

**WALDEN POND FRESH WATER
SUPPLY DISTRICT OF KAUFMAN COUNTY**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**WALDEN POND FRESH WATER
SUPPLY DISTRICT OF KAUFMAN COUNTY**

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Walden Pond Fresh Water Supply District of Kaufman County
Kaufman County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Walden Pond Fresh Water Supply District of Kaufman County (the "District") as of and for the year ended June 30, 2023, 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 each major fund of the District as of June 30, 2023, 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
Walden Pond Fresh Water Supply District of Kaufman 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

October 19, 2023

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Our discussion and analysis of Walden Pond Fresh Water Supply District of Kaufman County’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended June 30, 2023. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes 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 is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for property tax revenues, developer advances, operating costs and general expenditures. The Debt Service Fund accounts for financial resources restricted, committed or assigned for servicing bond debt. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

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

NOTES TO THE FINANCIAL STATEMENTS

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

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 \$556,136 as of June 30, 2023.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of changes in the Statement of Net Position for the years ended June 30, 2023, and June 30, 2022:

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 361,897	\$ 109,773	\$ 252,124
Capital Assets (Net of Accumulated Depreciation)	19,580,235	11,541	19,568,694
Total Assets	<u>\$ 19,942,132</u>	<u>\$ 121,314</u>	<u>\$ 19,820,818</u>
Due to Developer	\$ 19,187,374	\$ 189,084	\$ (18,998,290)
Bonds Payable	1,250,000		(1,250,000)
Other Liabilities	60,894	47,544	(13,350)
Total Liabilities	<u>\$ 20,498,268</u>	<u>\$ 236,628</u>	<u>\$ (20,261,640)</u>
Net Position:			
Net Investment in Capital Assets	\$ (511,849)	\$ 11,541	\$ (523,390)
Restricted	61,575		61,575
Unrestricted	(105,862)	(126,855)	20,993
Total Net Position	<u><u>\$ (556,136)</u></u>	<u><u>\$ (115,314)</u></u>	<u><u>\$ (440,822)</u></u>

The following table provides a summary of the District's operations for the years ending June 30, 2023, and June 30, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 95,202	\$	\$ 95,202
Charges for Services	1,503		1,503
Other Revenues	6,102	1	6,101
Total Revenues	<u>\$ 102,807</u>	<u>\$ 1</u>	<u>\$ 102,806</u>
Expenses for Services	543,629	80,275	(463,354)
Change in Net Position	\$ (440,822)	\$ (80,274)	\$ (360,548)
Net Position, Beginning of Year	(115,314)	(35,040)	(80,274)
Net Position, End of Year	<u><u>\$ (556,136)</u></u>	<u><u>\$ (115,314)</u></u>	<u><u>\$ (440,822)</u></u>

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2023, were \$324,789, an increase of \$262,560 from the prior year.

The General Fund fund balance increased by \$84,140, primarily due to developer advances and property tax revenues exceeding operating expenditures.

The Debt Service Fund fund was created in the current fiscal year with capitalized interest received in connection with the sale of the Series 2022 Road Bonds and has a fund balance of \$104,473 at year end.

The Capital Projects Fund fund was created in the current fiscal year with proceeds from the Series 2022 Road Bonds (see Note 12) and has a fund balance of \$73,497 at year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board adopted an unappropriated budget for the General Fund for the current fiscal year. The budget was not amended during the year. Actual revenues were \$7,168 more than budgeted revenues, actual expenditures were \$80,545 less than budgeted expenditures and actual developer advances were \$3,573 less than budgeted developer advances. This resulted in a positive variance of \$84,140. See the budget to actual comparison for more information.

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2023, amounts to \$19,580,235 (net of accumulated depreciation). This investment in capital assets includes additions related to the water, sewer, drainage and paving for Walden Pond East, Phase 1.

	<u>Capital Assets At Year-End, Net of Accumulated Depreciation</u>		
	<u>2023</u>	<u>2022</u>	<u>Change Positive (Negative)</u>
Capital Assets Not Being Depreciated:			
Construction in Progress	\$ -0-	\$ 11,541	\$ (11,541)
Capital Assets, Net of Accumulated Depreciation:			
Roadways and Streets	6,713,545		6,713,545
Water System	3,330,986		3,330,986
Wastewater System	5,801,998		5,801,998
Drainage System	3,733,706		3,733,706
Total Net Capital Assets	<u>\$ 19,580,235</u>	<u>\$ 11,541</u>	<u>\$ 19,568,694</u>

Additional information on the District's capital assets can be found in Note 6 of this report.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

LONG-TERM DEBT ACTIVITY

As of June 30, 2023, the District recorded an amount due to Developers of \$19,187,374 which consists of developer advances toward operating costs, as well as completed projects funded by Developers.

