
Interest expense	(30,482)
Other income and expense, net	(2,088)
Total non-operating revenues and (expenses)	<u>251,201</u>
INCREASE IN NET POSITION	
	170,007
NET POSITION, beginning of year	
	<u>13,262,042</u>
NET POSITION, end of year	
	<u>\$ 13,432,049</u>

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

FRANKLIN COUNTY WATER DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2021

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,944,617
Cash paid to suppliers	(1,117,003)
Cash paid to employees	(689,788)
Net cash provided by operating activities	<u>137,826</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Collections of ad valorem taxes, penalties and interest	270,468
Increase in cash restricted for debt service	(24,072)
Purchase of capital assets	(49,926)
Sale of capital assets	4,000
Principal paid on bonds	(225,000)
Interest paid on bonds	(22,195)
Net cash used in capital and related financing activities	<u>(46,725)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment principal collected	606
Interest received	21,419
Net cash provided by investing activities	<u>22,025</u>
NET INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	113,126
UNRESTRICTED CASH AND CASH EQUIVALENTS, beginning of year	<u>6,764,070</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS, end of year	<u>\$ 6,877,196</u>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (81,194)
Adjustments to reconcile operating loss	
net cash provided by operating activities	
Depreciation	215,789
Other non-operating expense	(2,088)
Net change in	
Receivables	879
Accounts payable and accrued liabilities	(10,651)
Deferred revenue	15,091
Net cash provided by operating activities	<u>\$ 137,826</u>

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

FRANKLIN COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Franklin County Water District was created by an act of the Legislature, H.B. No. 1161, 59th Legislature of the State of Texas. The Board of Directors held its first meeting on June 15, 1965, and its first bonds were sold on January 13, 1966.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

The Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations within the District's reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards No. 14, *The Financial Reporting Entity*, is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The District's financial statements do not include any component units because none of the criteria for inclusion as set forth in GASB 14 have been met.

Proprietary Funds

Enterprise funds (a type of proprietary fund) are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's enterprise fund accounts for the operations of providing raw water for municipal use out of Lake Cypress Springs and for the management and maintenance of the lakes, parks, and recreational facilities located on property owned by the District. The District also leases land to tenants, generally under ninety-nine year leases, and collects land use rents. Aggregate future minimum rentals on non-cancelable leases for the next five fiscal years amount to approximately \$95,000 annually.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. Generally accepted accounting principles prescribed by the Financial Accounting Standards Board are applied unless they conflict with or contradict GASB pronouncements, or were issued after November 30, 1989.

Proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

FRANKLIN COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting and Financial Statement Presentation - continued

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and demand deposit accounts in banks.

Investments

Investments are stated at fair value based on quoted prices in active markets for identical assets. The amortization of premiums and accretion of discounts is recognized in interest income using methods approximating the interest method over the remaining term of the investment.

Receivables

Accounts receivable are considered fully collectible; accordingly, no allowance for doubtful accounts is required. In the event an account in whole or in part becomes uncollectible in the future, such amount will be charged to operations when that determination is made.

Ad Valorem (Property) Taxes

Ad valorem (property) taxes are levied on October 1st by the District based on the January 1st property values as assessed by the Franklin County Appraisal District. Taxes are due without penalty until January 31st of the next calendar year. After January 31st the District has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the District.

Depreciation

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line method. The service lives by type of asset are as follows:

Dam reconstruction	50 years
Buildings	5 – 20 years
Machinery and equipment	3 – 20 years
Vehicles	3 – 5 years
Furniture and fixtures	2 – 10 years
Park and lake assets	3 – 20 years



FRANKLIN COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Advance Lease and Permit Payments

Lease income, water permit fees, and pier and boathouse permit fees are recognized when earned. Revenues are considered to be earned when the District has performed all services related to the generation of revenue. At December 31, 2021, the District had received payment for services to be performed subsequent to year end. The revenue relating to these payments will be recognized in the period the service is performed.

