

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY**

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY**

DENTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brookfield Water Control
and Improvement District of Denton County
Denton County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Brookfield Water Control and Improvement District of Denton County (the "District"), as of and for the year ended July 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of July 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Board of Directors
Brookfield Water Control and
Improvement District of Denton County

Supplementary Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 4, 2022

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

Management’s discussion and analysis of Brookfield Water Control and Improvement District of Denton County (the “District”) financial performance provides an overview of the District’s financial activities for the year ended July 31, 2022. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) 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 Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of 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 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 all 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 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 property tax revenues, operating costs and general expenditures.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

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 Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”) and other supplementary information. 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, liabilities exceeded assets by \$1,133,187 as of July 31, 2022. This is the District’s first audit. In future years a comparative analysis of government-wide changes in net position will be presented. The following table provides a summary of the Statement of Net Position for the year ended July 31, 2022:

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of the Statement of Net Position
	2022
Current and Other Assets	\$ 68,974
Intangible Assets (Net of Accumulated Amortization)	15,999,276
Capital Assets (Net of Accumulated Depreciation)	7,184,910
Total Assets	\$ 23,253,160
Due to Developer	\$ 24,383,945
Other Liabilities	2,402
Total Liabilities	\$ 24,386,347
Net Position:	
Net Investment in Capital Assets	\$ (993,810)
Unrestricted	(139,377)
Total Net Position	\$ (1,133,187)

The following table provides a summary of the District's operations for the year ended July 31, 2022, which is the initial audit period for the District.

	Summary of the Statement of Activities
	2022
Revenues:	
Property Taxes	\$ 75,503
Other Revenues	177
Total Revenues	\$ 75,680
Expenses for Services	1,015,581
Change in Net Position	\$ (939,901)
Net Position, Beginning	(193,286)
Net Position, Ending	\$ (1,133,187)

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUND

The District’s General Fund fund balance increased by \$53,756, primarily due to property taxes exceeding operating costs.

CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets as of July 31, 2022, total \$7,184,910 and include paving and drainage/detention infrastructure which the District will be responsible for maintaining. Additional information on the District’s capital assets can be found in Note 6 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation	
	2022
Capital Assets, Net of Accumulated Depreciation:	
Paving	\$ 5,072,987
Drainage/Detention Facilities	2,111,923
Total Net Capital Assets	\$ 7,184,910

Additionally, the District entered into an agreement (see Note 9) with the City of Fort Worth (the “City”) whereby water facilities and wastewater facilities constructed within the District have been conveyed to the City for operation and maintenance for the benefit of District residents. As of July 31, 2022, intangible assets constructed and conveyed to the City totaled \$15,999,276 (net of accumulated amortization).

LONG-TERM DEBT

The District does not have any outstanding bonds.

As of July 31, 2022, the District recorded an amount due to Developer of \$24,383,945 which consists of costs associated with water, wastewater, drainage and road facilities and operating advances.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$72,568 more than budgeted revenues, actual expenditures were \$986 less than budgeted expenditures and actual advances were \$20,340 less than budgeted advances. This resulted in a positive budget variance of \$53,214. See the budget to actual comparison for more information.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2022**

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brookfield Water Control and Improvement District of Denton County, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
JULY 31, 2022**

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 670	\$	\$ 670
Investments	68,151		68,151
Receivables:			
Property Taxes	153		153
Intangible Assets - Right to Receive Service (Net of Accumulated Amortization)		15,999,276	15,999,276
Capital Assets (Net of Accumulated Depreciation)		7,184,910	7,184,910
TOTAL ASSETS	\$ 68,974	\$ 23,184,186	\$ 23,253,160
 LIABILITIES			
Accounts Payable	\$ 2,402	\$	\$ 2,402
Due to Developers		24,383,945	24,383,945
TOTAL LIABILITIES	\$ 2,402	\$ 24,383,945	\$ 24,386,347
 DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 153	\$ (153)	\$ -0-
 FUND BALANCE			
Unassigned	\$ 66,419	\$ (66,419)	\$ -0-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 68,974		
 NET POSITION			
Net Investment in Capital Assets		\$ (993,810)	\$ (993,810)
Unrestricted		(139,377)	(139,377)
TOTAL NET POSITION		\$ (1,133,187)	\$ (1,133,187)

