FRANKLIN COUNTY WATER DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

FOX BYRD & COMPANY, P.C.
ACCOUNTANTS AND CONSULTANTS

FRANKLIN COUNTY WATER DISTRICT

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INTRODUCTORY SECTION

FRANKLIN COUNTY WATER DISTRICT

LIST OF PRINCIPAL OFFICIALS
December 31, 2023

OFFICERS

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

DIRECTORS

Dillon McAdoo
Gary Morrow

KEY PERSONNEL

Dana Reeves – General Manager
Anthony Walker – Maintenance Supervisor
Lucas Rolf – Project Manager

DISTRICT ADDRESS

Franklin County Water District
P.O. Box 559
Mount Vernon, Texas 75457
Phone (903) 537-4536

FRANKLIN COUNTY WATER DISTRICT

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF: Franklin §

I, Gary Cunningham, President
(Name of Duly Authorized District Representative)

of the Franklin County Water District
(Name of District)

hereby swear, or affirm, that the district named above has reviewed, approved, and filed at a meeting of the Board of Directors of the District on the _____ day of _____, 2024, its annual audit report for the fiscal year or period ended December 31, 2023, and that copies of the annual audit report have been filed in the district office, located at 112 N. Houston St., Mount Vernon, Texas, Franklin.
(Address of District) (County)

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date March 26, 2024 By: _____
(Signature of District Representative)

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

Sworn to and subscribed to before me this 26 day of March, 2024.

MARY A. STOKES
Notary Public
STATE OF TEXAS
Notary I.D. 13384993-2
My Comm. Exp. July 8, 2026

_____
(Signature of Notary)

(Seal)

My Commission Expires on: July 8, 2026, Notary Public in and for the State of Texas.

FINANCIAL SECTION

FOX BYRD & COMPANY, P.C.
ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Franklin County Water District
Mount Vernon, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Franklin County Water District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Franklin County Water District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Franklin County Water District, as of December 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Franklin County Water 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

Franklin County Water District's 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 Franklin County Water 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 GAAS will always detect a

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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 GAAS, 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 Franklin County Water 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 Franklin County Water 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 Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual on pages 6-8 and 18 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Franklin County Water District's basic financial statements. The Supplementary Schedules Required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules Required by the Texas Commission on Environmental Quality are 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. Such information 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 Supplementary Schedules Required by the Texas Commission on Environmental Quality are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fox, Byrd + Company, P.C.
Dallas, Texas
March 20, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is provided by the Franklin County Water District, hereafter referred to as the District.

The Franklin County Water District is a conservation and reclamation district that was created by a special act of the Texas Legislature in 1965. The District's statutory duty is to control, store, and preserve and distribute its (the District's) waters and flood waters for all useful purposes. The District is the sole provider of wholesale water for Franklin County. The District has three wholesale water customers and one water rights holder. The District, as an ancillary function, oversees the leases and acts as landlord for District owned land, collecting lease payments and use fees. The District manages and operates park and recreational facilities on Lake Cypress Springs.

Financial Highlights

- At December 31, 2023, the District reported total assets of $15,721,408 and net position of $13,958,404.
- The net position of the District increased during the year by $225,260, or approximately 1.6%.
- The District had an operating loss of $263,050 for the year resulting from ongoing operations net of increased labor costs from multiple employees being hired during 2023.
- The District's net capital assets increased during the year by $168,294 due to capital expenditures net of depreciation expense.
- The District's long-term debt decreased during the year by $232,699 due to scheduled principal payments, net of amortization of capitalized issuance costs.

Overview of the Financial Statements

This section is intended to serve as introduction to the District's basic financial statements. The basic financial statements are: 1) Statement of Net Position; 2) Statement of Revenues, Expenses, and Changes in Net Position; and 3) Statement of Cash Flows.

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and creditworthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides information regarding the sources and uses of cash during the reporting period, and the beginning and ending balances of cash for the reporting period.

The financial statements also include notes that explain in more detail some of the information in the financial statements.