Accumulated Unpaid Vacation and Sick Leave

An allowance for compensated absences has not been reflected in these financial statements because the liability is not material. Unused sick leave carried over to a subsequent year is capped at sixty days and is lost upon termination. Employees may elect to be paid for up to five days of unused vacation annually. Any remaining vacation must either be used by the employee's anniversary date of each year or it is lost.

Estimates

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

Subsequent Events

Subsequent events have been evaluated through March 8, 2022, which is the date the financial statements were available to be issued.

FRANKLIN COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. At December 31, 2021, the District's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the District's name; as a result, the District's deposits were not exposed to custodial credit risk.

Investments

The Texas Public Funds Investment Act and the District's investment policy authorize the District to invest in U.S. Treasury securities; U.S. agency securities, including mortgage-backed securities; state and local government obligations; certificates of deposit; repurchase agreements; banker's acceptances; commercial paper; and external investment pools. The District's investment policy sets forth specific criteria that each of these investments must meet to be eligible investments.

Custodial credit risk for investments is the risk that the District will not be able to recover the value of its investments that are in the possession of an outside party. At December 31, 2021, the District's investments were entirely insured or registered in the District's name; as a result, the District's investments were not exposed to custodial credit risk.

At December 31, 2021, the District's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Mortgage-backed securities	\$ 2,547	\$ -	\$ -	\$ -	\$ 2,547

FRANKLIN COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

The District's capital asset activity during 2021 was as follows:

	Balance 1/1/21	Additions	Retirements	Balance 12/31/21
Non-depreciable assets:				
Land	\$ 1,069,405	\$ -	\$ -	\$ 1,069,405
Lake construction	2,791,312	-	-	2,791,312
	<u>3,860,717</u>	<u>-</u>	<u>-</u>	<u>3,860,717</u>
Depreciable assets:				
Dam reconstruction	4,635,761	-	-	4,635,761
Buildings	378,296	-	-	378,296
Machinery and equipment	429,521	28,385	(9,524)	448,382
Vehicles	300,208	21,541	-	321,749
Furniture and fixtures	189,367	-	-	189,367
Parks and lake assets	2,118,166	-	-	2,118,166
	<u>8,051,319</u>	<u>49,926</u>	<u>(9,524)</u>	<u>8,091,721</u>
Total capital assets	11,912,036	49,926	(9,524)	11,952,438
Accumulated depreciation	<u>(3,382,145)</u>	<u>(215,789)</u>	<u>8,572</u>	<u>(3,589,362)</u>
	<u>\$ 8,529,891</u>	<u>\$ (165,863)</u>	<u>\$ (952)</u>	<u>\$ 8,363,076</u>

4. LONG-TERM DEBT

The District's long-term debt activity during 2021 was as follows:

	Balance 1/1/21	Issued During the Year	Retired During the Year	Balance 12/31/21	Current Portion
Unlimited Tax Bonds:					
Series 2020	1,930,000	-	(225,000)	1,705,000	230,000
Capitalized issuance costs	<u>(54,942)</u>	<u>-</u>	<u>7,300</u>	<u>(47,642)</u>	<u>-</u>
	<u>\$ 1,875,058</u>	<u>\$ -</u>	<u>\$ (217,700)</u>	<u>\$ 1,657,358</u>	<u>\$ 230,000</u>

FRANKLIN COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

4. LONG-TERM DEBT – continued

Details of bonds payable as of December 31, 2021 were as follows:

Unlimited Tax Refunding Bond, Series 2020, dated May 6, 2020, in the aggregate principal amount of \$2,165,000; interest payable semi-annually at 1.15%; principal payable annually through September 1, 2028; secured by a first lien on and pledge of the net proceeds of an annual ad valorem tax levied against all taxable property located in the District. The bond proceeds were used to refund the outstanding balance of the District’s Unlimited Tax Bond, Series 2008, which was issued to 2008 to fund remediation and repairs to the District’s Franklin County Dam and structures and facilities for Lake Cypress Springs.

