

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

PALO PINTO COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

**PALO PINTO COUNTY WATER CONTROL AND
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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-28
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	30
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	32-34
GENERAL FUND EXPENDITURES	35
INVESTMENTS	36
TAXES LEVIED AND RECEIVABLE	37-38
LONG-TERM DEBT SERVICE REQUIREMENTS	39-41
CHANGES IN LONG-TERM BOND DEBT	42-43
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	44-47
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	48-49

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Palo Pinto County Water Control and
Improvement District No. 1
Palo Pinto County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Palo Pinto County Water Control and Improvement District No. 1 (the "District"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Palo Pinto County Water Control and
Improvement District No. 1

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 10, 2022

**PALO PINTO COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Management's discussion and analysis of Palo Pinto County Water Control and Improvement District No. 1 (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

**PALO PINTO COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$1,800,400 as of September 30, 2021.

A portion of the District's net position reflects its net investment in capital assets (water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

**PALO PINTO COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in the Statement of Net Position as of September 30, 2021 and September 30, 2020.

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 804,924	\$ 936,734	\$ (131,810)
Capital Assets (Net of Accumulated Depreciation)	2,565,424	2,142,896	422,528
Total Assets	<u>\$ 3,370,348</u>	<u>\$ 3,079,630</u>	<u>\$ 290,718</u>
Deferred Outflows of Resources	\$ 110,934	\$ -0-	\$ 110,934
Due to Developer	\$ 358,211	\$ 335,114	\$ (23,097)
Bonds Payable	4,855,000	4,279,780	(575,220)
Other Liabilities	68,471	88,947	20,476
Total Liabilities	<u>\$ 5,281,682</u>	<u>\$ 4,703,841</u>	<u>\$ (577,841)</u>
Net Position:			
Net Investment in Capital Assets	\$ (2,414,691)	\$ (2,177,111)	\$ (237,580)
Restricted	113,798	259,285	(145,487)
Unrestricted	<u>500,493</u>	<u>293,615</u>	<u>206,878</u>
Total Net Position	<u>\$ (1,800,400)</u>	<u>\$ (1,624,211)</u>	<u>\$ (176,189)</u>

The following table provides a summary of the District's operations for the year ending September 30, 2021, and September 30, 2020. The District's net position decreased by \$176,189.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 738,852	\$ 708,803	\$ 30,049
Charges for Services	98,437	45,129	53,308
Other Revenues	19,478	8,052	11,426
Total Revenues	<u>\$ 856,767</u>	<u>\$ 761,984</u>	<u>\$ 94,783</u>
Expenses for Services	<u>1,032,956</u>	<u>634,605</u>	<u>(398,351)</u>
Change in Net Position	\$ (176,189)	\$ 127,379	\$ (303,568)
Net Position, Beginning of Year	<u>(1,624,211)</u>	<u>(1,751,590)</u>	<u>127,379</u>
Net Position, End of Year	<u>\$ (1,800,400)</u>	<u>\$ (1,624,211)</u>	<u>\$ (176,189)</u>

**PALO PINTO COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District has a combined fund balance in the amount of \$750,299 as of September 30, 2021, a decrease of \$121,643 from the prior year.

The General Fund fund balance increased by \$206,470 due to property tax and service revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by \$155,388, due to the structure of the District's outstanding debt service requirements.

The Capital Projects Fund fund balance decreased by \$172,725. The District used current year and prior year bond proceeds to reimburse a developer.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$44,549 more than budgeted revenues. Actual expenditures were \$31,732 less than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of September 30, 2021 total \$2,565,424 (net of accumulated depreciation) and include the water and wastewater systems, as well as, the capacity interest in the Possum Kingdom water system.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Construction in Progress	\$ 808	\$ 13,044	\$ (12,236)
Capital Assets, Net of Accumulated Depreciation:			
Water System	454,275	226,112	228,163
Wastewater System	1,923,127	1,709,507	213,620
Capacity in Possum Kingdom Water System	187,214	194,233	(7,019)
Total Net Capital Assets	\$ 2,565,424	\$ 2,142,896	\$ 422,528

**PALO PINTO COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

LONG-TERM DEBT ACTIVITY

As of September 30, 2021, the District had total bond debt payable of \$4,855,000. The changes in the debt position of the District during the fiscal year ended September 30, 2021, are summarized as follows:

Bond Debt Payable, October 1, 2020	\$ 4,375,000
Add: Bond Sale	4,650,000
Less: Bond Principal Paid/Refunded	<u>4,170,000</u>
Bond Debt Payable, September 30, 2021	<u>\$ 4,855,000</u>