Summaries of the District's Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position are presented below.

Condensed Statements of Net Position

	12/31/2023	12/31/2022	Dollar Change	Percent Change
Current and other assets	$ 7,287,375	$ 7,434,570	$ (147,195)	(1.98) %
Captial assets, net	8,434,033	8,265,739	168,294	2.04
Total assets	$ 15,721,408	$ 15,700,309	$ 21,099	0.13 %
Long-term debt outstanding	$ 1,201,959	$ 1,434,658	$ (232,699)	(16.22) %
Other liabilities	561,045	532,507	28,538	5.36
Total liabilities	$ 1,763,004	$ 1,967,165	$ (204,161)	(10.38) %
Invested in capital assets, net of related indebtedness	$ 7,232,074	$ 6,831,081	$ 400,993	5.87 %
Restricted	119,328	159,953	(40,625)	(25.40)
Unrestricted	6,607,002	6,742,110	(135,108)	(2.00)
Total net position	$ 13,958,404	$ 13,733,144	$ 225,260	1.64 %

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

	2023	2022	Dollar Change	Percent Change
Operating revenue	$ 1,867,584	$ 1,862,165	$ 5,419	0.29 %
Non-operating revenue	483,229	322,967	160,262	49.62
Total revenue	2,350,813	2,185,132	165,681	7.58
Depreciation expense	222,322	201,740	20,582	10.20
Other operating expense	1,908,312	1,656,272	252,040	15.22
Non-operating expense	23,343	26,026	(2,683)	(10.31)
Total expenses	2,153,977	1,884,038	269,939	14.33
Change in net position	196,836	301,094	(104,258)	(34.63)
Beginning net position	13,761,568	13,432,050	329,518	2.45
Ending net position	$ 13,958,404	$ 13,733,144	$ 225,260	1.64 %

The overall financial position and regular, ongoing operations of the District remain sound. Net capital assets increased by $168,294 in 2023 due to capital expenditures of $396,120, net disposals of $5,504, net of depreciation expense of $222,322. The majority of capital expenditures were in connection with the continuation of the project for improvements to the dam. Bonds payable decreased $232,699 in 2023 due to scheduled principal payments of $240,000, net of amortization of capitalized issuance costs of $7,301.

The $5,419 increase in operating revenue is due to normal fluctuations. The $252,040 increase in other operating expenses in 2023 is primarily attributable to increased labor costs from the previous year's levels.

Capital Asset and Debt Administration

The District's investment in capital assets as of December 31, 2023, consisted of land, lake construction, dam reconstruction, buildings, machinery and equipment, vehicles, and park and lake assets. The District is currently in the construction phase for improvements to the dam, and costs associated with the project will continue to increase net capital assets through its completion.

The District's long-term debt activity during 2023 consisted of scheduled principal payment in the amount of $240,000.

Economic Factors and Next Year's Budgets and Rates

During 2013, the District began addressing erosion issues relating to the dam remediation project with its attorneys and consulting engineers. The Districts litigation to address these erosion issues was settled in 2018. The District has studied options for improving the dam to remediate the erosion and is currently in the construction phase for improvements to the dam.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Franklin County Water District, P.O. Box 559, Mount Vernon, Texas 75457.

FRANKLIN COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

ASSETS

CURRENT ASSETS		
Unrestricted cash and cash equivalents	$	5,607,952
Investments		1,285,700
Receivables		
Property taxes receivable, net		271,846
Accounts receivable		452
Total current assets		7,165,950
OTHER ASSETS		
Cash restricted for debt service		119,328
Utility deposits		2,097
Capital assets, net		8,434,033
	$	15,721,408

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	$	52,031
Accrued interest payable		4,734
Other accrued liabilities		32,384
Bonds payable, current portion		240,000
Deferred revenue		471,896
Total current liabilities		801,045
BONDS PAYABLE, NON-CURRENT PORTION		961,959
		1,763,004
NET POSITION		
Invested in capital assets, net of related indebtedness		7,232,074
Restricted for debt service		119,328
Unrestricted		6,607,002
		13,958,404
	$	15,721,408

