

**FRANKLIN COUNTY WATER DISTRICT**

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

**FOR THE YEAR ENDED DECEMBER 31, 2019**

FRANKLIN COUNTY WATER DISTRICT

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## INTRODUCTORY SECTION

FRANKLIN COUNTY WATER DISTRICT  
LIST OF PRINCIPAL OFFICIALS  
December 31, 2019

OFFICERS

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

DIRECTORS

Jennifer Dennis  
Carmen Sparks

KEY PERSONNEL

David Weidman – General Manager  
Sheila Donica – Administration 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 17th day of March, 2020, its annual audit report for the fiscal year or period ended December 31, 2019, 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 17, 2020

By: \_\_\_\_\_  
(Signature of District Representative)

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

Sworn to and subscribed to before me this 17th day of March, 2020.

\_\_\_\_\_  
(Signature of Notary)

(Seal)

My Commission Expires on: February 14, 2021, 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, 2019, 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, 2019, 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.

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

Dallas, Texas  
March 11, 2020



## 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 \$15,868,132 and net position of \$13,201,847.
- The net position of the District increased during the year by \$152,656, or approximately 1.2%.
- The District had an operating loss of \$117,838 for the year, primarily due to engineering fees associated with planning for repairs to the dam.
- The District's cash and cash equivalents decreased during the year by \$394,667 primarily as a result of the operating loss, capital investments and purchase of short-term investments. The District's investments increased by \$486,462 primarily due to the routine investment of cash.
- The District's net capital assets decreased during the year by \$45,954 due to depreciation, net of capital asset acquisitions of \$165,953.

### 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

	12/31/19	12/31/18	Dollar Change	Percent Change
Current and other assets	\$ 7,200,006	\$ 7,179,780	\$ 20,226	0.3%
Capital assets, net	8,668,126	8,714,080	(45,954)	-0.5%
Total assets	<u>\$ 15,868,132</u>	<u>\$ 15,893,860</u>	<u>\$ (25,728)</u>	<u>-0.2%</u>
Long-term debt outstanding	\$ 2,165,000	\$ 2,355,000	\$ (190,000)	-8.1%
Other liabilities	501,285	489,669	11,616	2.4%
Total liabilities	<u>\$ 2,666,285</u>	<u>\$ 2,844,669</u>	<u>\$ (178,384)</u>	<u>-6.3%</u>
Invested in capital assets, net of related debt	\$ 6,503,126	\$ 6,359,080	\$ 144,046	2.3%
Restricted	227,440	233,096	(5,656)	-2.4%
Unrestricted	6,471,281	6,457,015	14,266	0.2%
Total net position	<u>\$ 13,201,847</u>	<u>\$ 13,049,191</u>	<u>\$ 152,656</u>	<u>1.2%</u>

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

	Year Ended 12/31/19	Year Ended 12/31/18	Dollar Change	Percent Change
Operating revenues	\$ 1,544,777	\$ 1,519,013	\$ 25,764	1.7%
Non-operating revenues	374,741	5,114,777	(4,740,036)	-92.7%
Total revenues	<u>1,919,518</u>	<u>6,633,790</u>	<u>(4,714,272)</u>	<u>-71.1%</u>
Depreciation expense	43,767	44,788	(1,021)	-2.3%
Other operating expense	1,618,848	2,418,419	(799,571)	-33.1%
Non-operating expense	104,247	113,616	(9,369)	-8.2%
Total expense	<u>1,766,862</u>	<u>2,576,823</u>	<u>(809,961)</u>	<u>-31.4%</u>
Change in net position	152,656	4,056,967	(3,904,311)	-96.2%
Beginning net position	<u>13,049,191</u>	<u>8,992,224</u>	<u>4,056,967</u>	<u>45.1%</u>
Ending net position	<u>\$ 13,201,847</u>	<u>\$ 13,049,191</u>	<u>\$ 152,656</u>	<u>1.2%</u>

## Overview of Financial Activities and Analysis – continued

The overall financial position and regular, ongoing operations of the District remain sound. The \$45,954 decrease in capital assets is attributable to depreciation expense, net of capital expenditures of \$165,953. Long-term debt declined \$190,000 representing principal paid during 2019.