At the end of the current fiscal year, the District had total bond debt payable of \$1,250,000. The change in bonds payable during the current fiscal year is summarized in the following table:

Bond Debt Payable, July 1, 2022	\$ - 0 -
Add: Bond Sale - Series 2022	<u>1,250,000</u>
Bond Debt Payable, June 30, 2023	<u>\$ 1,250,000</u>

The District's Series 2022 Road Bonds do not carry underlying nor insured ratings.

CONTACTING THE DISTRICT'S FINANCIAL 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 Walden Pond Fresh Water Supply District of Kaufman County, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

**WALDEN POND FRESH WATER SUPPLY DISTRICT OF
KAUFMAN COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2023**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,750	\$ 767
Investments	27,315	111,023
Receivables:		
Property Taxes	19,112	
Penalty and Interest on Delinquent Taxes		
Service Accounts	1,394	
Prepaid Costs	1,000	
Due from Other Governmental Unit	125,589	
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 176,160	\$ 111,790
LIABILITIES		
Accounts Payable	\$ 10,679	\$
Accrued Interest Payable		
Due to Developers		
Accrued Interest at Time of Sale		7,317
Long-Term Liabilities:		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 10,679	\$ 7,317
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 19,112	\$ -0-
FUND BALANCE		
Nonspendable:		
Prepaid Costs	\$ 1,000	\$
Unassigned	145,369	
TOTAL FUND BALANCE	\$ 146,369	\$ 104,473
TOTAL LIABILITIES AND FUND BALANCE	\$ 176,160	\$ 111,790
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 268	\$ 2,785	\$	\$ 2,785
73,679	212,017		212,017
	19,112		19,112
	1,394		1,394
	1,000		1,000
	125,589		125,589
		19,580,235	19,580,235
\$ 73,947	\$ 361,897	\$ 19,580,235	\$ 19,942,132
\$	\$ 10,679	\$	\$ 10,679
		50,215	50,215
		19,187,374	19,187,374
	7,317	(7,317)	
		1,250,000	1,250,000
\$ -0-	\$ 17,996	\$ 20,480,272	\$ 20,498,268
\$ -0-	\$ 19,112	\$ (19,112)	\$ -0-
\$	\$ 1,000	\$ (1,000)	\$
	145,369	(145,369)	
\$ 73,947	\$ 324,789	\$ (324,789)	\$ - 0 -
\$ 73,947	\$ 361,897		
		\$ (511,849)	\$ (511,849)
		61,575	61,575
		(105,862)	(105,862)
		<u>\$ (556,136)</u>	<u>\$ (556,136)</u>

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

**WALDEN POND FRESH WATER SUPPLY DISTRICT OF
KAUFMAN COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balances - Governmental Funds	\$ 324,789
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	19,580,235
Governmental funds do not record a long-term liability to the Developer for completed projects and operating advances. However, in the Statement of Net Position, the liability for completed projects and operating advances is recorded.	(19,187,374)
Deferred inflows of resources related to property tax revenues for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District.	19,112
Accrued interest on long-term liabilities is not payable with current financial resources and, therefore, is not reported in the funds.	(42,898)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds Payable, Due After One Year	<u>(1,250,000)</u>
Total Net Position- Governmental Activities	<u>\$ (556,136)</u>

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

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**WALDEN POND FRESH WATER SUPPLY DISTRICT OF
KAUFMAN COUNTY**
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 76,090	\$
Basic Service Charge	1,400	
Water Service	10	
Wastewater Service	7	
Penalty and Interest	15	
Regulatory Assessment Fee	71	
Investment Revenues	367	1,173
Miscellaneous Revenues	3,780	
TOTAL REVENUES	\$ 81,740	\$ 1,173
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 10,000	\$
Contracted Services	27,118	
Purchased Water and Wastewater Service	11,616	
Repairs and Maintenance	7,679	
Depreciation		
Other	23,446	
Developer Interest		
Capital Outlay		
Debt Service:		
Bond Issuance Costs		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	\$ 79,859	\$ -0-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 1,881	\$ 1,173
OTHER FINANCING SOURCES (USES)		
Developer Advances	\$ 82,259	\$
Long-Term Debt Issued		103,300
TOTAL OTHER FINANCING SOURCES (USES)	\$ 82,259	\$ 103,300
NET CHANGE IN FUND BALANCE	\$ 84,140	\$ 104,473
CHANGE IN NET POSITION		
FUND BALANCE/NET POSITION - JULY 1, 2022	62,229	
FUND BALANCE/NET POSITION - JUNE 30, 2023	\$ 146,369	\$ 104,473