The District does not have an underlying rating and the Series 2020 and 2021 bonds are not insured.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Palo Pinto County Water Control and Improvement District No. 1, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, TX 75201.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2021**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 24,331	\$ 13,560
Investments	532,354	124,311
Receivables:		
Property Taxes	580	497
Service Accounts	5,237	
Due from Other Funds	9,647	
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 572,149	\$ 138,368
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 572,149	\$ 138,368

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 104,054	\$ 141,945 656,665	\$	\$ 141,945 656,665
	1,077		1,077
	5,237		5,237
	9,647	(9,647)	
		808	808
		<u>2,564,616</u>	<u>2,564,616</u>
<u>\$ 104,054</u>	<u>\$ 814,571</u>	<u>\$ 2,555,777</u>	<u>\$ 3,370,348</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 110,934</u>	<u>\$ 110,934</u>
<u>\$ 104,054</u>	<u>\$ 814,571</u>	<u>\$ 2,666,711</u>	<u>\$ 3,481,282</u>

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

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2021**

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 53,548	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		9,647
Long-Term Liabilities:		
Bonds Payable Due Within One Year		
Bonds Payable Due After One Year		
	<u>53,548</u>	<u>9,647</u>
TOTAL LIABILITIES	<u>\$ 53,548</u>	<u>\$ 9,647</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>580</u>	<u>497</u>
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		128,224
Unassigned	<u>518,021</u>	<u>128,224</u>
TOTAL FUND BALANCES	<u>\$ 518,021</u>	<u>\$ 128,224</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 572,149</u>	<u>\$ 138,368</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 53,548	\$	\$ 53,548
		14,923	14,923
		358,211	358,211
	9,647	(9,647)	
		195,000	195,000
		<u>4,660,000</u>	<u>4,660,000</u>
<u>\$ - 0 -</u>	<u>\$ 63,195</u>	<u>\$ 5,218,487</u>	<u>\$ 5,281,682</u>
<u>\$ - 0 -</u>	<u>\$ 1,077</u>	<u>\$ (1,077)</u>	<u>\$ - 0 -</u>
\$ 104,054	\$ 104,054	\$ (104,054)	\$
	128,224	(128,224)	
	<u>518,021</u>	<u>(518,021)</u>	
<u>\$ 104,054</u>	<u>\$ 750,299</u>	<u>\$ (750,299)</u>	<u>\$ - 0 -</u>
<u>\$ 104,054</u>	<u>\$ 814,571</u>		
		\$ (2,414,691)	\$ (2,414,691)
		113,798	113,798
		<u>500,493</u>	<u>500,493</u>
		<u>\$ (1,800,400)</u>	<u>\$ (1,800,400)</u>

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

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Total Fund Balances - Governmental Funds	\$	750,299
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		110,934
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		2,565,424
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Deferred inflows of resources related to property tax revenues for the 2020 tax levy became part of recognized revenue in the governmental activities of the District.		1,077
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (358,211)	
Accrued Interest Payable	(14,923)	
Bonds Payable	<u>(4,855,000)</u>	<u>(5,228,134)</u>
Total Net Position - Governmental Activities		<u>\$ (1,800,400)</u>

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

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**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 393,646	\$ 344,440
Wastewater Service	89,949	
Penalty and Interest	8,488	
Miscellaneous Revenues	4,421	15,021
TOTAL REVENUES	\$ 496,504	\$ 359,461
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 69,622	\$ 3,387
Contracted Services	99,603	23,776
Utilities	17,929	
Repairs and Maintenance	104,387	
Depreciation		
Other	40,372	
Developer Interest		
Capital Outlay	808	
Debt Service:		
Transfer to Refunding Bond Escrow Agent		140,000
Bond Issuance Costs		346,449
Bond Principal		200,000
Bond Interest		147,686
TOTAL EXPENDITURES/EXPENSES	\$ 332,721	\$ 861,298
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 163,783	\$ (501,837)
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 42,687	\$
Bond Discounts		(10,732)
Transfer to Refunding Bond Escrow Agent		(3,852,819)
Proceeds from Issuance of Long-Term Debt		4,210,000
TOTAL OTHER FINANCING SOURCES (USES)	\$ 42,687	\$ 346,449
NET CHANGE IN FUND BALANCES	\$ 206,470	\$ (155,388)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2020	311,551	283,612
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2021	\$ 518,021	\$ 128,224

