

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO.1**

OF DENTON AND WISE COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2021

Haynes and Associates, P.C.

Certified Public Accountant

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HAYNES AND ASSOCIATES, P.C.

Certified Public Accountant

405 North Oak Street

Roanoke, Texas 76262

(817) 491-1300

Fax (817) 491-1329

INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Fort Worth Water Control
and Improvement District No.1
of Denton and Wise Counties, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of North Fort Worth Water Control and Improvement District No.1 of Denton and Wise Counties (the "District"), as of and for the year ended July 31, 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 for 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 evaluation the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of July 31, 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 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 inquires of management about the methods of preparing the information for consistency with management's responses to our inquires, 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 the 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.

Haynes and Associates, P.C.
Certified Public Accountant
Roanoke, Texas

November 1, 2021

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2021**

Management's discussion and analysis of North Fort Worth Water Control and Improvement District No. 1 of Denton and Wise Counties (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended July 31, 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 Fund Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The government-wide portion of 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.

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 one governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, operation costs and general expenditures.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2021**

FUND FINANCIAL STATEMENTS (Continued)

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 Balance to the Statement Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceed liabilities by \$687,245 as of July 31, 2021.

A portion of the District's net position reflects its net investment in capital assets (utility facilities less any debt to acquire those assets that are still outstanding).

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides is a comparative analysis of government-wide changes in net position:

Summary of Changes in the Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 998,647	\$ 851,752	\$ 146,895
Capital Assets (Net of Accumulated Depreciation)	<u>379,756</u>	<u>392,177</u>	<u>(12,421)</u>
Total Assets	<u>\$ 1,378,403</u>	<u>\$ 1,243,929</u>	<u>\$ 134,474</u>
Due to Developer	\$ 686,985	\$ 686,985	\$
Other Liabilities	<u>1,992</u>	<u>1,419</u>	<u>(573)</u>
Total Liabilities	<u>\$ 688,977</u>	<u>\$ 688,404</u>	<u>\$ (573)</u>
Net Position:			
Net Investment in Capital Assets	\$ (141,994)	\$ (129,573)	\$ (12,421)
Unrestricted	<u>829,239</u>	<u>685,098</u>	<u>144,141</u>
Total Net Position	<u>\$ 687,245</u>	<u>\$ 555,525</u>	<u>\$ 131,720</u>

The following table provides a summary of the District's operations for the years ended July 31, 2021, and July 31, 2020. The District's net position increased by \$131,720.

Summary of Changes in the Statement of Activities

	<u>2021</u>	<u>2020</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 211,174	\$ 209,807	\$ 1,367
Other Revenues	<u>2,932</u>	<u>13,571</u>	<u>(10,639)</u>
Total Revenues	\$ 214,106	\$ 223,372	\$ (9,272)
Expenses for Services	<u>82,386</u>	<u>71,310</u>	<u>11,076</u>
Change in Net Position	\$ 131,720	\$ 152,062	\$ (20,342)
Net Position, Beginning of Year	<u>555,525</u>	<u>403,463</u>	<u>152,062</u>
Net Position, End of Year	<u>\$ 687,245</u>	<u>\$ 555,525</u>	<u>\$ 131,720</u>

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The General Fund balance was \$994,474, an increase of \$152,597, primarily due to property tax revenues exceeding operating expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$580 less than budgeted revenues. Actual expenditures were \$15,196 less than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of July 31, 2021, total \$379,756 (net of accumulated depreciation) and include utility system assets. Additional information on the District's capital assets can be found in Note 5 of this report.

Capital Assets at Year-End, Net of Accumulated Depreciation

	<u>2021</u>	<u>2020</u>	Change Positive (Negative)
Capital Assets, Net of Accumulated Depreciation: Utility System Assets	\$ <u>379,756</u>	\$ <u>392,177</u>	\$ <u>(12,421)</u>

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide general overview of the District's finances. Questions concerning any of the information provided in the report or requests for additional information should be addressed to North Fort Worth Water Control and Improvement District No. 1 of Denton and Wise Counties, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2021**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 1,536	\$ -	\$ 1,536
Investments	986,530		986,530
Receivables:			
Property Taxes	2,181		2,181
Other	-		-
Due From Cap Project Fund	8,400	-	8,400
Capital Assets (Net of Accumulated Depreciation)		379,756	379,756
TOTAL ASSETS	<u>\$ 998,647</u>	<u>\$ 379,756</u>	<u>\$ 1,378,403</u>
LIABILITIES			
Accounts Payable	\$ 1,992	\$ -	\$ 1,992
Due to Developer		686,985	686,985
TOTAL LIABILITIES	<u>\$ 1,992</u>	<u>\$ 686,985</u>	<u>\$ 688,977</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 2,181		\$ 2,181
FUND BALANCE			
Unreserved	\$ 994,474	\$ 994,474	\$ -
TOTAL FUND BALANCE	<u>\$ 994,474</u>	<u>\$ 994,474</u>	<u>\$ -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 998,647</u>		
NET POSITION			
Net Investment in Capital Assets		\$ (307,229)	\$ (307,229)
Unrestricted		994,474	994,474
TOTAL NET POSITION			<u>\$ 687,245</u>