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 76,090	\$ 19,112	\$ 95,202
	1,400		1,400
	10		10
	7		7
	15		15
	71		71
782	2,322		2,322
	3,780		3,780
<u>\$ 782</u>	<u>\$ 83,695</u>	<u>\$ 19,112</u>	<u>\$ 102,807</u>
\$	\$ 10,000	\$	\$ 10,000
	27,118		27,118
	11,616		11,616
	7,679		7,679
		210,051	210,051
	23,446	11,541	34,987
57,647	57,647		57,647
874,255	874,255	(874,255)	
141,633	141,633		141,633
		42,898	42,898
<u>\$ 1,073,535</u>	<u>\$ 1,153,394</u>	<u>\$ (609,765)</u>	<u>\$ 543,629</u>
<u>\$ (1,072,753)</u>	<u>\$ (1,069,699)</u>	<u>\$ 628,877</u>	<u>\$ (440,822)</u>
\$	\$ 82,259	\$ (82,259)	\$
1,146,700	1,250,000	(1,250,000)	
<u>\$ 1,146,700</u>	<u>\$ 1,332,259</u>	<u>\$ (1,332,259)</u>	<u>\$ -0-</u>
\$ 73,947	\$ 262,560	\$ (262,560)	\$
		(440,822)	(440,822)
	62,229	(177,543)	(115,314)
<u>\$ 73,947</u>	<u>\$ 324,789</u>	<u>\$ (880,925)</u>	<u>\$ (556,136)</u>

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

**WALDEN POND FRESH WATER SUPPLY DISTRICT OF
KAUFMAN COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Governmental Funds	\$	262,560
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		19,112
<p>Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.</p>		(210,051)
<p>Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.</p>		862,714
<p>Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Assets, interest is accrued on the long-term debt through fiscal year-end.</p>		(42,898)
<p>Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Assets.</p>		(1,250,000)
<p>Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.</p>		<u>(82,259)</u>
Change in Net Position - Governmental Activities	\$	<u><u>(440,822)</u></u>

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

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1. CREATION OF DISTRICT

On November 7, 2018, the Kaufman County Commissioners Court approved the order creating Walden Pond Water Control and Improvement District of Kaufman County (the “District”). On March 5, 2019, the board approved the District’s conversion to a Fresh Water Supply District operating under Chapter 53 of the Water Code and Article XVI, Section 59 of the Texas Constitution, and specifically reserved powers granted under Chapter 51 of the Texas Water Code. The District also assumes the rights of a road district under Article III, Section 52(b) of the Texas Constitution. Pursuant to the provisions of Chapters 49, 51 and 53 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, roads, solid waste collection and disposal, including recycling, and parks and recreational facilities for the residents of the District. The District also has the power to acquire, construct, operate and maintain road facilities and is empowered to contract for or employ its own peace officers with powers to make arrests and, subject to certain regulatory and voter approvals, to contract for fire protection services or establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The District held its first meeting on December 4, 2018.

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 Texas Commission on Environmental Quality (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.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District was created as an independent municipality. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's financial statements.

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of net 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 net assets that do not meet the definition of "Restricted" or "Net Investment in Capital Assets."

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

Government-Wide Financial Statements

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

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

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

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 Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

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

General Fund – To account for property tax revenues, developer advances, operating costs and general expenditures.

Debt Service Fund – To account for ad valorem taxes restricted, committed or assigned for servicing bond debt and the costs of assessing and collecting taxes.

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

Basis of Accounting

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

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures. No taxes have yet been levied.

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.

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 an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

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

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Roads	10-50
All Other Equipment	3-20

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

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. 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.

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.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3. LONG-TERM DEBT

	Series 2022 Road
Amount Outstanding – June 30, 2023	\$ 1,250,000
Interest Rates	6.00% - 6.25%
Maturity Dates - Serially Beginning/Ending	September 1, 2025/2047
Interest Payment Dates	September 1/ March 1
Callable Dates	September 1, 2029*

* Or any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2022 Road term bonds due September 1, 2032 and 2047 are subject to mandatory redemption by random selection beginning September 1, 2025 and 2033, respectively.

The District has the following unused bond authorizations as of year-end: \$105,033,000 Utility Bonds, \$131,291,250 Utility Refunding Bonds, \$32,522,000 Road Bonds, and \$42,215,000 Road Refunding Bonds.