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 738,086	\$ 766	\$ 738,852
	89,949		89,949
	8,488		8,488
36	19,478		19,478
<u>\$ 36</u>	<u>\$ 856,001</u>	<u>\$ 766</u>	<u>\$ 856,767</u>
\$	\$ 73,009	\$	\$ 73,009
	123,379		123,379
	17,929		17,929
	104,387		104,387
		101,773	101,773
	40,372		40,372
39,192	39,192		39,192
500,394	501,202	(501,202)	
	140,000	(140,000)	
29,454	375,903		375,903
	200,000	(200,000)	
	147,686	9,326	157,012
<u>\$ 569,040</u>	<u>\$ 1,763,059</u>	<u>\$ (730,103)</u>	<u>\$ 1,032,956</u>
<u>\$ (569,004)</u>	<u>\$ (907,058)</u>	<u>\$ 730,869</u>	<u>\$ (176,189)</u>
\$ (42,687)	\$	\$	\$
(1,034)	(11,766)	11,766	
	(3,852,819)	3,852,819	
440,000	4,650,000	(4,650,000)	
<u>\$ 396,279</u>	<u>\$ 785,415</u>	<u>\$ (785,415)</u>	<u>\$ -0-</u>
\$ (172,725)	\$ (121,643)	\$ 121,643	\$
		(176,189)	(176,189)
276,779	871,942	(2,496,153)	(1,624,211)
<u>\$ 104,054</u>	<u>\$ 750,299</u>	<u>\$ (2,550,699)</u>	<u>\$ (1,800,400)</u>

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

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net Change in Fund Balances - Governmental Funds \$ (121,643)

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

Governmental funds report tax revenues when collected. However, in the Statement of Net Activities, revenue is recorded in the accounting period for which the taxes are levied. 766

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (101,773)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. 501,202

In the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. 11,766

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. 200,000

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (9,326)

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. (4,650,000)

Governmental funds report the transfer to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position. 3,992,819

Change in Net Position - Governmental Activities \$ (176,189)

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

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1. CREATION OF DISTRICT

Palo Pinto County Fresh Water Supply District No. 1 (the “District”) was created by the Palo Pinto County Commissioners Court by their Order, dated on August 27, 2007 and, on September 2, 2009, the District was converted to a water control and improvement district, in accordance with Section 59 of Article XVI of the Texas Constitution and Chapters 49 and 51 of the Texas Water Code. The District shall be organized to conserve, transport, and distribute fresh water from any sources of domestic and commercial purposes inside and/or outside the boundaries of the District, and the District may, purchase, construct, acquire, own, operate, repair, improve, and extend sanitary sewer systems to control wastes pursuant to an order of the TCEQ dated March 9, 2011. The District shall have the powers of government and authority to exercise the rights, privileges, and functions given to it by Chapters 49, 51 and, for limited purposes, 53 of the Texas Water Code. The District is governed by a Board of Directors consisting of five individuals who are owners of property within the District and are elected by voters within the District. The Board of the District held their first meeting on September 5, 2007, and the first bonds were sold February 28, 2012.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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

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

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers each to be major.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2021, the Debt Service Fund owed the General Fund \$9,647 for maintenance tax collections.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that the directors are considered “employees” for federal payroll tax purposes only.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

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

Unassigned: all other spendable amounts in the General Fund.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2020	Series 2021
Amounts Outstanding - September 30, 2021	\$ 280,000	\$ 4,575,000
Interest Rates	1.34% - 2.25%	2.00% - 3.00%
Maturity Dates – Serially Beginning/Ending	August 15, 2022/2040	August 15, 2022/2041
Interest Payment Dates	February 15, August 15	February 15, August 15
Callable Dates	August 15, 2030*	February 15, 2026*

* The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed from redemption. Series 2021 term bonds due August 15, 2039 and August 15, 2041, are subject to mandatory redemption beginning August 15, 2037 and August 15, 2040, respectively.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2021:

	October 1, 2020	Additions	Retirements	September 30, 2021
Bonds Payable	\$ 4,375,000	\$ 4,650,000	\$ 4,170,000	\$ 4,855,000
Unamortized Discount	(95,220)		(95,220)	
Bonds Payable, Net	\$ 4,279,780	\$ 4,650,000	\$ 4,074,780	\$ 4,855,000
		Amount Due Within One Year		\$ 195,000
		Amount Due After One Year		4,660,000
		Bonds Payable, Net		\$ 4,855,000

As of September 30, 2021, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 195,000	\$ 119,383	\$ 314,383
2023	200,000	115,549	315,549
2024	205,000	111,647	316,647
2025	215,000	107,641	322,641
2026	210,000	103,431	313,431
2027-2031	1,140,000	451,167	1,591,167
2032-2036	1,260,000	313,811	1,573,811
2037-2041	1,430,000	128,875	1,558,875
	\$ 4,855,000	\$ 1,451,504	\$ 6,306,504

As of September 30, 2021, the District had authorized but unissued bonds in the amount of \$10,495,272 for utility facilities and \$15,590,340 for refunding bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended September 30, 2021, the District levied an ad valorem debt service tax rate of \$0.28 per \$100 of assessed valuation, which resulted in a tax levy of \$344,798 on the adjusted taxable valuation of \$123,141,910 for the 2020 tax year. The bond order requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting. See Note 7 for the maintenance tax levy.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 3. LONG-TERM DEBT (Continued)

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

NOTE 4. SIGNIFICANT BOND ORDERS AND LEGAL REQUIREMENTS

The Bond Orders state that any profits realized from or interest accruing on investments shall belong to the fund from which the monies for such investments were taken; provided, however, that at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.