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

FRANKLIN COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023

OPERATING REVENUE		
Permits and other fees	$	701,944
Water sales and M&O fees		566,464
Admission fees		477,120
Lease income		122,056
		1,867,584
OPERATING EXPENSES		
Labor and personnel		1,096,940
Legal fees and other professional fees		290,702
Depreciation		222,322
Utilities		126,622
Engineering fees		117,566
Repairs and maintenance		90,991
Supplies		62,767
Insurance		28,233
Other operating expenses		94,491
		2,130,634
OPERATING LOSS		(263,050)
NON-OPERATING REVENUE AND EXPENSE		
Ad valorem taxes		282,165
Interest income		199,425
Interest expense		(23,343)
Other income and expense, net		(5,689)
Gain (Loss) on Disposal of Fixed Assets		7,328
		459,886
INCREASE IN NET POSITION		196,836
NET POSITION, beginning		13,761,568
NET POSITION, ending	$	13,958,404

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

FRANKLIN COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net position	$	196,836
Adjustments to reconcile increase in net position to net cash provided by operating activities		
Depreciation		222,322
Amortization of bond issuance costs		7,300
Gain on sale of equipment		(7,328)
Net change in		
Restricted cash		40,625
Receivables		(68,105)
Accounts payable and accrued liabilities		9,665
Deferred revenue		6,689
Net cash provided by operating activities		408,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments		(1,285,700)
Proceeds from sales of investments		2,067
Acquisition of capital assets		(349,512)
Disposal of capital assets		6,833
Net cash used in investing activities		(1,626,312)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term debt		(240,000)
Net cash used in financing activities		(240,000)
DECREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		(1,458,308)
UNRESTRICTED CASH AND CASH EQUIVALENTS, beginning		7,066,260
UNRESTRICTED CASH AND CASH EQUIVALENTS, ending	$	5,607,952
NONCASH INVESTING AND FINANCING ACTIVITIES		
Non Cash Capital Assets Transactions	$	(40,608)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Franklin County Water District was created by an act of the Legislature, H.B. No. 1161, 59th Legislature of the State of Texas. The Board of Directors held its first meeting on June 15, 1965, and its first bonds were sold on January 13, 1966.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

The reporting entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations within the District's reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards No. 14, *The Financial Reporting Entity*, is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The District's financial statements do not include any component units because none of the criteria for inclusion as set forth in GASB 14 have been met.

Proprietary funds

Enterprise funds (a type of proprietary fund) are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's enterprise fund accounts for the operations of providing raw water for municipal use out of Lake Cypress Springs and for the management and maintenance of the lakes, parks, and recreational facilities located on property owned by the District. The District also leases land to tenants, generally under ninety-nine year leases, and collects land use rents. Aggregate future minimum rentals on non-cancelable leases for the next five fiscal years amount to approximately $95,000 annually.

Basis of accounting and financial statement presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. Generally accepted accounting principles prescribed by the Financial Accounting Standards Board are applied unless they conflict with or contradict GASB pronouncements, or were issued after November 30, 1989.

Proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and demand deposit accounts in banks.

Investments

Investments are stated at fair value based on quoted prices in active markets for identical assets. The amortization of premiums and accretion of discounts is recognized in interest income using methods approximating the interest method over the remaining term of the investment.

Receivables

Accounts receivable are considered fully collectible; accordingly, no allowance for doubtful accounts is required. In the event an account in whole or in part becomes uncollectible in the future, such amount will be charged to operations when that determination is made.

Ad valorem (property) taxes

Ad valorem (property) taxes are levied on October 1st by the District based on the January 1st property values as assessed by the Franklin County Appraisal District. Taxes are due without penalty until January 31st of the next calendar year. After January 31st the District has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the District.