Bond payable activity for the current fiscal year are summarized in the following table:

	July 1, 2022	Additions	Retirements	June 30, 2023
Bonds Payable	\$ -0-	\$ 1,250,000	\$ -0-	\$ 1,250,000
		Amount Due Within One Year		\$ -0-
		Amount Due After One Year		1,250,000
		Bonds Payable		\$ 1,250,000

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2023, the debt service requirements on the bonds outstanding were as follows

Fiscal Year	Principal	Interest	Total
2024	\$	\$ 95,982	\$ 95,982
2025		77,475	77,475
2026	25,000	76,725	101,725
2027	30,000	75,075	105,075
2028	30,000	73,275	103,275
2029-2033	175,000	336,825	511,825
2034-2038	240,000	274,062	514,062
2039-2043	320,000	186,876	506,876
2044-2048	430,000	70,938	500,938
	<u>\$ 1,250,000</u>	<u>\$ 1,267,233</u>	<u>\$ 2,517,233</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

The District did not levy a debt service tax during the current fiscal year.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds be rebated to the federal government, within the meaning of Section 148(f) of the Internal Revenue Code. The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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 \$2,785 and the bank balance was \$6,402. The District was not exposed to custodial credit risk at year end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2023, as listed below:

	Cash
GENERAL FUND	\$ 1,750
DEBT SERVICE FUND	767
CAPITAL PROJECTS FUND	268
TOTAL DEPOSITS	\$ 2,785

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.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of June 30, 2023, 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
<u>GENERAL FUND</u>					
LOGIC	\$ 27,315	\$ 27,315	\$	\$	\$
<u>DEBT SERVICE FUND</u>					
LOGIC	111,023	111,023			
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	73,679	73,679			
TOTAL INVESTMENTS	<u>\$ 212,017</u>	<u>\$ 212,017</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2023, the District's investment 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 investment LOGIC to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023:

	July 1, 2022	Increases	Decreases	June 30, 2023
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 11,541	\$ 19,778,745	\$ 19,790,286	\$ -0-
Capital Assets at Historical Cost Subject to Depreciation				
Paving	\$	\$ 6,775,421	\$	\$ 6,775,421
Water System		3,369,346		3,369,346
Wastewater System		5,868,815		5,868,815
Drainage System		3,776,704		3,776,704
Total Capital Assets at Historical Cost Subject to Depreciation	<u>\$ -0-</u>	<u>\$ 19,790,286</u>	<u>\$ -0-</u>	<u>\$ 19,790,286</u>
Less Accumulated Depreciation				
Paving	\$	\$ 61,876	\$	\$ 61,876
Water System		38,360		38,360
Wastewater System		66,817		66,817
Drainage System		42,998		42,998
Total Accumulated Depreciation	<u>\$ -0-</u>	<u>\$ 210,051</u>	<u>\$ -0-</u>	<u>\$ 210,051</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ -0-</u>	<u>\$ 19,580,235</u>	<u>\$ -0-</u>	<u>\$ 19,580,235</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,541</u>	<u>\$ 39,358,980</u>	<u>\$ 19,790,286</u>	<u>\$ 19,580,235</u>

NOTE 7. MAINTENANCE TAX

On May 4, 2019, voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation on all taxable property within the District. The maintenance tax is to be used for maintenance purposes to include funds for planning, maintaining, repairing and operating all necessary plants, properties, owned or contracted facilities and improvements of the District and for proper services, engineering and legal fees, and operational and administrative costs in accordance with Section 49.107 of the Texas Water Code. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$1.00 per \$100 of assessed valuation, which resulted in a tax levy of \$95,202 on the adjusted taxable valuation of \$7,608,979 for the 2022 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 are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8. INTERLOCAL AGREEMENT FOR WATER AND WASTEWATER TREATMENT SERVICES – EAST WALDEN POND

On June 23, 2020, the District approved an interlocal agreement for water and wastewater treatment services with Kaufman County Fresh Water Supply District No. 1-A (“District No. 1-A”), MM Walden Pond, LLC (the “Walden Pond Developer”), and EQK Bridgeview Plaza, Inc. (the “District No. 1-A Developer”). The Walden Pond Developer is the owner of approximately 215.5 acres of land located in Kaufman County, Texas, which makes up the eastern portion of the District. District No. 1-A has reserved water capacity to provide water service to the property due to the Amended and Restated Wholesale Water Contract dated December 7, 2017 between the City of Forney, Texas and District No. 1-A. The City has provided consent to District No. 1-A to provide service to the Walden Pond property as evidenced in the Amendment to Amended and Restated Wholesale Water Contract between the City and District No. 1-A and Water Contract Amended approved on January 17, 2020. The District has requested that District No. 1-A provide water and wastewater service to the property through an extension of District No. 1-A’s water and wastewater treatment service infrastructure.