For the Bonds sold, the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$141,945 and the bank balance was \$144,414. The entire balance was covered by federal depository insurance.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2021, as listed below:

	Cash
GENERAL FUND	\$ 24,331
DEBT SERVICE FUND	13,560
CAPITAL PROJECTS FUND	104,054
TOTAL DEPOSITS	\$ 141,945

Investments

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

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

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in LOGIC (Local Government Investment Cooperative), an external public fund investment pool that is not SEC-registered. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. serve as co-administrators of the pool. LOGIC measures its portfolio assets at amortized cost for financial reporting purposes. The District measures its investments in LOGIC and certificates of deposit at amortized cost. There are no limitations or restrictions on withdrawals from LOGIC. As of September 30, 2021, the District had the following investments:

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>	<u>Thereafter</u>
<u>GENERAL FUND</u>			
LOGIC	\$ 532,354	\$ 532,354	\$
<u>DEBT SERVICE FUND</u>			
LOGIC	<u>124,311</u>	<u>124,311</u>	<u></u>
TOTAL INVESTMENTS	<u>\$ 656,665</u>	<u>\$ 656,665</u>	<u>\$ - 0 -</u>

Credit Risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2021, the District's investment in LOGIC was rated AAA by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in LOGIC to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investment of the Debt Service Fund are restricted for payment of debt service and cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase or construction of capital assets.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021:

	October 1, 2020	Increases	Deductions	September 30, 2021
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 13,044	\$ 524,301	\$ 536,537	\$ 808
Capital Assets Subject to Depreciation				
Water System	\$ 304,324	\$ 263,677		\$ 568,001
Wastewater System	2,229,023	272,860		2,501,883
Capacity in Possum Kingdom WSC Water System	280,745			280,745
Total Capital Assets Subject to Depreciation	\$ 2,814,092	\$ 536,537	\$ -0-	\$ 3,350,629
Less Accumulated Depreciation				
Water System	\$ 78,212	\$ 35,514		\$ 113,726
Wastewater System	519,516	59,240		578,756
Capacity in Possum Kingdom WSC Water System	86,512	7,019		93,531
Total Accumulated Depreciation	\$ 684,240	\$ 101,773	\$ -0-	\$ 786,013
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 2,129,852	\$ 434,764	\$ -0-	\$ 2,564,616
Total Capital Assets, Net of Accumulated Depreciation	\$ 2,142,896	\$ 959,065	\$ 536,537	\$ 2,565,424

NOTE 7. MAINTENANCE TAX

On November 3, 2009, voters of the District approved the levy and collection of a maintenance tax at an unlimited rate on all taxable property within the District. During the current fiscal year, the District levied an ad valorem maintenance tax at the rate of \$0.32 per \$100 of assessed valuation which resulted in a tax levy of \$394,054 on the adjusted taxable valuation of \$123,141,910 for the 2020 tax year.

NOTE 8. DUE TO DEVELOPER

The District has executed development financing and reimbursement agreements with Hill Country Harbor, L.P. (Developer), the developer within the District. The agreements call for the Developer to fund costs associated with water, wastewater and drainage facilities, until such time as the District can sell bonds. As of September 30, 2021, the District recorded a liability of \$340,103 in relation to these agreements for facilities that have been completed and not reimbursed by the District.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 8. DUE TO DEVELOPER (Continued)

The Developer has also been required to advance monies to the District's General Fund in order for the District to meet its ongoing financial obligations. Through September 30, 2021, the Developer has advanced \$41,820 directly to the District to help cover the operating deficits of the District. Of this amount, \$23,712, was reimbursed in a prior fiscal year, leaving a balance still due as of September 30, 2021, of \$18,108.

NOTE 9. ECONOMIC DEPENDENCY

The District's Developer owns a substantial portion of the taxable property within the District. The Developer's ability to make full and timely payments of taxes will directly affect the District's ability to meet its financial obligations.

NOTE 10. CONTRACTS WITH POSSUM KINGDOM WATER SUPPLY CORPORATION

On June 2, 2008 and amended on March 22, 2011, the Developer entered into a Non-Standard Service Contract with Possum Kingdom Water Supply Corporation ("PKWSC"). This contract was assigned to the District effective August 24, 2011. PKWSC owns and operates a water system which supplies potable water within the boundaries of the District. The Developer has requested from PKWSC to provide water to the District through a water line extension. The Developer is responsible for the construction and engineering of the water line extension. Upon completion, the water line extension will be dedicated to PKWSC to be owned, operated, and maintained. PKWSC agrees to provide continuous and adequate water service to the District based on the rates set forth in the PKWSC's tariff.