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

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JULY 31, 2022**

Total Fund Balance - Governmental Fund	\$	66,419
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		23,184,186
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Deferred inflows of resources related to property tax revenues for the 2021 and prior tax levies became part of recognized revenue in the governmental activities of the District.		153
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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		<u>(24,383,945)</u>
Total Net Position - Governmental Activities	\$	<u><u>(1,133,187)</u></u>

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

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JULY 31, 2022**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 75,350	\$ 153	\$ 75,503
Investment Revenues	<u>177</u>	<u> </u>	<u>177</u>
TOTAL REVENUES	<u>\$ 75,527</u>	<u>\$ 153</u>	<u>\$ 75,680</u>
 EXPENDITURES/EXPENSES			
Service Operations:			
Contracted Services	\$ 10,087	\$	\$ 10,087
Amortization		753,902	753,902
Depreciation		239,908	239,908
Other	<u>11,684</u>	<u> </u>	<u>11,684</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 21,771</u>	<u>\$ 993,810</u>	<u>\$ 1,015,581</u>
NET CHANGE IN FUND BALANCE	\$ 53,756	\$ (53,756)	\$
CHANGE IN NET POSITION		(939,901)	(939,901)
FUND BALANCE/NET POSITION - AUGUST 1, 2021	<u>12,663</u>	<u>(205,949)</u>	<u>(193,286)</u>
FUND BALANCE/NET POSITION - JULY 31, 2022	<u>\$ 66,419</u>	<u>\$ (1,199,606)</u>	<u>\$ (1,133,187)</u>

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

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2022**

Net Change in Fund Balance - Governmental Fund	\$	53,756
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		153
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Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital and intangible assets are depreciated and amortized, and the depreciation and amortization expense is recorded in the Statement of Activities.		(993,810)
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Change in Net Position - Governmental Activities	\$	<u>(939,901)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022**

NOTE 1. CREATION OF DISTRICT

In an order dated April 19, 2007, the Texas Commission on Environmental Quality (the “Commission”), pursuant to a Petition of Boa Sorte Limited Partnership, Rio Claro, Inc., JTLD Investments LLLP, and Mt. Baldy Limited Partnership, granted the creation of South Denton Water Control and Improvement District No. 1 (“WCID No. 1”) pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 51, Texas Water Code. The WCID No. 1 was created by the Commission to provide water supply and distribution facilities, wastewater collection and treatment facilities, and drainage improvements within the district’s area which covers 231.59 acres. On October 2, 2015, WCID No. 1, after due notice and hearing, converted to a fresh water supply district operating under Chapter 53, Texas Water Code. At an election held on May 7, 2016, the qualified electors of the WCID No. 1 granted to WCID No. 1 the rights, authority, privileges and functions of a road district under Article III, Section 52(b)(3) of the Texas Constitution; and the powers to purchase, construct, acquire, own and operate, repair, improve and extend sanitary sewer systems in accordance with the Texas Constitution and laws of the State of Texas, including particularly (but by no way of limitation) Section 53.121(b) of the Texas Water Code, as amended. In an order dated October 20, 2016, the Commission approved WCID’s No. 1 request to change its name from South Denton Water Control and Improvement District No. 1 to Brookfield Fresh Water Supply District No. 1 (“FWSD No. 1”). On August 2, 2019, FWSD No. 1, after due notice and hearing, converted back to a water control and improvement district operating under Chapter 51, Texas Water Code, retaining its road powers. In an order dated August 4, 2020, the Commission approved the addition of drainage powers under Sections 51.331 through 51.332 of the Texas Water Code to the FWSD No. 1. In an order dated June 15, 2021, the Commission approved FWSD No.1’s request to change its name from Brookfield Fresh Water Supply District No. 1 to Brookfield Water Control and Improvement District of Denton County (the “District”). The District currently operates under Chapters 49, 51 and 53 of the Texas Water Code, as amended.