The water system extension will be sized to provide continuous and adequate water supply to the property based on plans for development. The water system extension will extend from the water system of District No. 1-A to the point of connection and will include a master water meter at the point of connection. The master water meter will be designed and engineered by District No. 1-A at the cost and expense of the District or the Walden Pond Developer. Upon completion, the water system extension will be owned and maintained by District No. 1-A, except for the master water meter, which will be owned and maintained by the City at its own cost and expense. The District and/or the Walden Pond Developer will pay their pro rata share of costs associated with the installation of the water system extension and water meter. Throughout the term of the Agreement, the City and District No. 1-A will read the master water meter pursuant to the City Water Contract and the Water Contract Amendment. The monthly amount charged by District No. 1-A for wholesale treated water will be the number of gallons delivered to the property based on the meter reading for the month multiplied times the bulk rate per 1,000 gallons that the district is charged for purchasing treated water from the City for service to the property pursuant to the Water Contract Amendment, plus (1) cost of conveyance based on a cost-of-service rate study of the type promulgated by the American Water Works Association or utility basis rate, and plus (2) a maximum of an additional five percent of the total of the bulk rate and the cost of conveyance, which will be retained by District No. 1-A as a fee for the pass through use of District No. 1-A facilities. The bulk rate will be the rate charged by the City, which is based on the rate charged the City by the North Texas Municipal Water District (“NTMWD”) plus sixty-three percent.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8. INTERLOCAL AGREEMENT FOR WATER AND WASTEWATER TREATMENT SERVICES – EAST WALDEN POND (Continued)

The wastewater system extension will be sized to provide continuous and adequate wastewater supply to the property based on plans for development. The wastewater system extension will extend from the wastewater system of District No. 1-A to the point of connection and will include a master wastewater meter at the point of connection. The master wastewater meter will be designed and engineered by District No. 1-A at the shared cost and expense of the District or the Walden Pond Developer. Upon completion, the wastewater system extension will be owned and maintained by District No. 1-A. The District and the multifamily property owner will share with District No. 1-A the costs associated with the installation of the wastewater system extension and wastewater meter. Throughout the term of the Agreement, District No. 1-A will read the master wastewater meter and calculate its bill to the District for wastewater service based upon such readings. The monthly amount charged by District No. 1-A for wholesale treated wastewater will be the number of gallons delivered to District No. 1-A based on the meter reading for the month less the calculated multifamily property flow multiplied times the bulk rate that District No. 1-A is charged by the City, plus (1) cost of conveyance based on a cost-of-service rate study of the type promulgated by the American Water Works Association or utility basis rate, and plus (2) a maximum of an additional five percent of the total of the bulk rate and the cost of conveyance, which will be retained by District No. 1-A as a fee for the pass through use of District No. 1-A facilities. The bulk rate will be the rate charged by the City, which is based on the rate charged the City by NTMWD plus thirty percent.

On March 22, 2022, the agreement was amended to include 93 acres owned by MM Forney 92, LLC (“Walden Pond South”) to the boundaries of Walden Pond. As such, District No. 1-A has re-allocated certain wastewater costs and capacity reservations to account for the additional land provided by Walden Pond South.

NOTE 9. INTERLOCAL AGREEMENT FOR WASTEWATER TREATMENT SERVICES - WEST WALDEN POND

On June 23, 2020, the District approved an interlocal agreement for wastewater treatment services with Kaufman County Fresh Water Supply District No. 1-A (“District No. 1-A”), MM Walden Pond, LLC (the “Walden Pond Developer”), and EQK Bridgeview Plaza, Inc. (the “District No. 1-A Developer”). The Walden Pond Developer is the owner of approximately 214 acres of land located in Kaufman County, Texas, which makes up the western portion of the District. District No. 1-A has reserved wastewater capacity with the City for the disposal of its wastewater produced within the property pursuant to an Agreement Regarding Wastewater Treatment Service dated October 1, 2019 by and among the City and District No. 1-A, which contemplates service to the property. The District has requested that District No. 1-A provide wastewater treatment service to the property and a planned multifamily property through an extension of District No. 1-A’s wastewater treatment service infrastructure.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9. INTERLOCAL AGREEMENT FOR WASTEWATER TREATMENT SERVICES - WEST WALDEN POND (Continued)