The scheduled maturities of bonds payable as of December 31, 2021 are as follows:

Year Ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 230,000	\$ 19,608	\$ 249,608
2023	240,000	16,963	256,963
2024	240,000	14,203	254,203
2025	240,000	11,443	251,443
2026	250,000	8,683	258,683
2027	250,000	5,808	255,808
2028	<u>255,000</u>	<u>2,933</u>	<u>257,933</u>
	<u>\$ 1,705,000</u>	<u>\$ 79,641</u>	<u>\$ 1,784,641</u>

5. WATER CUSTOMERS

At December 31, 2021, the District had three wholesale customers and one water rights holder connected with the system. These entities (none of which are residential users) are listed below:

- City of Mount Vernon
- City of Winnsboro
- Cypress Springs Special Utility District
- City of Mount Pleasant (water rights holder)

For the year ended December 31, 2021, these entities used 5,308.90 acre-feet of surface water.

FRANKLIN COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

6. PENSION PLANS

The District maintains a deferred compensation plan under Section 457 of the Internal Revenue Code (the "457 Plan"). Employees are eligible to participate in the 457 Plan upon the completion of six months of service as defined by the 457 Plan. The 457 Plan allows employees to make pre-tax contributions to the plan up to the lesser of \$18,000 (for 2021) or 100% of their compensation. Employees are fully vested at all times in their contributions to the 457 Plan. The District does not make any contributions to the 457 Plan.

The District also maintains a qualified retirement plan under Section 401 of the Internal Revenue Code (the "401 Plan"). Employees are eligible to participate in the 401 Plan upon the completion of six months of service as defined by the 401 Plan. Employees may not make any contributions to the 401 Plan. The District makes matching contributions to the 401 Plan equal to the lesser of 100% of a participant's contributions to the 457 Plan or 7% of the participant's compensation. The 401 Plan has a seven-year vesting schedule with 20% being vested the third year and an additional 20% becoming vested annually thereafter.

The total covered payroll for 2021 was \$632,370, while total payroll for all employees was \$688,526. The employer's 2021 contributions to the 401 Plan totaled \$32,496, or 5.1% of covered payroll. The employees' 2021 contributions to the 457 Plan totaled \$37,362, or 5.9% of covered payroll.

7. 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; injuries to employees; employee health benefits; and other various claims. The District purchases commercial insurance to indemnify it in the event of loss. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the two prior years.

SUPPLEMENTAL INFORMATION

FRANKLIN COUNTY WATER DISTRICT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL  
For the Year Ended December 31, 2021

	Original Budget	Amended Budget	Actual
<b>OPERATING REVENUES</b>			
Permits and other fees	\$ 540,000	\$ 640,000	\$ 631,490
Water sales and M&O fees	486,250	546,950	546,963
Admission fees	280,000	500,000	517,385
Lease rental and bonus income	112,000	133,498	231,849
Total operating revenues	<u>1,418,250</u>	<u>1,820,448</u>	<u>1,927,687</u>
<b>OPERATING EXPENSES</b>			
Labor and personnel	943,196	861,440	905,342
Legal fees and other professional fees	101,300	253,400	307,766
Depreciation	-	-	215,789
Engineering fees	30,000	140,000	160,009
Utilities	75,500	94,500	103,987
Repairs and maintenance	165,000	160,000	96,497
Supplies	45,000	57,395	66,581
Insurance	45,200	45,200	35,633
Other operating expenses	66,000	108,500	117,277
Total operating expenses	<u>1,471,196</u>	<u>1,720,435</u>	<u>2,008,881</u>
<b>NON-OPERATING REVENUES AND (EXPENSES)</b>			
Ad valorem taxes	296,925	296,925	259,304
Interest income	30,000	18,000	21,419
Gain on disposal of capital assets	5,000	-	3,048
Interest expense	-	-	(30,482)
Other income and expense, net	16,200	18,700	(2,088)
Total non-operating revenues and (expenses)	<u>348,125</u>	<u>333,625</u>	<u>251,201</u>
<b>INCREASE IN NET POSITION</b>	<u>295,179</u>	<u>433,638</u>	<u>170,007</u>
<b>BUDGETARY RECONCILIATION</b>			
Interest expense	-	-	30,482
Debt service	(294,000)	(294,000)	(255,482)
Depreciation	-	-	215,789
Capital expenditures	(85,500)	(91,426)	(49,926)
<b>NET BUDGETARY BASIS</b>	<u>\$ (84,321)</u>	<u>\$ 48,212</u>	<u>\$ 110,870</u>