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.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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”).

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, and intangible assets net of accumulated depreciation and amortization 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’s 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.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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 to obtain net total revenues and expenses 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 financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for property tax revenues, operating 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 "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 period and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent year to finance current expenditures.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Intangible Assets

Capital assets include roads and drainage/detention infrastructure which are reported in the government-wide Statement of Net Position at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized if they have an original cost greater than \$5,000 and a useful life over 2 years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over 45 years.

Intangible assets include the costs of water facilities and wastewater facilities constructed within the District which are conveyed to the City of Fort Worth for operation and maintenance for the benefit of District residents. Intangible assets are amortized using the straight-line method over 45 years.

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 directors are considered “employees” for federal payroll tax 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.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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. 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 any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

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.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022**

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

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 \$670 and the bank balance was \$1,333. The District was not exposed to custodial credit risk.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position as of July 31, 2022, as listed below:

GENERAL FUND	Cash
	\$ 670

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.

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 all of its portfolio assets at amortized cost for financial reporting purposes. The District measures its investments in LOGIC at amortized cost. There are no limitations or restrictions on withdrawals from LOGIC.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of July 31, 2022, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
LOGIC	<u>\$ 68,151</u>	<u>\$ 68,151</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of July 31, 2022, the District's investments in LOGIC was rated AAAM 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 investments in LOGIC to have maturities of less than one year due to the fact that the share positions can usually be redeemed each day at the discretion of the District unless there have been significant changes in values.

NOTE 4. MAINTENANCE TAX

On November 6, 2007, the voters of the District approved the levy and collection of a maintenance tax unlimited as to rate or amount per \$100 of assessed valuation of taxable property within the District. During the year ended July 31, 2022, the District levied an ad valorem maintenance tax rate of \$0.8775 per \$100 of assessed valuation, which resulted in a tax levy of \$75,503 on the adjusted taxable valuation of \$8,594,631 for the 2021 tax year.

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 5. RISK MANAGEMENT

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

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022**

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets owned and maintained by the District include paving and drainage/detention infrastructure. Capital asset activity for the year ended July 31, 2022, is as follows:

	August 1, 2021	Increases	Decreases	July 31, 2022
Capital Assets Subject to Depreciation				
Paving	\$	\$ 5,252,618	\$	\$ 5,252,618
Drainage/Detention		2,172,200		2,172,200
Total Capital Assets Subject to Depreciation	\$ - 0 -	\$ 7,424,818	\$ - 0 -	\$ 7,424,818
Accumulated Depreciation				
Paving	\$	\$ 179,631	\$	\$ 179,631
Drainage/Detention		60,277		60,277
Total Accumulated Depreciation	\$ - 0 -	\$ 239,908	\$ - 0 -	\$ 239,908
Total Capital Assets, Net of Accumulated Depreciation	\$ - 0 -	\$ 7,184,910	\$ - 0 -	\$ 7,184,910

Developers have financed the construction of water facilities and wastewater facilities which serve District residents. These facilities have been conveyed to the City of Fort Worth in accordance with the service agreement (see Note 9). In exchange for conveyance of these assets, the City agrees to provide service to residents of the District. Intangible asset activity for the year ended July 31, 2022, is as follows:

	August 1, 2021	Increases	Decreases	July 31, 2022
Intangible Assets Subject to Amortization				
Water/Wastewater System	\$ -0-	\$ 16,753,178	\$ -0-	\$ 16,753,178
Accumulated Amortization				
Water/Wastewater System	\$ -0-	\$ 753,902	\$ -0-	\$ 753,902
Total Intangible Assets, Net of Accumulated Amortization	\$ -0-	\$ 15,999,276	\$ -0-	\$ 15,999,276

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022**

NOTE 7. BOND AUTHORIZATION

At an election held May 1, 2021, the voters of the District authorized the issuance of bonds up to \$80,955,000 for the purposes of acquiring or construction of water, sewer and drainage facilities, \$91,050,000 for road facilities, \$101,193,750 for the purpose of refunding water, sewer and drainage facilities bonds and \$113,812,500 for the purpose of refunding road of which all remain authorized but unissued.