Depreciation

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line method. The service lives by type of asset are as follows:

Dam reconstruction	50 years
Buildings	5 – 20 years
Machinery and equipment	3 – 20 years
Vehicles	3 – 5 years
Furniture and fixtures	2 – 10 years
Park and lake assets	3 – 20 years

Advance lease and permit payments

Lease income, water permit fees, and pier and boathouse permit fees are recognized when earned. Revenues are considered to be earned when the District has performed all services related to the generation of revenue. At December 31, 2023, the District had received payment for services to be performed subsequent to year end. The advance payments are reflected as deferred revenue in the statement of net position. The revenue relating to these payments will be recognized in the period the service is performed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accumulated unpaid vacation and sick leave

An allowance for compensated absences has not been reflected in these financial statements because the liability is not material. Unused sick leave carried over to a subsequent year is capped at sixty days and is lost upon termination. Employees may elect to be paid for up to five days of unused vacation annually. Any remaining vacation must either be used by the employee's anniversary date of each year or it is lost.

Estimates

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

Subsequent Events

Management has evaluated subsequent events through **March 20, 2024**, which is the date the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. At December 31, 2023, the District's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Accordingly, the District's deposits were not exposed to custodial credit risk.

Investments

The Texas Public Funds Investment Act and the District's investment policy authorize the District to invest in U.S. Treasury securities, U.S. agency securities, including mortgage-backed securities, state and local government obligations; certificates of deposit; repurchase agreements; banker's acceptances; commercial paper and external investment pools. The District's investment policy sets forth specific criteria that each of these investments must meet to be eligible investments.

Custodial credit risk for investments is the risk that the District will not be able to recover the value of its investments that are in the possession of an outside party. At December 31, 2023, the District's investments were entirely insured or registered in the District's name. Accordingly, the District's investments were not exposed to custodial credit risk. At December 31, 2023, the District's investments comprised CD's valued at $1,285,700 maturing 2024.

3. CAPITAL ASSETS

The District's capital asset activity during 2023 was as follows:

	Balance 1/1/2023	Additions	Retirements	Balance 12/31/2023
Non-depreciable assets				
Land	$ 1,069,405	$ -	$	$ 1,069,405
Lake construction	2,791,312	-	-	2,791,312
Construction in process	104,403	224,873		329,276
	3,965,120	224,873	-	4,189,993
Depreciable assets				
Dam construction	4,635,761	-	-	4,635,761
Buildings	378,296	-	-	378,296
Machinery and equipment	448,382	-	-	448,382
Vehicles	321,749	165,373	(55,059)	432,063
Furniture and fixtures	189,367	-	-	189,367
Parks and lake assets	2,118,166	5,880	-	2,124,046
	8,091,721	171,253	(55,059)	8,207,915
Total capital assets	12,056,841	396,126	(55,059)	12,397,908
Accumulated depreciation	(3,791,103)	(222,322)	49,554	(3,963,871)
	$ 8,265,738	$ 173,804	$ (5,505)	$ 8,434,037

4. LONG-TERM DEBT

As of December 31, 2023, bonds payable comprised the Unlimited Tax Refunding Bond, Series 2020, dated May 6, 2020, in the aggregate principal amount of $2,165,000. Interest is payable semi-annually at 1.15% and principal is payable annually through September 1, 2028. The bonds are secured by a first lien on the net proceeds of annual ad valorem tax levied against all taxable property located in the District. The bond proceeds were used to refund the outstanding balance of the District's Unlimited Tax Bond, Series 2008, which was issued in 2008 to fund remediation and repairs to the District's Franklin County Dam and structures and facilities for Lake Cypress Springs.