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

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
FOR THE YEAR ENDED JULY 31, 2021**

Total Fund Balance- Governmental Fund	\$ 994,474
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	379,756
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Long-term 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	<u>(686,985)</u>
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Total Net Position- Governmental Activities	<u>\$ 687,245</u>
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The accompanying notes to the financial statements are an integral part of this report.

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2020**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
REVENUES			
Property Taxes	\$ 208,560	\$ 1,241	\$ 209,801
Investment Revenues	13,571		13,571
Miscellaneous Revenues	<u>-</u>		<u>-</u>
TOTAL REVENUES	<u>\$ 222,131</u>	<u>\$ 1,241</u>	<u>\$ 223,372</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 46,413	\$ -	\$ 46,413
Contracted Services	3,776		3,776
Depreciation		12,421	12,421
Other	<u>8,700</u>		<u>8,700</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 58,889</u>	<u>\$ 12,421</u>	<u>\$ 71,310</u>
NET CHANGE IN FUND BALANCE	\$ 163,242		\$ -
CHANGE IN NET POSITION	<u>-</u>		<u>152,062</u>
FUND BALANCE/NET POSITION August 1, 2019	<u>\$ 678,635</u>		<u>\$ 403,463</u>
FUND BALANCE/NET POSITION July 31, 2021	<u>\$ 841,877</u>		<u>\$ 555,525</u>

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

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
REVENUES, EXPENDITURES AND CHANGED IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2021**

Net Change in Fund Balance- Governmental Fund	\$	152,597
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report Bondtax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(8,456)
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Governmental funds do no account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		<u>(12,421)</u>
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Change in Net Position-Governmental Activities	\$	<u>131,720</u>
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The accompanying notes to the financial statements are an integral part of this report.

**NORTH FORST WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 1. CREATION OF DISTRICT

North Fort Worth Water Control and Improvement District No. 1 of Denton and Wise Counties, was created by an order of the Texas Commission on Environmental Quality effective August 21, 2006 in accordance with the Texas Water Code, Chapter 51. The Board of Directors held its first meeting on December 13, 2006. Pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers.

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 or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

Financial Statement Presentation

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

GASB Codification 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:

**NORTH FORST WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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 as 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

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

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

Governmental Funds

The District has one governmental fund,

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

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 "measureable and available." Measureable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The district considers revenues reported in the governmental funds to be available if they are collected 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 tax revenues are those taxes which the District does not reasonable 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.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

Capital Assets

Capital assets, 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. Interest costs, including developer interest, 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 \$5,000 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:

	<u>Years</u>
Utilities	45

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

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. Operation 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. The District does not have any restricted fund balances.

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 and does not have an assigned fund balance.

Unassigned: all other spendable amounts in the General Fund.

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

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 3. LONG TERM DEBT

As of July 31, 2019, the District had authorized but unissued bonds in the amount of \$8,275,000 for utility facilities and \$8,275,000 for refunding purposes.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of 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 Logic Investments was \$986,530 and the bank balance was \$1,536. Of the bank balance, \$1,536 was covered by federal depository insurance and Logic Investments were covered by \$248,464 by federal depository insurance and the remaining balance of \$738,066 was covered by pledged securities. The carrying values of the Logic Investments are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2021, as listed below:

	<u>Cash</u>	<u>Logic Inments</u>	<u>Total</u>
GENERAL FUND	\$ 1,536	\$ 986,530	\$ 988,066

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.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of an interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Texas, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

As of July 31, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
General Fund Logic	\$ 986,530	\$ 986,530	\$ 0	\$ 0	\$ 0

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

Interest rate risk is the risk that changes in interest rates with adversely affect the fair value of an investment. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2021:

	August 1, 2020	Increases	Decreases	July 31, 2021
Capital Assets Subject to Depreciation				
Utilities	\$ 557,413	\$ 0	\$ 0	\$ 557,413
Less Accumulated Depreciation				
Utilities	\$ 165,236	\$ 12,421	\$ 0	\$ 177,657
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 392,177	\$ 12,421	\$ 0	\$ 379,756

The District has financed the water and wastewater facilities. Aqua Texas, Inc. currently provides water and wastewater service to the District.