The \$25,764 increase in operating revenues is due to normal fluctuations. Operating revenues are generally driven by individual transactions which vary from year to year. The significant decrease in operating expenses in 2019 is mainly attributable to unusually high legal-related expenses in the previous year. These expenses relate to erosion issues on dam remediation work. The District's litigation in connection with the project was settled in 2018 for \$4,750,000, accounting for much of the decrease in non-operating revenue in 2019.

### Capital Asset and Debt Administration

The District's investment in capital assets as of December 31, 2019, 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 2019 consisted of a scheduled principal payment in the amount of \$190,000.

### 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, 2019

ASSETS

CURRENT ASSETS

Unrestricted cash and cash equivalents	\$ 5,920,627
Investments	805,694
Receivables:	
Property taxes receivable, net	224,960
Accounts receivable	11,745
Interest receivable	7,443
Total current assets	6,970,469

RESTRICTED ASSETS

Cash restricted for debt service	227,440
Utility deposits	2,097
Capital assets, net	8,668,126
	\$ 15,868,132

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 14,216
Accrued interest payable	32,994
Other accrued liabilities	22,367
Bonds payable, current portion	195,000
Deferred revenue	431,708
Total current liabilities	696,285

NONCURRENT LIABILITIES

Bonds payable, noncurrent portion	1,970,000
	2,666,285

NET POSITION

Invested in capital assets, net of related debt	6,503,126
Restricted for debt service	227,440
Unrestricted	6,471,281
	13,201,847
	\$ 15,868,132

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, 2019

OPERATING REVENUES	
Permits and other fees	\$ 580,328
Water sales and M&O fees	496,209
Admission fees	349,960
Lease rental and bonus income	118,280
Total operating revenues	<u>1,544,777</u>
OPERATING EXPENSES	
Salaries and wages	577,117
Employee benefits	104,564
Payroll taxes	43,767
Insurance	36,828
Retirement	46,333
Legal fees	69,037
Audit fees	15,000
Appraisal and tax collection	12,811
Engineering expense	223,910
Election expense	350
Contract labor	21,088
Supplies and equipment	31,322
Fuel and lubricants	23,241
Public outreach	2,089
Postage	3,086
Telephone	3,122
Utilities	63,600
Travel and per diem	4,145
Continuing education	2,303
Other recurring expenses	21,945
Internet service and website	33,690
Repairs and maintenance	109,627
Habitat enhancement	801
Depreciation	211,907
TCEQ fees	932
Total operating expenses	<u>1,662,615</u>
Operating loss	<u>(117,838)</u>
NON-OPERATING REVENUES AND (EXPENSES)	
Interest income	90,481
Ad valorem taxes	255,846
Amortization of bond investment premium and realized investment losses	(12,342)
Interest expense	(104,247)
Gain on sale of capital assets	15,975
Miscellaneous income and expense, net	24,781
Total non-operating revenues and (expenses)	<u>270,494</u>
INCREASE IN NET POSITION	152,656
NET POSITION, beginning of year	13,049,191
NET POSITION, end of year	<u>\$ 13,201,847</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, 2019

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,596,310
Cash paid to suppliers	(845,429)
Cash paid to employees	(576,789)
Other receipts and disbursement, net	2,816
Net cash provided by operating activities	<u>176,908</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Collections of ad valorem taxes, penalties and interest	304,135
Sale of capital assets	15,975
Purchase of capital assets	(165,953)
Principal paid on bonds	(190,000)
Interest paid on bonds	(107,026)
Net cash used in capital and related financing activities	<u>(142,869)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Maturities of investments	2,280,725
Purchase of investments	(2,780,000)
Interest received	70,569
Net cash used in investing activities	<u>(428,706)</u>
NET DECREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	(394,667)
UNRESTRICTED CASH AND CASH EQUIVALENTS, beginning of year	<u>6,315,294</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,920,627</u>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (117,838)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Other receipts	2,816
Depreciation	211,907
Gain on sale of capital assets	(15,975)
Amortization of bond investment premium and realized investment losses	12,813
Net change in	
Restricted cash	41,429
Receivables	30,140
Accounts payable and accrued liabilities	3,036
Advance payments	8,580
Net cash provided by operating activities	<u>\$ 176,908</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, 2019, 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 11, 2020, 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, 2019, 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, 2019, 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, 2019, the District's investments were as follows:

Investment Type	Fair Value	Maturity (years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. government agencies:					
Federal Farm Credit Bank	\$ 201,679	\$ 201,679	\$ -	\$ -	\$ -
Certificates of deposit	600,000	600,000	-	-	-
Mortgage-backed securities	4,015	-	-	-	4,015
	<u>\$ 805,694</u>	<u>\$ 801,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,015</u>

The District's investments in U.S. government agency securities are backed by the full faith and credit of the U.S. government and are rated AAA or Aaa by nationally recognized rating agencies. The District's certificates of deposit are entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

FRANKLIN COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

The District's capital asset activity during 2019 was as follows:

	Balance 1/1/19	Additions	Transfers	Balance 12/31/19
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	342,738	95,575	(28,007)	410,306
Vehicles	341,081	53,027	(119,712)	274,396
Furniture and fixtures	195,084	6,500	(12,217)	189,367
Parks and lake assets	2,088,729	10,850	(8,376)	2,091,203
	<u>7,981,689</u>	<u>165,952</u>	<u>(168,312)</u>	<u>7,979,329</u>
Total capital assets	11,842,406	165,952	(168,312)	11,840,046
Accumulated depreciation	<u>(3,128,325)</u>	<u>(211,907)</u>	<u>168,312</u>	<u>(3,171,920)</u>
	<u>\$ 8,714,081</u>	<u>\$ (45,955)</u>	<u>\$ -</u>	<u>\$ 8,668,126</u>

4. LONG-TERM DEBT

The District's long-term debt activity during 2019 was as follows:

	Balance 1/1/19	Issued During the Year	Retired During the Year	Balance 12/31/19	Current Portion
Unlimited Tax Bonds:					
Series 2008	\$ 2,355,000	\$ -	\$ (190,000)	\$ 2,165,000	\$ 195,000

FRANKLIN COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

4. LONG-TERM DEBT – continued

Details of bonds payable as of December 31, 2019 were as follows:

Unlimited Tax Bonds, Series 2008, dated August 1, 2008, in the aggregate principal amount of \$3,800,000; interest payable semi-annually at coupon rates ranging from 4.375% to 5.75%; 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 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, 2019 are as follows:

Year Ended December 31,	Principal	Interest	Total
2020	\$ 195,000	\$ 98,712	\$ 293,712
2021	205,000	90,181	295,181
2022	215,000	81,213	296,213
2023	230,000	71,806	301,806
2024	240,000	61,456	301,456
2025	250,000	50,657	300,657
2026	265,000	39,094	304,094
2027	275,000	26,837	301,837
2028	290,000	13,775	303,775
	\$ 2,165,000	\$ 533,731	\$ 2,698,731

5. WATER CUSTOMERS

At December 31, 2019, 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, 2019, these entities used 5,138.02 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 2019) 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 2019 was \$481,166, while total payroll for all employees was \$577,117. The employer's 2019 contributions to the 401 Plan totaled \$46,333, or 9.6% of covered payroll. The employees' 2019 contributions to the 457 Plan totaled \$40,032, or 8.3% 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.

8. OTHER INCOME

In 2018, the District settled litigation arising from certain remediation and repair work performed on the dam, and received a settlement in the amount of \$4,750,000. The District is currently exploring options for repairing the dam. No contracts have been entered into by the District with respect to the expected repairs.