4. LONG-TERM DEBT - continued

The District's long-term debt activity during 2023 was as follows:

	Balance 1/1/2023	Issued in 2023	Retired in 2023	Balance 12/31/2023	Due in 2024
Unlimited tax bonds					
Series 2020	$ 1,475,000	$ -	$ (240,000)	$ 1,235,000	$ 240,000
Issuance costs	(40,342)	-	7,301	(33,041)	-
	$ 1,434,658	$ -	$ (232,699)	$ 1,201,959	$ 240,000

The scheduled maturities of bonds payable as of December 31, 2023 are as follows:

Year Ending December 31:	Principal	Interest	Total
2024	$ 240,000	$ 14,203	$ 254,203
2025	240,000	11,443	251,443
2026	250,000	8,683	258,683
2027	250,000	5,808	255,808
2028	255,000	2,933	257,933
	$ 1,235,000	$ 43,070	$ 1,278,070

5. WATER CUSTOMERS

At December 31, 2023, the District had three wholesale customers and one water rights holder connected with the system. These entities (none of which are residential users) are as follows:

City of Mount Vernon
City of Winnsboro
Cypress Springs Special Utility District
City of Mount Pleasant (water rights holder)

For the year ended December 31, 2023, the wholesale customers used 2,359.64 acre-feet of surface water.

6. RETIREMENT PLANS

The District maintains a deferred compensation plan under Section 457 of the Internal Revenue Code (the "457 Plan"). Employees are eligible to participate in the 457 Plan upon the completion of six months of service as defined by the 457 Plan. The 457 Plan allows employees to make pre-tax contributions to specified limits. Employees are fully vested at all times in their contributions to the 457 Plan. The District does not make contributions to the 457 Plan.

The District also maintains a qualified retirement plan under Section 401 of the Internal Revenue Code (the "401 Plan"). Employees are eligible to participate in the 401 Plan upon the completion of six months of service as defined by the 401 Plan. The District makes matching contributions to the 401 Plan equal to the lesser of 100% of a participant's contributions or 7% of the participant's compensation. The 401 Plan has a seven-year vesting schedule with 20% being vested the third year and an additional 20% becoming vested annually thereafter.

The total covered payroll for 2023 was $618,602, while total payroll for all employees was $817,528. The employer's 2023 contributions to the 401 Plan totaled $30,332, or 4.9% of covered payroll. The employees' 2023 contributions to the 401 Plan totaled $32,595, or 5.3% of covered payroll.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other various claims. The District purchases commercial insurance to indemnify it in the event of loss. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the two prior years.

SUPPLEMENTARY INFORMATION

FRANKLIN COUNTY WATER DISTRICT
SCHEDULE OF REVENUE, EXPENSES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
For the Year Ended December 31, 2023

	Original Budget	Amended Budget	Actual
OPERATING REVENUES			
Permits and other fees	$ 660,000	$ 660,000	$ 701,944
Water sales and M&O fees	518,000	518,000	566,464
Admission fees	700,000	700,000	477,120
Lease income	111,200	111,200	122,056
	1,989,200	1,989,200	1,867,584
OPERATING EXPENSES			
Labor and personnel	943,805	943,805	1,096,940
Legal fees and other professional fees	128,900	128,900	290,702
Depreciation	-	-	222,322
Utilities	104,000	104,000	126,622
Engineering fees	400,000	400,000	117,566
Repairs and maintenance	160,000	160,000	90,991
Supplies	65,000	65,000	62,767
Insurance	45,300	45,300	28,233
Other operating expenses	68,500	68,500	94,491
	1,915,505	1,915,505	2,130,634
OPERATING INCOME(LOSS)	73,695	73,695	(263,050)
NON-OPERATING REVENUE AND EXPENSE			
Ad valorem taxes	250,000	250,000	282,165
Interest income	100,000	100,000	199,425
Interest expense	-	-	(23,343)
Other income and expense, net	20,000	20,000	1,639
	370,000	370,000	459,886
CHANGE IN NET POSITION	443,695	443,695	196,836
BUDGETARY RECONCILIATION			
Interest expense	-	-	23,343
Debt service	(249,608)	(249,608)	(240,000)
Depreciation	-	-	222,322
Capital expenditures	(36,000)	(36,000)	(396,126)
NET BUDGETARY BASIS	$ 158,087	$ 158,087	$ (193,625)