NOTE 6. MAINTENANCE TAX

On May 12, 2007, the voters of the District approved the levy and collections of a maintenance tax in an unlimited amount per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating or improving the District's waterworks and sanitary sewer system, including reimbursements to the developer using surplus maintenance funds to the extent allowed by law. During the current fiscal year, the District levied an ad valorem maintenance tax of \$0.60 per \$100 of assessed valuation, which resulted in a tax levy of \$210,393 on the adjusted taxable valuation of \$35,065,573 for the 2021 tax year.

The District's tax calendar is as follows:

Levy Date	-October 1, or as soon thereafter as practicable.
Lien Date	-January 1.
Due Date	-Not later than January 31.
Delinquent Date	-February 1, at time the taxpayer is liable for penalty and interest.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021**

NOTE 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 and natural disasters from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 8. DUE TO DEVELOPERS

The District has executed development financing agreements with developers within the District. The agreements call for the developers to fund costs associated with water, wastewater and drainage facilities, and grading until such time as the District can sell bonds. As of July 31, 2021 the District recorded an estimated liability of \$686,986 in relation to these agreements for facilities that have been completed. The developers have also been required to advanced monies to the District's General Fund in order for the District to meet its ongoing financial obligations. Through July 31, 2021, the developers advanced directly to the District a total of \$129,572 to help cover the operating deficits of the District. Other amounts paid on behalf of the District is a total of \$557,414. The total amount recorded as Due to Developers in the Statement of Net Position at July 31, 2021, was \$686,985.

NOTE 9. LEASE AGREEMENT

On June 27, 2012, the District entered into a lease agreement with Aqua Texas, Inc. ("Aqua Texas") to operate, maintain and manage the District's facilities serving Shale Creek Subdivision, Sections 2A and 2B. The developer has conveyed these facilities to the District. The District and Aqua Texas agree that both parties will benefit from Aqua Texas' management, operations and maintenance of the facilities and that Aqua Texas will incur significant costs and risk in operating and managing the facilities, and therefore no lease rental payments or other monetary compensation is provided under this agreement, the term of this agreement is 25 years.

NOTE 10. ECONOMIC DEPENDENCY

The District's Developer owns a substantial portion of the taxable property within the District. The District is dependent upon the Developer for operating advances to meet its financial obligations during the startup period. The Developer's ability to make full and timely payments of taxes and operating advances could directly affect the District's ability to meet its financial obligations.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES**

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2021

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL- GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 206,286	\$ 211,174	\$ 4,888
Investment Revenues	8,400	2,932	(5,468)
Miscellaneous Revenues	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL REVENUES	<u>\$ 214,686</u>	<u>\$ 214,106</u>	<u>\$ (580)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 63,180	\$ 46,840	\$ 16,340
Contracted Services	3,780	4,464	(684)
Other	<u>9,745</u>	<u>10,205</u>	<u>(460)</u>
TOTAL EXPENDITURES	<u>\$ 76,935</u>	<u>\$ 61,509</u>	<u>\$ 15,196</u>
NET CHANGE IN FUND BALANCE	\$ 137,751	\$ 152,597	\$ 14,846
FUND BALANCE- AUGUST 1, 2020	<u>841,877</u>	<u>841,877</u>	
FUND BALANCE- JULY 31, 2021	<u>\$ 979,628</u>	<u>\$ 994,474</u>	<u>\$ 14,846</u>

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES**

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

JULY 31, 2021

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2021**

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

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input type="checkbox"/> Drainage
<input type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input 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

Participates in joint venture, regional system and/or wastewater service (other than
Emergency interconnect)

☐ Other (Specify): The District entered into a lease agreement with Aqua Texas, Inc. to operate,
maintain and manage the District's facilities serving Shale Creek Subdivision, Sections 2A and 2B.
The District will provide for the construction of water, wastewater and drainage facilities.

2. RETAIL SERVICE PROVIDERS (NOT APPLICABLE)

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED
TO THE NEAREST THOUSAND: (NOT APPLICABLE)**

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 or Counties in which District is located:

Denton County, Texas and Wise County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

See accompanying independent auditor's report.

**NORTH FORT WORTH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON AND WISE COUNTIES
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2021**

6. Location of District:

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

Entirely X Partly Not at all

ETJ in which District is located:

Fort Worth, Texas.