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

FRANKLIN COUNTY WATER DISTRICT  
INDEX OF SUPPLEMENTAL SCHEDULES INCLUDED WITHIN THIS REPORT  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
For the Year Ended December 31, 2021

	<u>Page Nr.</u>
<input checked="" type="checkbox"/> <u>Notes Required by the Water District Accounting Manual</u> (Included in the notes to the financial statements)	11
<input checked="" type="checkbox"/> <u>Schedule of Services and Rates</u>	20
<input checked="" type="checkbox"/> <u>Schedule of Operating Expenses</u>	22
<input checked="" type="checkbox"/> <u>Schedule of Temporary Investments</u> (Included in the notes to the financial statements)	14
<input checked="" type="checkbox"/> <u>Schedule of Taxes Levied and Receivable</u>	23
<input checked="" type="checkbox"/> <u>Schedule of Long-Term Debt Service Requirements by Years</u>	24
<input checked="" type="checkbox"/> <u>Schedule of Changes in Long-Term Debt</u>	25
<input checked="" type="checkbox"/> <u>Comparative Schedule of Revenues and Expenses - Five Years</u>	26
<input checked="" type="checkbox"/> <u>Board Members, Key Personnel, and Consultants</u>	28



FRANKLIN COUNTY WATER DISTRICT  
 SCHEDULE OF SERVICES AND RATES  
 For the Year Ended December 31, 2021

**1. Services Provided by the District:**

- |   |   |                                     |
|---|---|-------------------------------------|
| <input type="checkbox"/> Retail Water   | <input checked="" type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage   |
| <input type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater       | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation  | <input type="checkbox"/> Fire Protection            | <input type="checkbox"/> Security   |
| <input type="checkbox"/> Solid Waste/Garbage  | <input type="checkbox"/> Flood Control              | <input type="checkbox"/> Roads      |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |   |                                     |
| <input type="checkbox"/> Other (specify): _____   |   |                                     |

**2. Retail Rates Based on 5/8" Meter:**  Retail Rates Not Applicable

Most prevalent type of meter (if not a 5/8"): \_\_\_\_\_

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
Water	\$ _____.	_____.	_____	\$ _____.	_____ to _____
Wastewater	\$ _____.	_____.	_____	\$ _____.	_____ to _____
Surcharge	\$ _____.	_____.	_____	\$ _____.	_____ to _____

District employs winter averaging for wastewater Yes  No

Total water and wastewater charges per 10,000 gallons usage (including surcharges). \$ \_\_\_\_\_

**3. Retail Service Providers:** Number of retail water and/or wastewater\* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted: No "Retail Service" is provided by the District.

	Active Connections	Active ESFC	Inactive Connections (ESFC)**
Single Family	_____	_____	_____
Multi-Family	_____	_____	_____
Commercial	_____	_____	_____
Other – recreational centers, Government & VFD	_____	_____	_____
<b>TOTAL</b>	_____	_____	_____

\* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

\*\* "Inactive" means that water and wastewater connections were made, but service is not being provided.