FRANKLIN COUNTY WATER DISTRICT
INDEX OF SUPPLEMENTARY SCHEDULES REQUIRED BY
THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
For the Year Ended December 31, 2023

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FRANKLIN COUNTY WATER DISTRICT
SCHEDULE OF SERVICES AND RATES
For the Year Ended December 31, 2023

1. Services provided by the District:

☐ Retail water	☒ Wholesale water	☐ Drainage
☐ Retail wastewater	☐ Wholesale wastewater	☐ Irrigation
☒ Parks / recreation	☐ Fire protection	☐ Security
☐ Solid waste / garbage	☐ Flood control	☐ Roads

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

☐ Other (specify): _____

2. Retail rates based on 5/8" meter: ☒ Retail rates not applicable

Most prevalent type of meter (if not 5/8"): _____

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate / 1,000 Gallons Over Minimum	Usage Levels
Water	$ _____	_____	_____	$ _____	_____ to _____
Wastewater	$ _____	_____	_____	$ _____	_____ to _____
Surcharge	$ _____	_____	_____	$ _____	_____ to _____

District employs winter averaging for wastewater: ☐ Yes ☐ No

Total water and wastewater charges / 10,000 gallons usage (incl surcharges): $ _____

3. Retail service providers: Number of retail water and/or wastewater* connections within the District as of the fiscal year end. Provide the actual numbers and single family equivalents (ESFC) as noted:

☒ Retail connections not applicable

	Active Connections	Active ESFC	Inactive Connections (ESFC)**
Single family	_____	_____	_____
Multi-family	_____	_____	_____
Commercial	_____	_____	_____
Other - recreation centers, government & VFD	_____	_____	_____
Total	_____	_____	_____

* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.
** "Inactive" means that water and wastewater connections were made, but service is not being provided.

FRANKLIN COUNTY WATER DISTRICT
SCHEDULE OF SERVICES AND RATES (continued)
For the Year Ended December 31, 2023

4. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into system	768,891,054
Gallons billed to customers	768,891,054

5. Standby fees: Does the District assess standby fees? ☐ Yes ☒ No

For the most recent fiscal year, FYE: _____

Debt service	Total levy	$ _____
	Total collected	_____
	Percentage collected	_____
Operations and maintenance	Total levy	$ _____
	Total collected	_____
	Percentage collected	_____

Have the standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? ☐ Yes ☐ No

6. Anticipated sources of funds to be used for debt service payments in the District's following fiscal year:

	Amount
a. Debt service tax receipts	$ 254,203
b. Surplus construction funds	
c. Water and/or wastewater revenue	
d. Standby fees	
e. Debt service fund balance to be used	
f. Interest revenue	
g. Other (describe)	
_____	
Total anticipated funds to be used*	$ 254,203

7. Location of District:

County(ies) in which the District is located: Franklin

Is the District located entirely within one county? ☒ Yes ☐ No

Is the District within a city? ☐ Entirely ☒ Partly ☐ Not at all

City(ies) in which the District is located: Mount Vernon and Winnsboro

Is the District located within a city's extra territorial jurisdiction (ETJ)? ☐ Entirely ☐ Partly ☒ Not at all

ETJ in which the District is located: N/A

Is the general membership of the board appointed by an outside office? ☐ Yes ☒ No

If yes, by whom? N/A

* Total should equal the District's annual debt service for the fiscal year following the fiscal year reported

FRANKLIN COUNTY WATER DISTRICT
SCHEDULE OF OPERATING EXPENSES
For the Year Ended December 31, 2023

Labor and personnel	$	1,096,940
Legal fees and other professional fees		290,702
Depreciation		222,322
Utilities		126,622
Engineering fees		117,566
Repairs and maintenance		90,991
Supplies		62,767
Insurance		28,233
Other operating expenses		94,491
	$	2,130,634
Number of persons employed by the District		14 full-time
		-0- part-time