SUPPLEMENTAL INFORMATION

FRANKLIN COUNTY WATER DISTRICT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL  
For the Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual
Permits and other fees	\$ 540,000	\$ 575,000	\$ 580,328
Water sales and M&O fees	486,250	486,250	496,209
Admission fees	280,000	345,000	349,960
Lease rental and bonus income	113,200	120,504	118,280
Total operating revenues	<u>1,419,450</u>	<u>1,526,754</u>	<u>1,544,777</u>
Salaries and wages	571,500	571,500	577,117
Employee benefits	114,250	114,250	104,564
Payroll taxes	45,000	45,000	43,767
Insurance	45,200	45,222	36,828
Retirement	41,800	41,800	46,333
Legal fees	50,000	75,000	69,037
Audit fees	15,000	15,000	15,000
Appraisal and tax collection	10,000	10,000	12,811
Engineering expense	30,000	160,000	223,910
Election expense	10,000	500	350
Contract labor	21,140	21,140	21,088
Supplies and equipment	25,000	27,000	31,322
Fuel and lubricants	25,000	30,000	23,241
Public outreach	2,500	2,500	2,089
Postage	2,500	2,500	3,086
Telephone	4,500	4,500	3,122
Utilities	50,000	60,000	63,600
Travel and per diem	5,000	5,000	4,145
Continuing education	6,000	6,000	2,303
Other recurring expenses	15,500	14,500	21,945
Internet service and website	25,000	35,000	33,690
Repairs and maintenance	75,500	96,000	109,627
Habitat enhancement	1,000	1,000	801
TCEQ fees	25,000	25,000	932
Total operating expenses	<u>1,216,390</u>	<u>1,408,412</u>	<u>1,450,708</u>
Interest income	30,000	80,000	90,481
Ad valorem taxes	296,925	296,925	255,846
Interest expense and debt principal	(296,925)	(296,925)	(294,247)
Gain on sale of capital assets	-	-	15,975
Miscellaneous income and expense, net	20,000	40,975	24,781
Total non-operating revenues and expenses	<u>50,000</u>	<u>120,975</u>	<u>92,836</u>
Increase in net position, budget basis	<u>\$ 253,060</u>	<u>\$ 239,317</u>	186,905
Amortization of bond investment premium and realized investment losses			(12,342)
Depreciation			(211,907)
Debt principal payments			190,000
Increase in net position			<u>\$ 152,656</u>

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, 2019

	<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
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FRANKLIN COUNTY WATER DISTRICT  
 SCHEDULE OF SERVICES AND RATES  
 For the Year Ended December 31, 2019

**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<br>(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"): \_\_\_\_\_

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$ _____	_____	_____	\$ _____	_____ to _____
WASTEWATER:	\$ _____	_____	_____	\$ _____	_____ to _____
SURCHARGE:	\$ _____	_____	_____	\$ _____	_____ to _____

District employs winter averaging for wastewater usage? 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.

	<u>Active Connections</u>	<u>Active ESFC</u>	<u>Inactive Connections (ESFC)**</u>
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: 1,674,231,164  
 Gallons billed to customers: 1,674,231,164

**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 & Maintenance:	Total Levy	\$ _____
	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:**

	Amount
a. Debt Service Tax Receipts	\$ <u>293,712</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)	_____
_____	_____
_____	_____
<b>*TOTAL ANTICIPATED FUNDS TO BE USED</b>	<b>\$ <u>293,712</u></b>

**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, 2019

Personnel (including benefits)	\$ 771,781
Professional fees	
Auditing	15,000
Legal	69,037
Engineering	223,910
Contracted services	21,088
Utilities	63,600
Repairs and maintenance	110,428
Administrative	
Insurance	36,828
Other administrative expense	83,541
Depreciation	211,907
Other	55,495
	<u>55,495</u>
	<u>\$ 1,662,615</u>

Number of persons employed by the District:	12 Full-Time
	-0- Part-Time

FRANKLIN COUNTY WATER DISTRICT  
SCHEDULE OF TAXES LEVIED AND RECEIVABLE  
For the Year Ended December 31, 2019

	<u>Debt Service Taxes</u>
Taxes receivable, 1/1/19	\$ 273,249
2019 original tax levy	261,071
Less abatements	<u>-</u>
Total to be accounted for	534,320
Tax collections	<u>(309,360)</u>
Taxes receivable, 12/31/19	<u>\$ 224,960</u>
Property valuations:	
Land	\$ 382,987,401
Improvements	840,721,240
Personal property	88,495,134
Total property valuations	<u>\$ 1,312,203,775</u>
Tax rate per \$100 valuation	<u>\$ 0.02423</u>
Original tax levy	<u>\$ 261,071</u>
Percent of taxes collected to taxes levied	<u>118.5%</u>

FRANKLIN COUNTY WATER DISTRICT  
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS  
For the Year Ended December 31, 2019