**4. Total Water Consumption (in Thousands) During the Fiscal Year:**

Gallons pumped into system: 1,729,912,657  
 Gallons billed to customers: 1,729,912,657

**5. Standby Fees:** Does the District assess standby fees? Yes  No

For the most recent full fiscal year, FYE : \_\_\_\_\_

Debt Service: Total Levy \$ \_\_\_\_\_  
 Total Collected \$ \_\_\_\_\_  
 Percentage Collected \_\_\_\_\_

Operation & Total Levy \$ \_\_\_\_\_  
 Maintenance: Total Collected \$ \_\_\_\_\_  
 Percentage Collected \_\_\_\_\_

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property: Yes  No

**6. Anticipated Sources of Funds to be Used for Debt Service Payments in the District's Following Fiscal Year:**

	<u>Amount</u>
a. Debt Service Tax Receipts	\$ <u>270,468</u>
b. Surplus Construction Funds	_____
c. Water and/or Wastewater Revenue	_____
d. Standby Fees	_____
e. Debt Service Fund Balance To Be Used	_____
f. Interest Revenues	_____
g. Other (Describe)	_____
_____	_____
_____	_____
*TOTAL ANTICIPATED FUNDS TO BE USED	\$ <u><u>270,468</u></u>

**7. Location of District:**

County(ies) in which District is located. Franklin

Is the District located entirely within one county? Yes  No

Is the District within a city? Entirely  Partly  Not at all

City(ies) in which District is located Mount Vernon and Winnsboro

Is the District located within a city's extra territorial jurisdiction (ETJ)  
 Entirely  Partly  Not at all

ETJs in which District is located. N/A

Is the general membership of the Board appointed by an office outside the District? Yes  No

If Yes, by whom? N/A

\* Total should equal the District's annual debt service for the fiscal year following the fiscal year reported.

FRANKLIN COUNTY WATER DISTRICT  
SCHEDULE OF OPERATING EXPENSES  
For the Year Ended December 31, 2021

Labor and personnel	\$ 905,342
Legal fees and other professional fees	307,766
Depreciation	215,789
Engineering fees	160,009
Utilities	103,987
Repairs and maintenance	96,497
Supplies	66,581
Insurance	35,633
Other operating expenses	<u>117,277</u>
	<u>\$ 2,008,881</u>

Number of persons employed by the District:	11 Full-Time
	-0- Part-Time

FRANKLIN COUNTY WATER DISTRICT  
 SCHEDULE OF TAXES LEVIED AND RECEIVABLE  
 For the Year Ended December 31, 2021

	<u>Debt Service Taxes</u>
Taxes receivable, 1/1/21	\$ 228,287
2021 original tax levy	253,775
Less abatements	-
Total to be accounted for	<u>482,062</u>
Tax collections	(264,939)
Taxes receivable, 12/31/21	<u><u>\$ 217,123</u></u>
Property valuations:	
Land	\$ 296,867,103
Improvements	1,006,257,753
Personal property	198,975,020
Total appraised value	<u><u>\$ 1,502,099,876</u></u>
Tax rate per \$100 valuation	<u><u>\$ 0.01700</u></u>
Original tax levy	<u><u>\$ 253,775</u></u>
Percent of taxes collected to taxes levied	<u><u>104.4%</u></u>

FRANKLIN COUNTY WATER DISTRICT  
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS  
For the Year Ended December 31, 2021

Fiscal Year Ending December 31,	Unlimited Tax Bonds Series 2020		Total
	Principal Due 9/1	Interest Due 3/1, 9/1	
2022	\$ 230,000	\$ 19,608	\$ 249,608
2023	240,000	16,963	256,963
2024	240,000	14,203	254,203
2025	240,000	11,443	251,443
2026	250,000	8,683	258,683
2027	250,000	5,808	255,808
2028	255,000	2,933	257,933
Totals	\$ 1,705,000	\$ 79,641	\$ 1,784,641
Capitalized refunding costs	(47,642)		
Total carrying value	\$ 1,657,358		

FRANKLIN COUNTY WATER DISTRICT  
 SCHEDULE OF CHANGES IN LONG-TERM DEBT  
 For the Year Ended December 31, 2021