FRANKLIN COUNTY WATER DISTRICT
SCHEDULE OF TAXES LEVIED AND RECEIVABLE
For the Year Ended December 31, 2023

		Debt Service Taxes
Taxes receivable, 1/1/2023	$	202,285
2023 original levy		279,311
Less abatements		-
Total to be accounted for		481,596
Tax collections		(209,750)
Taxes receivable, 12/31/2023	$	271,846
Property valuation		
Land	$	440,758,403
Improvements		1,548,043,678
Personal property		128,404,780
Total appraised value	$	2,117,206,861
Tax rate per $100 valuation	$	0.014
Original tax levey	$	279,311
Percent of taxes collected to taxes levied		75.1%

FRANKLIN COUNTY WATER DISTRICT
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS
For the Year Ended December 31, 2023

Fiscal Year Ending December 31:	Principal Due	Interest Due	Total
Unlimited Tax Bonds, Series 2020			
(Principal due September 1, interest due March 1 and September 1)			
2024	$ 240,000	$ 14,203	$ 254,203
2025	240,000	11,443	251,443
2026	250,000	8,683	258,683
2027	250,000	5,808	255,808
2028	255,000	2,933	257,933
	$ 1,235,000	$ 43,070	$ 1,278,070
Capitalized issuance costs	(33,041)		
Total carrying value	$ 1,201,959		

FRANKLIN COUNTY WATER DISTRICT
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For the Year Ended December 31, 2023

	Series 2020
Interest rates	1.15%
Dates interest payable	3/1 and 9/1
Maturity dates	9/1/2020 to 9/1/2028
Bonds outstanding at the beginning of the year	$ 1,475,000
Bonds sold during the current year	-
Principal retired	(240,000)
Bonds outstanding at the end of the year	$ 1,235,000

Paying agent's name and address:
The Bank of New York Mellon Trust Company, N.A. - Dallas, Texas

	Tax Bonds *	Other Bonds	Refunding Bonds
Bond authority:			
Amount authorized by voters	$ 3,800,000	$ -	$ -
Amount issued	$ 3,800,000	$ -	-
Amount remaining to be issued	$ -	$ -	-

* Includes all bonds secured with tax revenue

FRANKLIN COUNTY WATER DISTRICT
COMPARATIVE SCHEDULE OF REVENUE AND EXPENSES
For the Five Years Ended December 31, 2023

	Amount					Percent of Operating Revenue				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
OPERATING REVENUE										
Lease income	$ 122,056	$ 116,801	$ 231,849	$ 180,876	$ 118,280	7 %	6 %	12 %	10 %	8 %
Admission fees	477,120	476,518	517,385	414,987	349,960	26	26	27	24	23
Permits and other fees	701,944	712,493	631,490	604,749	580,328	38	38	33	35	38
Water sales and M&O fees	566,464	556,353	546,963	536,089	496,209	30	30	28	31	32
Total operating revenue	1,867,584	1,862,165	1,927,687	1,736,701	1,544,777	100	100	100	100	100
OPERATING EXPENSES										
Labor and personnel	1,096,940	838,351	905,342	726,766	774,085	59	45	47	42	50
Engineering fees	117,566	129,869	160,009	409,559	223,910	6	7	8	24	14
Legal fees and other professional	290,702	245,178	307,766	102,894	96,848	16	13	16	6	6
Supplies	62,767	61,331	66,581	45,229	54,563	3	3	3	3	4
Repairs and maintenance	90,991	129,341	96,497	241,617	109,627	5	7	5	14	7
Utilities	126,622	163,684	103,987	98,922	100,412	7	9	5	6	7
Insurance	28,233	33,161	35,633	37,184	36,828	2	2	2	2	2
Depreciation	222,322	201,740	215,789	210,225	211,907	12	11	11	12	14
Other operating expenses	94,491	55,357	117,277	57,655	54,436	5	3	6	3	4
Total operating expenses	2,130,634	1,858,012	2,008,881	1,930,051	1,662,616	114	100	104	111	108
Operating income (loss)	(263,050)	4,153	(81,194)	(193,350)	(117,839)	(14)	-	(4)	(11)	(8)
NON-OPERATING REVENUE AND EXPENSE										
Interest income	199,425	53,001	21,419	47,297	90,481	11	3	1	3	6
Ad valorem taxes	282,165	260,319	259,304	259,752	255,846	15	14	13	15	17
Change in value of investments	-	-	-	-	(12,342)	-	-	-	-	(1)
Gain on disposal of capital assets	-	-	3,048	-	15,975	-	-	-	-	1
Interest expense	(23,343)	(26,026)	(30,482)	(59,922)	(104,247)	(1)	(1)	(2)	(3)	(7)
Other income and expense, net	1,639	9,647	(2,088)	6,416	24,781	-	1	-	-	2
Net non-operating revenue	459,886	296,941	251,201	253,543	270,494	25	16	13	15	18
Increase in net position	$ 196,836	$ 301,094	$ 170,007	$ 60,193	$ 152,655	11 %	16 %	9 %	3 %	10 %

