

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2022

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INTRODUCTORY SECTION

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }
COUNTY OF _____ }

I, _____ of the
(Name of Duly Authorized Authority Representative)

(Name of Authority)

hereby swear, or affirm, that the Authority above has reviewed and approved at a meeting of the Authority's Board of Directors on the _____ day of _____, 2022, its annual report for the fiscal period ended _____ and that copies of the annual audit report have been filed in the Authority's office, located at _____.

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: _____

By: _____
(Signature of Authority Representative)

(Typed Name and Title of Authority Representative)

Sworn to and subscribed to before me this _____ day of _____, 2022.

(SEAL)

(Signature of Notary)

My Commission Expires on: _____
Notary Public in the State of Texas

FINANCIAL SECTION



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

Independent Auditor's Report on Financial Statements

Board of Directors
North Central Texas Municipal Water Authority
Munday, Texas

Members of the Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of North Central Texas Municipal Water Authority (Authority) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority as of September 30, 2022, and the respective 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Authority 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 Authority'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 and *Government 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 and *Government 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 Authority'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 Authority'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, budgetary comparison information, Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System, Schedule of Employer Contributions – Texas County and District Retirement System, Schedule of Changes in Total OPEB Liability and Related Ratios – Texas County and District Retirement System, and Schedule of Employer's Other Post Employment Benefit (OPEB) Contributions – Texas County and District Retirement System identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Texas supplementary information section 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 financial statements. The Texas supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or any form of assurance thereon.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November XX, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

Wichita Falls, Texas
November XX, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of North Central Texas Municipal Water Authority's Annual Financial Report presents our discussion and analysis of the Authority's financial performance during the year ended September 30, 2022. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's net position was \$6,700,005 at September 30, 2022.
- During the year, the Authority's total net position increased \$69,142 from the prior year. The Authority's expenses which totaled \$1,425,867 were less than the Authority's revenues of \$1,316,120, plus the net non-operating revenues (expenses) of \$178,889.
- At the end of the current fiscal year, unrestricted net position was \$751,308 or 53% of annual operating expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: the financial statements and the notes to the basic financial statements.

Financial Statements

All of the Authority's activities are reported in the financial statements, including all capital asset and debt financing activities.

The financial statements are designed to provide readers a broad overview of the Authority's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Authority's financial position is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* details how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to obtain a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain *required supplementary information* and *supporting schedules* that includes schedules required by the Texas Commission on Environmental Quality.

FINANCIAL ANALYSIS OF THE AUTHORITY

As noted previously, net position may serve over time as a useful indicator of a government's financial position. Exhibited below in Table 1 is the Authority's net position.

Table 1 - Authority's Net Position

	2022	2021	Change	% Change
Current assets	\$ 1,793,005	\$ 1,777,814	\$ 15,191	1%
Capital assets, net	8,845,482	9,070,657	(225,175)	-2%
Noncurrent asset	382,446	22,011	360,435	1638%
Total Assets	11,020,933	10,870,482	150,451	1%
Deferred Outflows	112,656	139,586	(26,930)	-19%
Current liabilities	256,543	253,208	3,335	1%
Noncurrent liabilities	3,826,109	4,039,789	(213,680)	-5%
Total Liabilities	4,082,652	4,292,997	(210,345)	-5%
Deferred Inflows	350,932	86,208	264,724	307%
Net position:				
Net investment in capital assets	5,700,656	5,706,640	(5,984)	0%
Restricted	248,041	247,796	245	0%
Unrestricted	751,308	676,427	74,881	11%
Total Net Position	\$ 6,700,005	\$ 6,630,863	\$ 69,142	1%

Net investment in capital assets (e.g. land, buildings, furniture, and equipment less any related debt used to acquire those assets that is still outstanding) is \$5,700,656. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The \$751,308 of unrestricted net position represents resources available to fund the operations of the Authority next year if sufficient resources are not derived from future resources. The restricted portion of \$248,041 is for the repayment of its bonded debt.

Changes in net position. The Authority's total revenues were \$1,499,909. Of the revenue, 86% comes from water sales, 12% comes from property tax revenues and 2% comes from other categories. (See Table 2.)

Water sales only increased \$62,301 from the prior year due to no changes in rates and fairly consistent usage by member and non-member districts.