NOTE 8. UNREIMBURSED COSTS

The District has entered into financing agreements with the Developer which calls for the Developer to fund operating advances as well as costs associated with the construction of roads, water, wastewater, and drainage infrastructure. The District has an obligation to reimburse the Developer for these costs from future bond issues or other lawfully available funds. The following table summarizes the current activity related to unreimbursed costs

Due to Developers, August 1, 2021	\$	205,949
Add: Current Year Additions		24,177,996
Due to Developers, July 31, 2022	\$	24,383,945

NOTE 9. AGREEMENT WATER AND WASTEWATER SERVICES

Water Supply

The District lies within the service area of certificate of convenience and necessity number 11157 held by the City of Fort Worth (“City”). The City is the provider of retail water service to the users withing the District.

The District entered into a Water Infrastructure Agreement with the City stating the City shall provide potable water services to the District. The District will construct the internal water supply facilities necessary to service customers within the District’s boundaries. Upon completion of such systems, the systems will be conveyed to the City. In consideration of the District’ construction and conveying such systems, the City shall assume all operation and maintenance responsibilities for the water system

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022**

NOTE 9. AGREEMENT WATER AND WASTEWATER SERVICES (Continued)

Wastewater Treatment

The area within the District lies wholly within the sewer certificate of convenience and necessity number 21059 held by the City. The City is the provider of retail wastewater service to the users within the District.

The District entered into a Sewer Infrastructure Agreement with the City stating the City shall provide wastewater treatment services to the District. The District will construct, or have constructed, a wastewater collection system necessary to service customers within the District's boundaries. Upon completion of such systems, the system will be conveyed to the City. In consideration and maintenance responsibilities for the wastewater systems.

NOTE 10. SUBSEQUENT EVENT – BOND SALE

On September 6, 2022, subsequent to year end, the District closed on the sale of its \$6,350,000 Unlimited Tax Road Bonds, Series 2022. Proceeds from the bonds were used to reimburse the Developer for construction and engineering costs for paving facilities to serve Liberty Trails, Phases 1A, 1B, 2 and 3. Additional proceeds were used to pay capitalized interest, developer interest and issuance costs of the bonds.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2022

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 2,955	\$ 75,350	\$ 72,395
Investment Revenues	<u>4</u>	<u>177</u>	<u>173</u>
TOTAL REVENUES	<u>\$ 2,959</u>	<u>\$ 75,527</u>	<u>\$ 72,568</u>
EXPENDITURES			
Service Operations:			
Contracted Services	\$ 7,200	\$ 10,087	\$ (2,887)
Other	<u>15,557</u>	<u>11,684</u>	<u>3,873</u>
TOTAL EXPENDITURES	<u>\$ 22,757</u>	<u>\$ 21,771</u>	<u>\$ 986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (19,798)</u>	<u>\$ 53,756</u>	<u>\$ 73,554</u>
OTHER FINANCING SOURCES(USES)			
Developer Advances	<u>\$ 20,340</u>	<u>\$ -0-</u>	<u>\$ (20,340)</u>
NET CHANGE IN FUND BALANCE	\$ 542	\$ 53,756	\$ 53,214
FUND BALANCE - AUGUST 1, 2021	<u>12,663</u>	<u>12,663</u>	
FUND BALANCE - JULY 31, 2022	<u><u>\$ 13,205</u></u>	<u><u>\$ 66,419</u></u>	<u><u>\$ 53,214</u></u>

See accompanying independent auditor's report.