On June 17, 2009, the District entered into a water and wastewater collection agreement with PKWSC. PKWSC agrees to serve as the agent for the District for the purposes of billing and collecting sanitary sewer and water service fees from businesses and residents within the District's boundaries and certain customers of the District's system outside the District's boundaries.

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in the last three years.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12. BOND SALE

On March 25, 2021, the District issued its \$4,650,000 Unlimited Tax Utility System Refunding and Improvement Bonds, Series 2021. The District used a portion of the proceeds to reimburse the developer for the construction and engineering costs of certain water and wastewater improvements associated with the Point Lots, as well as to fund developer interest and certain issuance costs of the bonds. The District also used a portion of the proceeds, plus \$140,000 of available Debt Service Fund monies, to refund \$3,970,000 of the Series 2012 Bonds with interest rates of 4.00% to 4.90%, maturity dates of 2022-2041, and a redemption date March 29, 2021. The refunding resulted in gross debt service savings of \$888,393 and net present value savings of \$457,542.

NOTE 13. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

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**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 365,195	\$ 393,646	\$ 28,451
Wastewater Service	83,760	89,949	6,189
Penalty and Interest		8,488	8,488
Miscellaneous Revenues	3,000	4,421	1,421
TOTAL REVENUES	<u>\$ 451,955</u>	<u>\$ 496,504</u>	<u>\$ 44,549</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 134,150	\$ 69,622	\$ 64,528
Contracted Services	76,400	99,603	(23,203)
Utilities	12,000	17,929	(5,929)
Repairs and Maintenance	108,000	104,387	3,613
Other	33,903	40,372	(6,469)
Capital Outlay		808	(808)
TOTAL EXPENDITURES	<u>\$ 364,453</u>	<u>\$ 332,721</u>	<u>\$ 31,732</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 87,502</u>	<u>\$ 163,783</u>	<u>\$ 76,281</u>
OTHER FINANCING SOURCES(USES)			
Transfers In	<u>\$ -0-</u>	<u>\$ 42,687</u>	<u>\$ 42,687</u>
NET CHANGE IN FUND BALANCE	\$ 87,502	\$ 206,470	\$ 118,968
FUND BALANCE - OCTOBER 1, 2020	<u>311,551</u>	<u>311,551</u>	
FUND BALANCE - SEPTEMBER 30, 2021	<u>\$ 399,053</u>	<u>\$ 518,021</u>	<u>\$ 118,968</u>

See accompanying independent auditor's report.

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**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1**

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

SEPTEMBER 30, 2021

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order approved September 10, 2020.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:*	\$ 41.15	-0-	N	\$ 3.32 \$ 5.00 \$ 8.00 \$15.00	1 to 10,000 10,001 to 20,000 20,001 to 50,000 50,001 and up
WASTEWATER:	\$ 28.00	-0-	Y		
SURCHARGE:					
Commission					
Regulation					
Assessments	0.50%	of Water and Sewer Bill			

District employs winter averaging for wastewater usage?

<u> </u>	<u> X </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$74.35 Wastewater: \$28.00 Surcharge: \$0.51 Total \$ 102.86

* Water service is provided by Possum Kingdom Water Supply Corporation. Rates are based on Possum Kingdom Water Supply Corporation's rates effective June 1, 2020.

See accompanying independent auditor's report.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	<u>326</u>	<u>326</u>	x 1.0	<u>326</u>
1"	<u>7</u>	<u>7</u>	x 2.5	<u>18</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>8</u>	<u>8</u>	x 8.0	<u>64</u>
3"	<u>7</u>	<u>7</u>	x 15.0	<u>105</u>
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections *	<u>350</u>	<u>350</u>		<u>523</u>
Total Wastewater Connections	<u>92</u>	<u>92</u>	x 1.0	<u>92</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system: * Water Accountability Ratio: *
(Gallons billed/Gallons purchased)

Gallons billed to customers: *

* The residents of the District are provided water service by Possum Kingdom Water Supply Corporation.

See accompanying independent auditor's report.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

Does the District have Operation and Maintenance standby fees? Yes No

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Palo Pinto County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

PROFESSIONAL FEES:	
Auditing	\$ 10,500
Engineering	4,328
Legal	53,294
Financial Advisor	<u>1,500</u>
TOTAL PROFESSIONAL FEES	<u>\$ 69,622</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 40,355
Operations and Billing	<u>59,248</u>
TOTAL CONTRACTED SERVICES	<u>\$ 99,603</u>
UTILITIES:	
Electricity	<u>\$ 17,929</u>
REPAIRS AND MAINTENANCE	<u>\$ 104,387</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 7,050
Insurance	6,936
Payroll Taxes	539
Other	<u>10,912</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 25,437</u>
CAPITAL OUTLAY	<u>\$ 808</u>
OTHER EXPENDITURES:	
Laboratory Fees	<u>\$ 14,935</u>
TOTAL EXPENDITURES	<u><u>\$ 332,721</u></u>