Table 2 - Authority's Revenues (Operating and Non-Operating)

	2022	Percent	2021	Percent
Charges for water services	\$ 1,296,006	86%	\$ 1,233,705	86%
Office management service	19,081	1%	17,827	1%
Miscellaneous	1,033	0%	7,229	1%
Property tax revenues	180,092	12%	173,145	12%
Investment earnings	3,697	0%	1,057	0%
Total Revenues	\$ 1,499,909	100%	\$ 1,432,963	100%

The total cost of all programs and services was \$1,430,767. The Authority's expenses cover a range of services with 47% related to source of supply, 22% for administration and general, 18% for depreciation and several categories that comprise 13% of total expense. (See Table 3.)

Total expenses increased by \$118,302 from the prior year. Source of supply expenses increased \$120,509 due to additional repair costs to existing water tanks and more bulk chemicals being purchased.

Table 3 - Authority's Expenses (Operating and Non-Operating)

	2022	Percent	2021	Percent
Source of supply	\$ 669,879	47%	\$ 549,370	43%
Power and pumping	168,337	12%	150,739	11%
Transmission and distribution	13,927	1%	12,588	1%
Accounting and collecting	5,367	0%	5,315	0%
Administration and general	307,997	22%	326,939	25%
Depreciation	260,360	18%	261,864	20%
Interest expense	4,900	0%	5,650	0%
Total Expenses	\$ 1,430,767	100%	\$ 1,312,465	100%

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

At September 30, 2022, the Authority had invested \$8,845,482 in a broad range of capital assets as shown in Table 4. This amount represents a net decrease (including additions and deductions) of \$225,175, a decrease of 2% from the prior year. The decrease is due to annual depreciation charges exceeding capital additions during the year.

Table 4 - Capital Assets, Net

	2022	2021	Change	% Change
Land	\$ 782,703	\$ 782,703	\$ -	N/A
Storage rights	975,649	975,649	-	N/A
Construction in progress	34,216	34,216	-	N/A
Organization & engineering costs, net	79,310	92,172	(12,862)	-14%
Water distribution system, net	6,138,647	6,309,536	(170,889)	-3%
Other structures, net	778,605	792,143	(13,538)	-2%
Office buildings, net	10,200	12,244	(2,044)	-17%
Equipment, net	18,457	26,534	(8,077)	-30%
Vehicles, net	27,695	45,460	(17,765)	-39%
Totals	\$ 8,845,482	\$ 9,070,657	\$ (225,175)	-2%

More detailed information about the Authority's capital assets is presented in the notes to the financial statements.

Long-term Debt

At September 30, 2022, the Authority had \$4,000,000 in bonds outstanding as shown in Table 5. The decrease of \$216,000 is the result of the Authority paying the required principal payments in the current year.

Table 5 - Long-term Debt

	2022	2021	Change	% Change
Subordinate Revenue Bonds, Series 2008	\$ 165,000	\$ 196,000	\$ (31,000)	-16%
Subordinate Revenue Bonds, Series 2012	3,835,000	4,020,000	(185,000)	-5%
Totals	\$ 4,000,000	\$ 4,216,000	\$ (216,000)	-5%

Additional information about the Authority's long-term debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S FINANCIAL OUTLOOK

For 2022-23, the Authority does not anticipate any significant changes in operations. In total, revenues are budgeted to increase \$11,941. Expenses are budgeted to increase \$125,443 (before depreciation expense). Should the budgeted amounts be recognized, the Authority's net position should decrease \$44,360 for the fiscal year ended September 30, 2023.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's office.

BASIC FINANCIAL STATEMENTS

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

STATEMENT OF NET POSITION SEPTEMBER 30, 2022

Assets		
Current assets:		
Cash and cash equivalents	\$ 564,863	
Investments	248,041	
Accounts receivable	117,715	
Property taxes receivable, net	7,212	
Restricted assets - cash and cash equivalents	855,174	
Total current assets		\$ 1,793,005
Noncurrent assets:		
Capital assets, net	8,845,482	
Net pension asset	382,446	
Total noncurrent assets		9,227,928
Total assets		11,020,933
Deferred Outflows of Resources		
Pension-related outflows	104,440	
OPEB-related outflows	8,216	
Total deferred outflows of resources		112,656
Liabilities		
Current liabilities:		
Accounts payable	21,977	
Accrued liabilities	18,566	
Bonds payable, current maturities	216,000	
Total current liabilities		256,543
Long-term liabilities:		
Bonds payable, less current maturities	3,784,000	
Total OPEB liability	42,109	
Total long-term liabilities		3,826,109
Total liabilities		4,082,652
Deferred Inflows of Resources		
Pension-related inflows	350,001	
OPEB-related inflows	931	
Total deferred inflows of resources		350,932
Net position		
Net investment in capital assets	5,700,656	
Restricted for debt service	248,041	
Unrestricted	751,308	
Total net position		\$ 6,700,005