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**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JULY 31, 2022

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2022**

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which District is located:

Denton County, Texas

Is the District located within a city?

Entirely Partly Not at all X

Is the District located within a City's extra territorial jurisdiction (ETJ):

Entirely X Partly Not at all

ETJ in which District is located:

City of Fort Worth, Texas.

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2022**

CONTRACTED SERVICES:	
Appraisal District	\$ 739
Bookkeeping	<u> 9,348</u>
TOTAL CONTRACTED SERVICES	<u>\$ 10,087</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 6,136
Insurance	3,113
Travel and Meetings	785
Other	<u> 1,650</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 11,684</u>
TOTAL EXPENDITURES	<u><u>\$ 21,771</u></u>

See accompanying independent auditor's report.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF DENTON COUNTY
INVESTMENTS
JULY 31, 2022**

<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	XXXX6001	Varies	Daily	<u>\$ 68,151</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2022**

	Maintenance Taxes	
TAXES RECEIVABLE - AUGUST 1, 2021	\$ -0-	
Adjustments to Beginning Balance	_____	\$ -0-
Original 2021 Tax Levy	\$ 80,523	
Adjustment to 2021 Tax Levy	(5,020)	75,503
TOTAL TO BE ACCOUNTED FOR		\$ 75,503
TAX COLLECTIONS:		
Prior Years	\$ -0-	
Current Year	75,350	75,350
TAXES RECEIVABLE - JULY 31, 2022		\$ 153
TAXES RECEIVABLE BY YEAR:		
2021		\$ 153

See accompanying independent auditor's report.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2022**

	2021
PROPERTY VALUATIONS:	
Land	\$ 8,736,158
Improvements	32,427
Exemptions	(173,954)
TOTAL PROPERTY VALUATIONS	\$ 8,594,631
TAX RATES PER \$100 VALUATION:	
Maintenance	\$ 0.8775
ADJUSTED TAX LEVY*	\$ 75,503
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.80 %

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

Maintenance Tax – An unlimited rate or amount per \$100 of assessed valuation approved by voters on November 6, 2007.

See accompanying independent auditor's report.

**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2022**

District Mailing Address - Brookfield Water Control and Improvement District of Denton County
c/o Winstead PC
2728 N. Harwood Street, Suite 500
Dallas, TX 75201

District Telephone Number - (214) 745-5400

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>July 31, 2022</u>	Expense Reimbursements for the year ended <u>July 31, 2022</u>	<u>Title</u>
Madeleine Mitchell	05/2022 - 05/2026 (Elected)	\$ 1,350	\$ 193	President
Sandra Tabacinic	05/2022 - 06/2022 (Resigned)	\$ 450	\$ 77	Vice President
Abraham Achar	05/2020 - 05/2024 (Elected)	\$ 1,500	\$ 238	Secretary
Shelly Elieson	05/2020 - 05/2024 (Elected)	\$ 900	\$ -0-	Assistant Secretary
Kayla "Alley" Caldwell	04/2021 - 05/2024 (Appointed)	\$ 1,500	\$ 277	Assistant Secretary

Note: 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 developer or with any of the District's consultants.

Submission date of most recent District Registration Form: June 30, 2020

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

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**BROOKFIELD WATER CONTROL AND
IMPROVEMENT DISTRICT OF DENTON COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2022**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2022</u>	<u>Title</u>
Winstead PC	10/02/15	\$ -0-	General Counsel
McCall Gibson Swedlund Barfoot PLLC	06/03/22	\$ -0-	Auditor
Dye & Toverly, LLC	06/12/07	\$ 9,348	Bookkeeper
Hilltop Securities, Inc.	08/07/20	\$ -0-	Financial Advisor
Pape-Dawson Engineers, Inc.	02/11/16	\$ -0-	Engineer
Kathi Dye		\$ -0-	Investment Officer
McCreary, Veselka, Bragg & Allen, PC	02/05/21	\$ -0-	Delinquent Tax Attorney
Denton County Tax Collector	08/13/21	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.