See accompanying independent auditor's report.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
INVESTMENTS
SEPTEMBER 30, 2021**

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
LOGIC	XXXX1001	Varies	Daily	\$ 532,354	\$ -0-
<u>DEBT SERVICE FUND</u>					
LOGIC	XXXX1002	Varies	Daily	\$ 124,311	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 656,665</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2020	\$	172	\$	139
Adjustments to Beginning Balance		\$ 172		\$ 139
Original 2020 Tax Levy	\$	395,578	\$	346,131
Adjustment to 2020 Tax Levy		(1,524)		(1,333)
TOTAL TO BE ACCOUNTED FOR		\$ 394,054		344,798
		\$ 394,226		\$ 344,937
TAX COLLECTIONS:				
Prior Years	\$		\$	
Current Year		393,646		344,440
		393,646		344,440
TAXES RECEIVABLE -				
SEPTEMBER 30, 2021		\$ 580		\$ 497
TAXES RECEIVABLE BY				
YEAR:				
2020	\$	408	\$	358
2018		172		139
TOTAL		\$ 580		\$ 497

See accompanying independent auditor's report.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PROPERTY VALUATIONS:				
Land	\$ 18,312,560	\$ 18,889,950	\$ 19,839,790	\$ 13,254,750
Improvements	105,044,470	101,457,230	100,319,150	96,802,320
Personal Property	45,690	148,920	201,780	231,350
Exemptions	<u>(260,810)</u>	<u>(359,900)</u>	<u>(400,380)</u>	<u>(404,530)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 123,141,910</u>	<u>\$ 120,136,200</u>	<u>\$ 119,960,340</u>	<u>\$ 109,883,890</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.28	\$ 0.260	\$ 0.315	\$ 0.305
Maintenance	<u>0.32</u>	<u>0.330</u>	<u>0.255</u>	<u>0.265</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.60</u>	<u>\$ 0.590</u>	<u>\$ 0.570</u>	<u>\$ 0.570</u>
ADJUSTED TAX LEVY*	<u>\$ 738,852</u>	<u>\$ 708,803</u>	<u>\$ 683,775</u>	<u>\$ 626,338</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.90 %</u>	<u>100.00 %</u>	<u>99.95 %</u>	<u>100.00 %</u>

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

Maintenance Tax – Maximum tax rate in an unlimited amount per \$100 of assessed valuation approved by voters on November 3, 2009.

See accompanying independent auditor's report.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021**

S E R I E S - 2 0 2 0			
Due During Fiscal Years Ending September 30	Principal Due August 15	Interest Due February 15/ August 15	Total
2022	\$ 10,000	\$ 5,096	\$ 15,096
2023	15,000	4,962	19,962
2024	15,000	4,760	19,760
2025	15,000	4,554	19,554
2026	15,000	4,343	19,343
2027	15,000	4,125	19,125
2028	15,000	3,894	18,894
2029	15,000	3,653	18,653
2030	15,000	3,396	18,396
2031	15,000	3,135	18,135
2032	15,000	2,859	17,859
2033	15,000	2,538	17,538
2034	15,000	2,244	17,244
2035	15,000	1,942	16,942
2036	15,000	1,634	16,634
2037	15,000	1,319	16,319
2038	15,000	998	15,998
2039	15,000	670	15,670
2040	15,000	338	15,338
2041			
	\$ 280,000	\$ 56,460	\$ 336,460

See accompanying independent auditor's report.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021**

SERIES - 2021 REFUNDING & IMPROVEMENT

Due During Fiscal Years Ending September 30	Principal Due August 15	Interest Due February 15/ August 15	Total
2022	\$ 185,000	\$ 114,287	\$ 299,287
2023	185,000	110,587	295,587
2024	190,000	106,887	296,887
2025	200,000	103,087	303,087
2026	195,000	99,088	294,088
2027	205,000	95,188	300,188
2028	210,000	91,088	301,088
2029	215,000	86,888	301,888
2030	215,000	82,318	297,318
2031	220,000	77,482	297,482
2032	225,000	72,256	297,256
2033	230,000	66,632	296,632
2034	235,000	60,882	295,882
2035	240,000	54,712	294,712
2036	255,000	48,112	303,112
2037	260,000	41,100	301,100
2038	265,000	33,300	298,300
2039	275,000	25,350	300,350
2040	280,000	17,100	297,100
2041	290,000	8,700	298,700
	<u>\$ 4,575,000</u>	<u>\$ 1,395,044</u>	<u>\$ 5,970,044</u>

See accompanying independent auditor's report.