The wastewater system extension will extend to a wholesale wastewater meter to measure the volume of wastewater produced within and transported from the District and the multifamily property into District No. 1-A's wastewater system. The wastewater system extension will be sized to provide continuous and adequate wastewater supply to the property and multifamily property based on plans for development. The wastewater system extension will extend from the wastewater system of District No. 1-A to the point of connection and will include a master wastewater meter at the point of connection. The master wastewater meter will be designed and engineered by District No. 1-A at the shared cost and expense of the District or the Walden Pond Developer. Upon completion, the wastewater system extension will be owned and maintained by District No. 1-A. The District and the multifamily property owner will share with District No. 1-A the costs associated with the installation of the wastewater system extension and wastewater meter. Throughout the term of the Agreement, District No. 1-A will operate the wastewater meter at its sole cost and expense and will calibrate the wastewater meter at least once every twelve months. Throughout the term of the Agreement, District No. 1-A shall read the wastewater meter and calculate its bill to the District for wastewater service based upon such readings. The monthly amount charged by District No. 1-A for wholesale treated wastewater will be the number of gallons delivered to District No. 1-A based on the meter reading for the month less the calculated multifamily property flow multiplied times the bulk rate that District No. 1-A is charged by the City, plus (1) cost of conveyance based on a cost-of-service rate study of the type promulgated by the American Water Works Association or utility basis rate, and plus (2) a maximum of an additional five percent of the total of the bulk rate and the cost of conveyance, which will be retained by District No. 1-A as a fee for the pass through use of District No. 1-A facilities. The bulk rate will be the rate charged by the City, which is based on the rate charged the City by NTMWD plus thirty percent.

On March 22, 2022, the agreement was amended to include 93 acres owned by MM Forney 92, LLC ("Walden Pond South") to the boundaries of the District. As such, District No. 1-A has re-allocated certain wastewater costs and capacity reservations to account for the additional land provided by Walden Pond South.

NOTE 10. UNREIMBURSED DEVELOPER COSTS

The District has entered into Agreements for the Construction of Improvements and Reimbursement for Costs. These agreements call for the Developers to fund costs associated with water, sanitary sewer, drainage and road facilities until such time as the District can sell bonds. In addition, the Developer has advanced funds to the District to cover operating costs of the District. Through June 30, 2023, the Developer has advanced \$271,343 to the District. \$82,259 was advanced during the current fiscal year.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10. UNREIMBURSED DEVELOPER COSTS (Continued)

The following table summarizes the activity for the current year fiscal year.

Due to Developers, beginning of year	\$ 189,084
Current year additions	19,872,545
Current year reimbursements	<u>874,255</u>
Due to Developers, end of year	<u>\$ 19,187,374</u>

NOTE 11. RISK MANAGEMENT

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

NOTE 12. BOND SALE

On December 5, 2022, the District closed on the sale of its \$1,250,000 Unlimited Tax Road Bonds, Series 2022. Proceeds from the bonds were used to reimburse a Developer for construction and engineering costs related to road improvements in Walden Pond East Phase 1. Additional proceeds were used for capitalized interest, developer interest and costs of issuance of the bonds.

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**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2023

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 74,568	\$ 76,090	\$ 1,522
Basic Service Charge		1,400	1,400
Water Service		10	10
Wastewater Service		7	7
Penalty and Interest		15	15
Regulatory Assessment Fee		71	71
Investment Revenues	<u>4</u>	<u>367</u>	<u>363</u>
TOTAL REVENUES	<u>\$ 74,572</u>	<u>\$ 81,740</u>	<u>\$ 7,168</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 95,000	\$ 10,000	\$ 85,000
Contracted Services	15,000	27,118	(12,118)
Purchased Water and Wastewater Service	13,485	11,616	1,869
Repairs and Maintenance		7,679	(7,679)
Other	<u>36,919</u>	<u>23,446</u>	<u>13,473</u>
TOTAL EXPENDITURES	<u>\$ 160,404</u>	<u>\$ 79,859</u>	<u>\$ 80,545</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (85,832)</u>	<u>\$ 1,881</u>	<u>\$ 87,713</u>
OTHER FINANCING SOURCES(USES)			
Developer Advances	<u>\$ 85,832</u>	<u>\$ 82,259</u>	<u>\$ (3,573)</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ 84,140	\$ 84,140
FUND BALANCE - JULY 1, 2022	<u>62,229</u>	<u>62,229</u>	<u></u>
FUND BALANCE - JUNE 30, 2023	<u>\$ 62,229</u>	<u>\$ 146,369</u>	<u>\$ 84,140</u>

See accompanying independent auditor's report.

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**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY**

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

JUNE 30, 2023

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2023**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved April 19, 2022

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:			N	\$ 3.60 \$ 4.60 \$ 5.60	0001 to 5,000 5,001 to 10,000 10,001 and up
WASTEWATER:			N	\$ 2.50 \$ 3.50 \$ 4.50	0001 to 5,000 5,001 to 10,000 10,001 and up
SERVICE CHARGE:	\$ 35.00		Y		
SURCHARGE:					
Commission	0.5% of actual water and				
Regulatory Assessments	sewer bill				

District employs winter averaging for wastewater usage?
 X _____
 Yes No

Total monthly charges per 10,000 gallons usage: Water and Wastewater: \$71.00 Service Charge \$35.00 Surcharge: \$0.53
Total \$106.53