FRANKLIN COUNTY WATER DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For the Year Ended December 31, 2023

Complete district mailing address: P.O. Box 559, Mount Vernon, Texas 75447
District business telephon number: (903) 537-4536

Name and Address	Term of Office or Date Hired	Fees and Expense Reimbursements	Title at Year End	Resident of District
Board members:				
Billy M. Jordan 627 TX Hwy 37 Mt. Vernon, TX 75457	Elected 5/21 - 5/25	$ 1,351.09	Vice President	Yes
Rodney Newsom P.O. Box 312 Mt. Vernon, TX 75457	Elected 5/23 - 5/27	1,676.85	Secretary	Yes
Gary Cunningham P.O. Box 701 Mt. Vernon, TX 75457	Elected 5/19 - 5/25	1,500.00	President	Yes
Dillon McAdoo 188 Purley Farms Circle Mt. Vernon, TX 75457	Elected 5/23 - 5/27	894.32	Director	Yes
Gary Morrow 81 Frank Street Mt. Vernon, TX 75457	Elected 5/23 - 5/27	800.00	Director	Yes
Key administrative personnel:				
Dana Reeves P.O. Box 314 Mt. Vernon, TX 75457	Hired 3/23	62,404.32	General Manager	Yes
Anthony Walker P.O. Box 377 Mt. Vernon, TX 75457	Hired 1/11	54,372.50	Maintenance Supervisor	Yes
Lucas Rolf 1909 CR 1165 Mt. Pleasant, TX 75455	Hired 9/23	14,870.25	Project Manager	Yes

NOTE: No director is disqualified from serving on this board under the Texas Water Code.

FRANKLIN COUNTY WATER DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (continued)
For the Year Ended December 31, 2023

Name and Address	Term of Office or Date Hired	Fees and Expense Reimbursements	Title at Year End	Resident of District
Consultants:				
Boyle & Lowry 4201 Wingren Dr. Ste. 108 Irving, TX 75062	Hired 2023	$ 6,875	Attorney	No
Lloyd Gosselink, Attorney at Law 816 Congress Ave Ste 1900 Austin, TX 78701	Hired 2014	256,128.04	Attorney	No
Carollo Engineers P.O. Box 4932 Houston, TX 77210	Hired 2015	74,256.10	Engineers	No
Fox, Byrd & Company, P.C. 12001 N. Central Expy Ste 500 Dallas, TX 75243	Hired 1993	17,100.00	Auditor	No
Stranger Surveying PO Box 131194 Tyler, TX 75713	Hired 2019	-	Surveyor	No
Bullock, Bennett & Associated, LLC 165 N. Lampasas Street Bertram, TX 78605	Hired 2022	9,570.00	Engineers	No
Schnabel Engineering PO Box 7422 Merrifield, VA 22116	Hired 2022	257,545.53	Engineers	No