Are Board Members appointed by an office outside the District?

Yes No X

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2021**

PROFESSIONAL FEES:

Accounting Services	\$	7,875
Auditing		7,000
Engineering		3,898
Legal		<u>28,067</u>

TOTAL PROFESSIONAL FEES	\$	<u>46,840</u>
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**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
INVESTMENTS
JULY 31, 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	XXXXXX29001	0.42%		986,530	
TOTAL GENERAL FUND				\$ <u>986,530</u>	\$ <u>-0-</u>

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2021**

Maintenance Taxes

TAXES RECEIVABLE-		
AUGUST 1, 2020		
Adjustments to Beginning		
Balance		\$ 196
Original 2021 Tax Levy	\$ 210,423	\$210,423
Adjustment to 2021 Tax Levy	<u>30</u>	<u>30</u>
TOTAL TO BE		
ACCOUNTED FOR		\$210,393
TAX COLLECTIONS:		
Prior Years		\$ (195)
Current Year		<u>208,861</u>
TAXES RECEIVABLE-		
JULY 31, 2021		
		\$ 2,181
TAXES RECEIVABLE BY		
YEAR:		
2016		\$ 579
2019		70
2021		1,532
TOTAL		<u>\$ 2,181</u>

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2021**

	2021	2020
PROPERTY VALUATIONS:		
Land	\$10,658,005	\$7,990,724
Improvements	28,141,942	25,964,150
Minerals	1,482,956	
Personal Property	220	13,690
Exemptions	(5,212,550)	(3,027,481)
TOTAL PROPERTY VALUATION:	\$40,283,123	\$37,909,331
TOTAL TAX RATES PER \$100 VALUATION		
Debt Service	\$0.00	\$ 0.00
Maintenance	\$0.60	\$ 0.60
TOTAL TAX RATES PER \$100 VALUATION	\$0.60	\$ 0.60
ADJUSTED TAX LEVY*	\$210,393	\$209,668
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.27	99.41

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

Maintenance Tax- Unlimited tax rate per \$100 of assessed valuation approved by voters on May 12, 2020.

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
COMPARATICE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND- TWO YEARS**

Amounts

	2021	2020
REVENUES		
Property Taxes	\$211,174	\$208,560
Investment Revenues	2,932	13,571
Miscellaneous Revenues	0	0
TOTAL REVENUES	\$214,106	\$222,131
EXPENDITURES		
Professional Fees	\$46,840	\$46,413
Contracted Services	4,464	3,776
Other	10,205	8,700
TOTAL EXPENDITURES	\$61,509	\$58,889
NET CHANGE IN FUND BALANCE	\$152,597	\$163,242
BEGINNING FUND BALANCE	\$841,877	\$678,635
ENDING FUND BALANCE	\$994,474	\$841,877
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2021**

District Mailing Address - North Fort Worth Water Control and
Improvement District No.1
c/o Winstead PC
2728 N. Harwood Street
Dallas, Texas 75201

District Telephone Number - (214) 745-5353

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended <u>July 31, 2021</u>	Expense Reimbursements For the Year ended <u>July 31, 2021</u>	Title
J.D. Walker	05/14 05/22 (Elected)	\$1,050	\$ 0	President
Don Lucky	05/14 05/22 (Elected)	\$1,050	\$ 0	Vice President
Charles Garretson	05/14 05/22 (Elected)	\$ 900	\$ 0	Secretary
Steve Babcock	06/20 05/24 (Appointed)	\$1,200	\$ 0	Assistant Secretary
Tom Thye	05/20 05/24 (Elected)	\$1,200	\$ 0	Assistant Secretary

Notes: No Director has any business 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 (TWC Sections 36.054 and 49.054):
December 15, 2016.

The limit on Fees of Office that a director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

**NORTH FORT WORTH WATER CONTROL
AND IMPROVEMENT DISTRICT NO.1 OF DENTON AND WISE COUNTIES
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2021**

Consultants	Date Hired	Fees for the year ended July 31, 2021	Total
Winstead PC	09/16/15	\$ 28,067	General Counsel
Haynes and Associates, P.C.	09/22/17	\$ 7,000	Auditor
Dye & Toverly, LLC	12/13/06	\$ 7,875	Bookkeeper
LJA Engineering	06/27/12	\$ 3,898	Engineer
First Southwest, a Division of Hilltop Securities Inc.	12/13/06	\$ -0-	Financial Advisor
Kathi Dye		\$ -0-	Investment Officer
Denton County Tax Assessor/ Collector	09/25/08	\$ 3,254	Tax Assessor/ Collector