See accompanying independent auditor's report.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2023**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>33</u>	<u>33</u>	x 1.0	<u>33</u>
1"			x 2.5	
1½"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>33</u>	<u>33</u>		<u>33</u>
Total Wastewater Connections	<u>33</u>	<u>33</u>	x 1.0	<u>33</u>

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

Gallons sold:	N/A	Water Accountability Ratio: (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	N/A	<u>N/A</u>
Gallons purchased:	N/A	From: Kaufman County Fresh Water Supply District No. 1-A *

* Kaufman County Fresh Water Supply District No. 1-A supplies water to the District, Kaufman County Fresh Water Supply District No. 1-B, Kaufman County Fresh Water Supply District No. 1-C, and Kaufman County Fresh Water Supply District No. 1-D. No water was provided in the current year as there were no residential connections as of June 30, 2023. All connections at June 30, 2023 were builder connections.

See accompanying independent auditor's report.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2023**

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:

Kaufman County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ's in which District is located:

City of Dallas, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2023**

PROFESSIONAL FEES:	
Auditing	\$ 9,250
Legal	<u>750</u>
TOTAL PROFESSIONAL FEES	<u>\$ 10,000</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water and Wastewater Service	<u>\$ 11,616</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 715
Bookkeeping	24,001
Operations and Billing	<u>2,402</u>
TOTAL CONTRACTED SERVICES	<u>\$ 27,118</u>
REPAIRS AND MAINTENANCE	<u>\$ 7,679</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 7,500
Insurance	1,795
Payroll Taxes	574
Travel and Meetings	1,684
Other	<u>11,893</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 23,446</u>
TOTAL EXPENDITURES	<u>\$ 79,859</u>

See accompanying independent auditor's report.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
INVESTMENTS
JUNE 30, 2023**

<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	XXXX1003	Varies	Daily	\$ 27,315	\$ - 0 -
<u>DEBT SERVICE FUND</u> LOGIC	XXXX1002	Varies	Daily	\$ 111,023	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u> LOGIC	XXXX1001	Varies	Daily	\$ 73,679	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 212,017</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2023**

	Maintenance Taxes	
TAXES RECEIVABLE -		
JULY 1, 2022	\$ -0-	
Adjustments to Beginning		
Balance	\$ -0-	
Original 2022 Tax Levy	\$	
Adjustment to 2022 Tax Levy	95,202	95,202
TOTAL TO BE		
ACCOUNTED FOR		\$ 95,202
 TAX COLLECTIONS:		
Prior Years	\$	
Current Year	76,090	76,090
 TAXES RECEIVABLE -		
JUNE 30, 2023		\$ 19,112
 TAXES RECEIVABLE BY		
YEAR:		
2022		\$ 19,112

See accompanying independent auditor's report.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2023**

	2022
PROPERTY VALUATIONS:	
Land	\$ 16,420,210
Improvements	640,408
Exemptions	(9,451,639)
TOTAL PROPERTY VALUATIONS	\$ 7,608,979
 TAX RATES PER \$100 VALUATION:	
Maintenance	\$ 1.00
 ADJUSTED TAX LEVY*	 \$ 95,202
 PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	
	79.92 %

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 assessed valuation approved by voters on May 4, 2019.

See accompanying independent auditor’s report.

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**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2023**

SERIES - 2022 ROAD

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2024	\$	\$ 95,982	\$ 95,982
2025		77,475	77,475
2026	25,000	76,725	101,725
2027	30,000	75,075	105,075
2028	30,000	73,275	103,275
2029	30,000	71,475	101,475
2030	35,000	69,525	104,525
2031	35,000	67,425	102,425
2032	35,000	65,325	100,325
2033	40,000	63,075	103,075
2034	40,000	60,625	100,625
2035	45,000	57,969	102,969
2036	50,000	55,000	105,000
2037	50,000	51,875	101,875
2038	55,000	48,593	103,593
2039	55,000	45,157	100,157
2040	60,000	41,563	101,563
2041	65,000	37,656	102,656
2042	70,000	33,438	103,438
2043	70,000	29,062	99,062
2044	75,000	24,532	99,532
2045	80,000	19,688	99,688
2046	85,000	14,531	99,531
2047	90,000	9,062	99,062
2048	100,000	3,125	103,125
	<u>\$ 1,250,000</u>	<u>\$ 1,267,233</u>	<u>\$ 2,517,233</u>

See accompanying independent auditor's report.