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**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2022	\$ 195,000	\$ 119,383	\$ 314,383
2023	200,000	115,549	315,549
2024	205,000	111,647	316,647
2025	215,000	107,641	322,641
2026	210,000	103,431	313,431
2027	220,000	99,313	319,313
2028	225,000	94,982	319,982
2029	230,000	90,541	320,541
2030	230,000	85,714	315,714
2031	235,000	80,617	315,617
2032	240,000	75,115	315,115
2033	245,000	69,170	314,170
2034	250,000	63,126	313,126
2035	255,000	56,654	311,654
2036	270,000	49,746	319,746
2037	275,000	42,419	317,419
2038	280,000	34,298	314,298
2039	290,000	26,020	316,020
2040	295,000	17,438	312,438
2041	290,000	8,700	298,700
	<u>\$ 4,855,000</u>	<u>\$ 1,451,504</u>	<u>\$ 6,306,504</u>

See accompanying independent auditor's report.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2020
Palo Pinto County Water Control and Improvement District No. 1 Unlimited Tax Utility System Bonds - Series 2012	\$ 4,610,000	\$ 4,080,000
Palo Pinto County Water Control and Improvement District No. 1 Unlimited Tax Utility System Bonds - Series 2020	295,000	295,000
Palo Pinto County Water Control and Improvement District No. 1 Unlimited Tax Utility System Refunding and Improvement Bonds - Series 2021	<u>4,650,000</u>	
TOTAL	<u>\$ 9,555,000</u>	<u>\$ 4,375,000</u>
Bond Authority:	<u>Utility Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 15,840,272	\$ 19,800,340
Amount Issued	<u>5,345,000</u>	<u>4,210,000</u>
Remaining to be Issued	<u>\$ 10,495,272</u>	<u>\$ 15,590,340</u>
Debt Service Fund cash and investment balances as of September 30, 2021:		<u>\$ 137,871</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 315,325</u>

See Note 3 for interest rates, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2021</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 4,080,000	\$ 97,641	\$ - 0 -	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	15,000	5,016	280,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>4,650,000</u>	<u>75,000</u>	<u>45,029</u>	<u>4,575,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 4,650,000</u>	<u>\$ 4,170,000</u>	<u>\$ 147,686</u>	<u>\$ 4,855,000</u>	

See accompanying independent auditor's report.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 393,646	\$ 397,553	\$ 377,780
Wastewater Service	89,949	41,445	30,153
Penalty and Interest	8,488	3,684	797
Investment Revenues	<u>4,421</u>	<u>2,988</u>	<u>2,436</u>
TOTAL REVENUES	<u>\$ 496,504</u>	<u>\$ 445,670</u>	<u>\$ 411,166</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 69,622	\$ 108,199	\$ 116,449
Contracted Services	99,603	73,545	87,485
Utilities	17,929	10,837	14,583
Repairs and Maintenance	104,387	86,818	112,441
Other	40,372	48,860	29,404
Capital Outlay	<u>808</u>	<u>22,301</u>	<u></u>
TOTAL EXPENDITURES	<u>\$ 332,721</u>	<u>\$ 350,560</u>	<u>\$ 360,362</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 163,783</u>	<u>\$ 95,110</u>	<u>\$ 50,804</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	<u>\$ 42,687</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 206,470	\$ 95,110	\$ 50,804
BEGINNING FUND BALANCE	<u>311,551</u>	<u>216,441</u>	<u>165,637</u>
ENDING FUND BALANCE	<u>\$ 518,021</u>	<u>\$ 311,551</u>	<u>\$ 216,441</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 289,971	\$ 278,143	79.3 %	89.2 %	91.9 %	90.2 %	89.7 %
28,595	26,634	18.1	9.3	7.3	8.9	8.6
1,923	4,979	1.7	0.8	0.2	0.6	1.6
813	407	0.9	0.7	0.6	0.3	0.1
<u>\$ 321,302</u>	<u>\$ 310,163</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 96,617	\$ 58,849	14.0 %	24.3 %	28.3 %	30.1 %	19.0 %
63,086	71,388	20.1	16.5	21.3	19.6	23.0
10,067	6,886	3.6	2.4	3.5	3.1	2.2
165,049	35,259	21.0	19.5	27.3	51.4	11.4
33,286	27,887	8.1	11.0	7.2	10.4	9.0
19,367		0.2	5.0		6.0	
<u>\$ 387,472</u>	<u>\$ 200,269</u>	<u>67.0 %</u>	<u>78.7 %</u>	<u>87.6 %</u>	<u>120.6 %</u>	<u>64.6 %</u>
\$ (66,170)	\$ 109,894	33.0 %	21.3 %	12.4 %	(20.6) %	35.4 %
\$ - 0 -	\$ - 0 -					
\$ (66,170)	\$ 109,894					
231,807	121,913					
<u>\$ 165,637</u>	<u>\$ 231,807</u>					