	<u>Series 2020</u>
Interest rates	1.15%
Dates interest payable	3/1 and 9/1
Maturity dates	9/1/2020 to 9/1/2028
Bonds outstanding at beginning of current year	\$ 1,930,000
Bonds sold during the current year	-
Retirements: principal	<u>(225,000)</u>
Bonds outstanding at end of current year	<u><u>\$ 1,705,000</u></u>

Paying Agent's Name & Address:

The Bank of New York Mellon Trust Company, N.A. - Dallas, Texas

	Tax Bonds *	Other Bonds	Refunding Bonds
Bond Authority:			
Amount authorized by voters	\$ 3,800,000	\$ -	\$ -
Amount issued	\$ 3,800,000	\$ -	\$ -
Remaining to be issued	\$ -	\$ -	\$ -

\* Includes all bonds secured with tax revenues.

FRANKLIN COUNTY WATER DISTRICT  
 COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES  
 For the Five Years Ended December 31, 2021

	AMOUNTS				
	2021	2020	2019	2018	2017
<b>OPERATING REVENUES</b>					
Lease rental and bonus income	\$ 231,849	\$ 180,876	\$ 118,280	\$ 135,046	\$ 118,407
Admission fees	517,385	414,987	349,960	338,835	287,350
Permits and other fees	631,490	604,749	580,328	551,254	543,765
Water sales and M&O fees	546,963	536,089	496,209	493,878	490,713
Total operating revenues	<u>1,927,687</u>	<u>1,736,701</u>	<u>1,544,777</u>	<u>1,519,013</u>	<u>1,440,235</u>
<b>OPERATING EXPENSES</b>					
Labor and personnel	905,342	726,766	774,085	775,705	728,351
Engineering fees	160,009	409,559	223,910	29,750	115,359
Legal fees and other professional fees	307,766	102,894	96,848	1,134,593	524,098
Supplies	66,581	45,229	54,563	54,789	52,384
Repairs and maintenance	96,497	241,617	109,627	92,046	86,019
Utilities	103,987	98,922	100,412	112,871	85,541
Insurance	35,633	37,184	36,828	38,824	39,968
Depreciation	215,789	210,225	211,907	186,475	200,984
Other operating expenses	117,277	57,655	54,436	38,156	56,982
Total operating expenses	<u>2,008,881</u>	<u>1,930,051</u>	<u>1,662,616</u>	<u>2,463,209</u>	<u>1,889,686</u>
Operating income (loss)	<u>(81,194)</u>	<u>(193,350)</u>	<u>(117,839)</u>	<u>(944,196)</u>	<u>(449,451)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	21,419	47,297	90,481	38,054	39,172
Ad valorem taxes	259,304	259,752	255,846	316,923	307,239
Change in value of investments	-	-	(12,342)	(2,083)	(9,967)
Gain on disposal of capital assets	3,048	-	15,975	-	-
Interest expense	(30,482)	(59,922)	(104,247)	(113,616)	(122,698)
Other income and expense, net	(2,088)	6,416	24,781	4,761,883	26,208
Total non-operating, net	<u>251,201</u>	<u>253,543</u>	<u>270,494</u>	<u>5,001,161</u>	<u>239,954</u>
Net increase (decrease)	<u>\$ 170,007</u>	<u>\$ 60,193</u>	<u>\$ 152,655</u>	<u>\$ 4,056,965</u>	<u>\$ (209,497)</u>