Current Year Transactions

Bonds Sold	Retirements		Bonds Outstanding June 30, 2023	Paying Agent
	Principal	Interest		
\$ 1,250,000	\$ - 0 -	\$ - 0 -	\$ 1,250,000	BOKF, NA Dallas, Texas
Road Bonds*	Road Refunding Bonds			
\$ 33,772,000	\$ 42,215,000			
1,250,000				
<u>\$ 32,522,000</u>	<u>\$ 42,215,000</u>			

See accompanying independent auditor's report.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – TWO YEARS**

	Amounts		Percentage of Total Revenues	
	2023	2022	2023	2022
REVENUES				
Property Taxes	\$ 76,090	\$	93.2 %	%
Basic Service Charge	1,400		1.7	
Water Service	10			
Wastewater Service	7			
Penalty and Interest	15			
Investment Revenues	367	1	0.4	100.0
Miscellaneous Revenues	3,851		4.7	
TOTAL REVENUES	\$ 81,740	\$ 1	100.0 %	100.0 %
EXPENDITURES				
Professional Fees	\$ 10,000	\$ 46,412	12.2 %	4,641,200.0 %
Contracted Services	27,118	11,305	33.2	1,130,500.0
Purchased Water and Wastewater Service	11,616	11,617	14.2	1,161,700.0
Repairs and Maintenance	7,679		9.4	
Other	23,446	10,941	28.7	1,094,100.0
Capital Outlay		11,541		1,154,100.0
TOTAL EXPENDITURES	\$ 79,859	\$ 91,816	97.7 %	9,181,600.0 %
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,881	\$ (91,815)	2.3 %	(9,181,500.0) %
OTHER FINANCING SOURCES (USES)				
Developer Advances	\$ 82,259	\$ 158,488		
NET CHANGE IN FUND BALANCE	\$ 84,140	\$ 66,673		
BEGINNING FUND BALANCE (DEFICIT)	62,229	(4,444)		
ENDING FUND BALANCE (DEFICIT)	\$ 146,369	\$ 62,229		

See accompanying independent auditor's report.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – TWO YEARS**

	<u>Amounts</u>		<u>Percentage of Total Revenues</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
REVENUES				
Interest on Investments	\$ 1,173	\$ -0-	100.0 %	N/A %
TOTAL EXPENDITURES	\$ -0-	\$ -0-	0.0 %	N/A %
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,173	\$ -0-	<u>100.0 %</u>	<u>N/A %</u>
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	\$ 103,300	\$ -0-		
NET CHANGE IN FUND BALANCE	\$ 104,473	\$ -0-		
BEGINNING FUND BALANCE	_____	_____		
ENDING FUND BALANCE, AS ADJUSTED	<u>\$ 104,473</u>	<u>\$ -0-</u>		
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>33</u>	<u>N/A</u>		
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>33</u>	<u>N/A</u>		

See accompanying independent auditor's report.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2023**

District Mailing Address - Walden Pond Fresh Water Supply District of Kaufman County
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 June 30, <u>2023</u>	Expense reimbursements for the year ended June 30, <u>2023</u>	<u>Title</u>
Linda Patman	05/22 05/26 (Elected)	\$ 1,650	\$ 138	President
Blake Beecroft	05/20 05/24 (Elected)	\$ 1,350	\$ 488	Vice President
Paige S. White	05/22 05/23 (Resigned)	\$ 1,650	\$ 482	Former Secretary
Yvette Hodges	05/23 05/26 (Appointed)	\$ 300	\$ 66	Secretary
Heather Alexander	08/22 06/23 (Resigned)	\$ 450	\$ 103	Former Assistant Secretary
Sharon Kline	06/23 05/24 (Appointed)	\$ 150	\$ 11	Assistant Secretary
Randy Edwards	05/22 05/23 (Resigned)	\$ 1,800	\$ 396	Former Assistant Secretary
Clinton Wheeler	05/23 05/26 (Appointed)	\$ 150	\$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form: October 20, 2023

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

See accompanying independent auditor's report.

**WALDEN POND FRESH WATER SUPPLY DISTRICT
OF KAUFMAN COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2023**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2023</u>	<u>Title</u>
Winstead PC	12/04/18	\$ -0- \$ 33,500	Attorney Bond Related
McCall Gibson Swedlund Barfoot PLLC	09/22/22	\$ 9,250 \$ 7,000	Auditor Bond Related
Dye & Toverly, LLC	12/04/18	\$ 24,001	Bookkeeper
Barraza Consulting Group, LLC	12/04/18	\$ -0-	Engineer
Inframark Water and Infrastructure Services	05/19/22	\$ 10,082	Operator
Kathi Dye	12/04/18	\$ -0-	Investment Officer
Hilltop Securities, Inc.	01/22/19	\$ 50,600	Financial Advisor
Linebarger Goggin Blair & Sampson, LLP		\$ -0-	Delinquent Tax Attorney
Kaufman County Tax Office	05/19/22	\$ 2	Tax Assessor/ Collector

See accompanying independent auditor's report.