Fiscal Year Ending December 31,	Unlimited Tax Bonds Series 2008		Total
	Principal Due 9/1	Interest Due 3/1, 9/1	
2020	\$ 195,000	\$ 98,712	\$ 293,712
2021	205,000	90,181	295,181
2022	215,000	81,213	296,213
2023	230,000	71,806	301,806
2024	240,000	61,456	301,456
2025	250,000	50,657	300,657
2026	265,000	39,094	304,094
2027	275,000	26,837	301,837
2028	290,000	13,775	303,775
Totals	\$ 2,165,000	\$ 533,731	\$ 2,698,731

FRANKLIN COUNTY WATER DISTRICT  
 SCHEDULE OF CHANGES IN LONG-TERM DEBT  
 For the Year Ended December 31, 2019

	Series 2008
Interest rates	4.375% to 5.75%
Dates interest payable	3/1 and 9/1
Maturity dates	9/1/2009 to 9/1/2028
Bonds outstanding at beginning of current year	\$ 2,355,000
Bonds sold during the current year	-
Retirements: principal	(190,000)
Bonds outstanding at end of current year	\$ 2,165,000

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, 2019

	AMOUNTS				
	2019	2018	2017	2016	2015
<b>OPERATING REVENUES</b>					
Lease rental	\$ 118,280	\$ 118,407	\$ 112,576	\$ 141,300	\$ 110,226
Permits and other fees	930,288	831,115	771,030	663,089	594,700
Water sales	496,209	490,713	487,678	448,823	435,176
Total operating revenues	<u>1,544,777</u>	<u>1,440,235</u>	<u>1,371,284</u>	<u>1,253,212</u>	<u>1,140,102</u>
<b>OPERATING EXPENSES</b>					
Salaries and employee benefit	771,781	723,427	727,789	637,152	629,577
Legal and professional fees	307,947	626,121	614,382	323,177	103,679
Consumable supplies	54,563	52,383	46,455	67,614	70,135
Maintenance and repairs	109,627	86,019	139,499	94,159	81,346
Other recurring expenses	31,555	51,917	37,237	49,651	40,996
Contract labor	21,088	20,749	32,510	34,455	28,920
Telephone and utilities	100,412	85,541	93,337	70,232	60,865
Insurance	36,828	39,968	44,510	35,695	36,341
Water quality control	-	342	-	300	-
TCEQ fees	932	2,233	2,233	2,233	2,233
Depreciation	211,907	200,984	226,307	250,509	238,692
Total operating expenses	<u>1,646,640</u>	<u>1,889,684</u>	<u>1,964,259</u>	<u>1,565,177</u>	<u>1,292,784</u>
Operating income (loss)	<u>(101,863)</u>	<u>(449,449)</u>	<u>(592,975)</u>	<u>(311,965)</u>	<u>(152,682)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	90,481	39,172	46,248	61,053	42,468
Ad valorem taxes	255,846	307,239	305,021	308,210	303,239
Other income	24,781	26,208	15,747	18,343	46,787
Interest expense	(104,247)	(122,698)	(130,925)	(138,842)	(153,413)
Net increase (decrease) in fair value of investments	<u>(12,342)</u>	<u>(9,967)</u>	<u>(9,075)</u>	<u>(8,692)</u>	<u>5,245</u>
Total non-operating revenues (expenses)	<u>254,519</u>	<u>239,954</u>	<u>227,016</u>	<u>240,072</u>	<u>244,326</u>
Net increase (decrease)	<u>\$ 152,656</u>	<u>\$ (209,495)</u>	<u>\$ (365,959)</u>	<u>\$ (71,893)</u>	<u>\$ 91,644</u>