PERCENT OF TOTAL OPERATING REVENUES

2021	2020	2019	2018	2017
12.0%	10.4%	7.7%	8.9%	8.2%
26.8%	23.9%	22.7%	22.3%	20.0%
32.8%	34.8%	37.6%	36.3%	37.8%
28.4%	30.9%	32.1%	32.5%	34.1%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
47.0%	41.8%	50.1%	51.1%	50.6%
8.3%	23.6%	14.5%	2.0%	8.0%
16.0%	5.9%	6.3%	74.7%	36.4%
3.5%	2.6%	3.5%	3.6%	3.6%
5.0%	13.9%	7.1%	6.1%	6.0%
5.4%	5.7%	6.5%	7.4%	5.9%
1.8%	2.1%	2.4%	2.6%	2.8%
11.2%	12.1%	13.7%	12.3%	14.0%
6.1%	3.3%	3.5%	2.5%	4.0%
<u>104.2%</u>	<u>111.1%</u>	<u>107.6%</u>	<u>162.2%</u>	<u>131.2%</u>
<u>-4.2%</u>	<u>-11.1%</u>	<u>-7.6%</u>	<u>-62.2%</u>	<u>-31.2%</u>
1.1%	2.7%	5.9%	2.5%	2.7%
13.5%	15.0%	16.6%	20.9%	21.3%
0.0%	0.0%	-0.8%	-0.1%	-0.7%
0.2%	0.0%	1.0%	0.0%	0.0%
-1.6%	-3.5%	-6.7%	-7.5%	-8.5%
-0.1%	0.4%	1.6%	313.5%	1.8%
<u>13.0%</u>	<u>14.6%</u>	<u>17.5%</u>	<u>329.2%</u>	<u>16.7%</u>
<u>8.8%</u>	<u>3.5%</u>	<u>9.9%</u>	<u>267.1%</u>	<u>-14.5%</u>



FRANKLIN COUNTY WATER DISTRICT  
 BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS  
 For the Year Ended December 31, 2021

Complete District Mailing Address: P.O. Box 559, Mount Vernon, Texas 75457

District Business Telephone Number: (903) 537-4536

Names and Addresses	Term of Office or Date Hired	Fees	Expense Reimbursements	Title at Year End	Resident of District
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**Board Members:**

Billy M. Jordan 627 TX Hwy 37 Mt. Vernon, TX 75457	Elected 5/21 - 5/25	\$1,300.00	\$45.24	Vice President	Yes
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Rodney Newsom P.O. Box 312 Mt. Vernon, TX 75457	Elected 5/19 - 5/23	\$1,500.00	\$146.16	Secretary	Yes
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Gary Cunningham P.O. Box 701 Mt. Vernon, TX 75457	Elected 5/21 - 5/25	\$1,500.00	\$0.00	President	Yes
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Jennifer Dennis 223 Triple S Drive Mt. Vernon, TX 75457	Elected 5/19 – 5/23	\$1,200.00	\$165.88	Director	Yes
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Carmen Sparks P.O. Box 653 Mt. Vernon, TX 75457	Appointed 5/19 – 5/23	\$1,500.00	\$178.64	Director	Yes
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**NOTE:** No director is disqualified from serving on this Board under the Texas Water Code.

**Key Administrative Personnel:**

David I. Weidman 1012 High Meadow Dr Mt. Vernon, TX 75457	Hired 10/93	\$123,178.54	\$0.00	General Manager	Yes
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J.R. Alphin 182 CR SE 3286 Mt. Vernon, TX 75457	Hired 1/95	\$87,105.21	\$0.00	Operations Manager	Yes
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FRANKLIN COUNTY WATER DISTRICT  
 BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS  
 For the Year Ended December 31, 2021

Names and Addresses	Term of Office or Date Hired	Fees	Expense Reimbursements	Title at Year End	Resident of District
<b><u>Consultants:</u></b>					
Lloyd Gosselink, Attor 816 Congress Ave., Ste Austin, TX 78701	Hired 2014	\$271,392.31	\$0.00	Attorney	No
Carollo Engineers P.O. Box 4932 Houston, TX 77210	Hired 2015	\$169,504.77	\$0.00	Engineers	No
Fox, Byrd & Company 12001 N. Central Expr Suite 500 Dallas, TX 75243	Hired 1993	\$17,200.00	\$0.00	Auditor	No
Stanger Surveying PO Box 131194 Tyler, Tx 75713	Hired 2019	\$252.00	\$0.00	Surveyor	No