See accompanying independent auditor's report.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 344,440	\$ 313,601	\$ 305,871
Penalty and Interest			672
Investment Revenues	<u>15,021</u>	<u>5,064</u>	<u>8,878</u>
TOTAL REVENUES	<u>\$ 359,461</u>	<u>\$ 318,665</u>	<u>\$ 315,421</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 27,163	\$ 24,189	\$ 12,686
Debt Service Principal	200,000	100,000	95,000
Debt Service Interest and Fees	147,686	195,242	198,805
Transfer to Refunding Escrow Agent	140,000		
Bond Issuance Costs	<u>346,449</u>		
TOTAL EXPENDITURES	<u>\$ 861,298</u>	<u>\$ 319,431</u>	<u>\$ 306,491</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (501,837)</u>	<u>\$ (766)</u>	<u>\$ 8,930</u>
OTHER FINANCING SOURCES (USES)			
Bond Discounts	\$ (10,732)	\$	\$
Transfer to Refunding Bond Escrow Agent	(3,852,819)		
Long-Term Debt Issued	<u>4,210,000</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 346,449</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (155,388)	\$ (766)	\$ 8,930
BEGINNING FUND BALANCE	<u>283,612</u>	<u>284,378</u>	<u>275,448</u>
ENDING FUND BALANCE	<u>\$ 128,224</u>	<u>\$ 283,612</u>	<u>\$ 284,378</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS (Unaudited)	<u>350</u>	<u>342</u>	<u>88</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS (Unaudited)	<u>92</u>	<u>282</u>	<u>117</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 333,749	\$ 320,127	95.8 %	98.4 %	97.0 %	98.8 %	99.5 %
420				0.2	0.1	
3,811	1,627	4.2	1.6	2.8	1.1	0.5
<u>\$ 337,980</u>	<u>\$ 321,754</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 13,920	\$ 13,967	7.6 %	7.6 %	4.0 %	4.1 %	4.3 %
90,000	85,000	55.6	31.4	30.1	26.6	26.4
202,180	205,368	41.1	61.3	63.0	59.8	63.8
		38.9				
		96.4				
<u>\$ 306,100</u>	<u>\$ 304,335</u>	<u>239.6 %</u>	<u>100.3 %</u>	<u>97.1 %</u>	<u>90.5 %</u>	<u>94.5 %</u>
<u>\$ 31,880</u>	<u>\$ 17,419</u>	<u>(139.6) %</u>	<u>(0.3) %</u>	<u>2.9 %</u>	<u>9.5 %</u>	<u>5.5 %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 31,880	\$ 17,419					
243,568	226,149					
<u>\$ 275,448</u>	<u>\$ 243,568</u>					
110	108					
110	105					

See accompanying independent auditor's report.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2021**

District Mailing Address - Palo Pinto County Water Control and Improvement District No. 1
c/o Winstead PC
2728 N. Harwood Street, Suite 500
Dallas, TX 75201

District Telephone Number - (214) 745-5400

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended September 30, 2021</u>	<u>Expense Reimbursements for the year ended September 30, 2021</u>	<u>Title</u>
Todd McCall	05/18 05/22 (Elected)	\$ 1,950	\$ -0-	President
Melissa Wilson	05/20 05/24 (Elected)	\$ 1,200	\$ -0-	Vice President
Dr. James Arthur Smith	05/18 05/22 (Elected)	\$ 1,350	\$ -0-	Secretary
Mark Dannehl	05/18 05/22 (Elected)	\$ 1,050	\$ -0-	Treasurer/ Assistant Secretary
Ric Hayward	05/20 05/24 (Elected)	\$ 1,500	\$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form: February 26, 2020

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on January 26, 2011. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**PALO PINTO COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2021**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2021</u>	<u>Title</u>
Winstead PC	09/17/15	\$ 53,294 \$ 123,900	General Counsel/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/16/10	\$ 10,500 \$ 5,500	Auditor Other Services
Possum Kingdom Water Supply Corporation	06/17/09	\$ 36,449	Billing Operator/ Wholesale Water
Dye & Toverly, LLC	09/05/07	\$ 40,389	Bookkeeper/ Invest \$ 10,500 ment Officer
McCreary, Veselka, Bragg, & Allen, P.C.		\$ 2,585	Delinquent Tax Attorney
Pacheco Koch Consulting Engineers	09/05/07	\$ 10,415	Engineer
Hilltop Securities, Inc.	09/05/07	\$ 91,774	Financial Advisor
Palo Pinto County	08/01/14	\$ 7,440	Tax Assessor/ Collector
Washburn Construction Services, LLC	01/25/18	\$ 70,783	Operator
Billy Martin	01/26/11	\$ 22,800	Wastewater Treatment Plant Operator

See accompanying independent auditor's report.