PERCENT OF TOTAL OPERATING REVENUES

2019	2018	2017	2016	2015
7.7%	8.2%	8.2%	11.3%	9.7%
60.2%	57.7%	56.2%	52.9%	52.2%
32.1%	34.1%	35.6%	35.8%	38.2%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
50.0%	50.2%	53.1%	50.8%	55.2%
19.9%	43.5%	44.8%	25.8%	9.1%
3.5%	3.6%	3.4%	5.4%	6.2%
7.1%	6.0%	10.2%	7.5%	7.1%
2.0%	3.6%	2.7%	4.0%	3.6%
1.4%	1.4%	2.4%	2.7%	2.5%
6.5%	5.9%	6.8%	5.6%	5.3%
2.4%	2.8%	3.2%	2.8%	3.2%
0.0%	0.0%	0.0%	0.0%	0.0%
0.1%	0.2%	0.2%	0.2%	0.2%
13.7%	14.0%	16.5%	20.0%	20.9%
<u>106.5%</u>	<u>131.2%</u>	<u>143.2%</u>	<u>124.9%</u>	<u>113.4%</u>
<u>-6.5%</u>	<u>-31.2%</u>	<u>-43.2%</u>	<u>-24.9%</u>	<u>-13.4%</u>
5.9%	2.7%	3.4%	4.9%	3.7%
16.6%	21.3%	22.2%	24.6%	26.6%
1.5%	1.8%	1.1%	1.5%	4.1%
-6.7%	-8.5%	-9.5%	-11.1%	-13.5%
<u>-0.8%</u>	<u>-0.7%</u>	<u>-0.7%</u>	<u>-0.7%</u>	<u>0.5%</u>
<u>16.4%</u>	<u>16.7%</u>	<u>16.6%</u>	<u>19.2%</u>	<u>21.4%</u>
<u><u>9.9%</u></u>	<u><u>-14.5%</u></u>	<u><u>-26.7%</u></u>	<u><u>-5.7%</u></u>	<u><u>8.0%</u></u>



FRANKLIN COUNTY WATER DISTRICT  
 BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS  
 For the Year Ended December 31, 2019

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
<b><u>Board Members:</u></b>					
Billy M. Jordan 627 TX Hwy 37 Mt. Vernon, TX 75457	Elected 5/17 - 5/21	\$1,100.00	\$38.28	Vice President	Yes
Rodney Newsom P.O. Box 312 Mt. Vernon, TX 75457	Elected 5/19 - 5/23	\$1,100.00	\$114.84	Secretary	Yes
Gary Cunningham P.O. Box 701 Mt. Vernon, TX 75457	Elected 5/17 - 5/21	\$1,100.00	\$0.00	President	Yes
Jennifer Dennis 223 Triple S Drive Mt. Vernon, TX 75457	Elected 5/19 - 5/23	\$800.00	\$120.64	Director	Yes
Carmen Sparks P.O. Box 653 Mt. Vernon, TX 75457	Appointed 5/19 - 5/23	\$1,000.00	\$140.36	Director	Yes

**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	\$116,840.02	\$0.00	General Manager	Yes
Sheila Donica P.O. Box 379 Mt. Vernon, TX 75457	Hired 9/00	\$66,155.96	\$0.00	Administration Manager	Yes
J.R. Alphin 182 CR SE 3286 Mt. Vernon, TX 75457	Hired 1/95	\$81,575.08	\$0.00	Operations Manager	Yes

FRANKLIN COUNTY WATER DISTRICT  
 BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS  
 For the Year Ended December 31, 2019

Names and Addresses	Term of Office or Date Hired	Fees	Expense Reimbursements	Title at Year End	Resident of District
<b><u>Consultants:</u></b>					
Clark Hill Strasburger, Attorneys P.O. Box 50100 Dallas, TX 75250-9989	Hired 2001	\$28,236.51	\$0.00	Attorney	No
Lloyd Gosselink, Attorney 816 Congress Ave., Ste 1900 Austin, TX 78701	Hired 2014	\$38,967.45	\$0.00	Attorney	No
Carollo Engineers P.O. Box 4932 Houston, TX 77210	Hired 2015	\$208,975.42	\$0.00	Engineers	No
ETTL Engineers & Consultants P.O. Box 4932 Houston, TX 77210	Hired 2015	\$8,515.00	\$0.00	Engineers / Litigation Consultant	No
Fox, Byrd & Company, P.C. 12001 N. Central Expressway Suite 500 Dallas, TX 75243	Hired 1993	\$15,000.00	\$0.00	Auditor	No
DTI DBA Epiq Court Reporting P.O. Box 936158 Atlanta, GA 31193	Hired 2017	\$301.79	\$0.00	Litigation Consultant	No
Stanger Surveying PO Box 131194 Tyler, Tx 75713	Hired 2019	\$8,275.59	\$0.00	Surveyor	No