The accompanying Notes are an integral part of these financial statements.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED SEPTEMBER 30, 2022

Operating revenues:		
Charges for water services	\$ 1,296,006	
Office management service - RPGWD	19,081	
Miscellaneous revenue	1,033	
Total operating revenues		\$ 1,316,120
Operating expenses:		
Source of supply	669,879	
Power and pumping	168,337	
Transmission and distribution	13,927	
Accounting and collecting	5,367	
Administration and general	307,997	
Depreciation	260,360	
Total operating expenses		1,425,867
Operating loss		(109,747)
Non-operating revenues (expenses):		
Property tax revenues	180,092	
Investment earnings	3,697	
Interest expense	(4,900)	
Total non-operating revenues (expenses)		178,889
Change in net position		69,142
Net position at beginning of year		6,630,863
Net position at end of year		\$ 6,700,005

The accompanying Notes are an integral part of these financial statements.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2022

Cash flows from operating activities:		
Cash received from user charges	\$ 1,306,017	
Cash payments to employees for services	(622,466)	
Cash payments for suppliers	(606,167)	
Net cash provided by operating activities		\$ 77,384
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(35,186)	
Debt principal payments	(216,000)	
Interest payments on debt	(4,900)	
Net cash used by capital and related financing activities		(256,086)
Cash flows from non-capital and related financing activities:		
Property tax revenues		180,009
Cash flows from investing activities:		
Interest and dividends on investments	3,697	
Purchase of investments	(244)	
Net cash provided by investing activities		3,453
Net increase in cash and cash equivalents		
		4,760
Cash and cash equivalents - beginning of year		
		1,415,277
Cash and cash equivalents - end of year		
		\$ 1,420,037
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss		\$ (109,747)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	\$ 260,360	
(Increase) decrease in current assets:		
Accounts receivable	(10,103)	
Net pension asset	(360,435)	
Deferred outflows of resources	26,930	
Increase (decrease) in current liabilities:		
Accounts payable	6,455	
Accrued liabilities	(3,120)	
Deferred inflows of resources	264,724	
Total OPEB liability	2,320	
Total adjustments		187,131
Net cash provided by operating activities		\$ 77,384
Cash and cash equivalents - end of year:		
Cash and cash equivalents		\$ 564,863
Restricted assets - cash and cash equivalents		855,174
Total cash and cash equivalents at end of the year		\$ 1,420,037

The accompanying Notes are an integral part of these financial statements.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

North Central Texas Municipal Water Authority (Authority) was organized on April 19, 1957, through passage of H.B. 494. The first bond election was held on October 11, 1958, approving the issuance of bonds for the purpose of impounding waters of Miller Creek to serve as a source of water supply for member cities located in Haskell and Knox Counties, Texas. The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations); and it complies with the requirements of the Texas Commission on Environmental Quality's *Water District Financial Management Guide* and the requirements of contracts and grants of agencies from which it receives funds. The more significant accounting policies established in GAAP and used by the Authority are discussed below.

The Authority is empowered, among other things, to purchase, construct, operate, and to maintain all works, improvements, and facilities necessary for the supply of water, for the collection and processing of wastewater, and for the control and diversion of storm water.

A. Reporting Entity

The Board of Directors is appointed by participating city councils, and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the Authority is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statements No. 39 and 61. There are no component units included within the reporting entity.

B. Basis of Presentation

The Authority's financial statements consist solely of one proprietary fund as follows:

Enterprise Fund – The enterprise fund is used to account for operations (a) 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, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues, water sales, result from exchange transactions in which each party receives and gives up essentially equal value. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include investment earnings and interest expense.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the fund Statement of Net Position.

D. Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, the Authority considers highly liquid investments to be cash equivalents if they have original maturities of three months or less when purchased.

Investments are carried at fair value.

E. Inventory

Inventory is not recorded by the Authority due to immateriality. Supplies are recorded as expenditures when they are purchased.

F. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the Authority in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien is attached to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are estimated at 50% of the uncollected balance. Uncollectible personal property taxes are periodically reviewed and written off, but the Authority is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

G. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of \$2,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets as follows:

Organization & Engineering Costs	50 years
Water Distribution System	50 years
Other Structures	20-100 years
Office Building	25 years
Equipment	10-12 years
Vehicles	5 years

H. Unpaid Vacation and Sick Leave Benefits

Vacations are to be taken within the same year they are earned and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the Authority are entitled to sick leave. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of financial resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority reports amounts in these categories for certain items related to the Authority's participation in the Texas County and District Retirement System (TCDRS).

J. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased coverage from commercial insurance companies for these risks. There were no significant reductions in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

L. Pensions

The fiduciary net position of the TCDRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Other Post-Employment Benefits

The fiduciary net position of the TCDRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go-plan and all cash is held in a cash account.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", there are no violations of finance-related legal and contractual provisions required to be reported except for over expending the budget in the source of supply and power and pumping budget areas by \$112,018 and \$21,087, respectfully.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

At September 30, 2022, the carrying amount of the Authority's deposits (cash and certificates of deposit) was \$812,904 and the bank balance was \$800,966. The Authority's cash deposits at September 30, 2022 were entirely covered by FDIC insurance and/or by pledged collateral held by the Authority's agent bank in the Authority's name. The amounts above exclude the restricted cash held by the Bank of Texas, pursuant to Subordinate Revenue Bonds, Series 2012, in escrow totaling \$855,174 at September 30, 2022. The escrow represents the unspent proceeds from the issuance of the Subordinate Revenue Bonds, Series 2012 and is collateralized by the Bank of Texas.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (CONT'D.)

Investments

The Authority is required by Government Code Chapter 2256, The Public Funds Investment Act (Act) to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act determines the types of investments which are allowable for the Authority. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The Authority's investments at September 30, 2022 are shown below:

<u>Investment or Investment Type</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of deposit	2.80	<u>\$248,041</u>

The Authority categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Authority values its certificates of deposit using Level 2 inputs using bank statements.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the Authority was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (CONT'D.)

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Authority was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name.

At year end, the Authority was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the Authority was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the Authority was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Authority was not exposed to foreign currency risk.

NOTE 4 - CAPITAL ASSETS, NET

Capital asset activity for the year ended September 30, 2022 was as follows:

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 4 - CAPITAL ASSETS, NET (CONT'D.)

	Balance 10/1/21	Increases	Decreases	Balance 9/30/22
Capital assets not being depreciated:				
Land	\$ 782,703	\$ -	\$ -	\$ 782,703
Storage rights	975,649	-	-	975,649
Construction in progress	34,216	-	-	34,216
Total capital assets not being depreciated	1,792,568	-	-	1,792,568
Capital assets being depreciated:				
Organization and engineering costs	643,111	-	-	643,111
Water distribution system	9,727,092	35,186	-	9,762,278
Other structures	1,636,336	-	-	1,636,336
Office buildings	51,092	-	-	51,092
Equipment	97,669	-	-	97,669
Vehicles	136,634	-	-	136,634
Total capital assets being depreciated	12,291,934	35,186	-	12,327,120
Less accumulated depreciation for:				
Organization and engineering costs	550,939	12,862	-	563,801
Water distribution system	3,417,556	206,075	-	3,623,631
Other structures	844,193	13,538	-	857,731
Office buildings	38,848	2,044	-	40,892
Equipment	71,135	8,077	-	79,212
Vehicles	91,174	17,765	-	108,939
Total accumulated depreciation	5,013,845	260,361	-	5,274,206
Total capital assets being depreciated, net	7,278,089	(225,175)	-	7,052,914
Total capital assets, net	\$ 9,070,657	(\$225,175)	\$ -	\$ 8,845,482

NOTE 5 - LONG-TERM LIABILITIES

Long-term liabilities transactions for the year ended September 30, 2022 are summarized as follows:

	Balance 10/1/2021	Issued	Retired	Balance 9/30/2022	Due Within One Year
Subordinate Revenue Bonds, Series 2008	\$ 196,000	\$ -	\$ 31,000	\$ 165,000	\$ 31,000
Subordinate Revenue Bonds, Series 2012	4,020,000	-	185,000	3,835,000	185,000
Totals	\$4,216,000	\$ -	\$216,000	\$4,000,000	\$216,000

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 5 - LONG-TERM LIABILITIES (CONT'D.)

Subordinate Revenue Bonds, Series 2008

The Authority issued Subordinate Revenue Bonds, Series 2008, to purchase all of the Texas Water Development Board's remaining interest in the Miller Creek Reservoir. Payments on the bonds are made from operating revenues and, when needed, from ad valorem taxes. Semi-annual interest payments are due January 10 and July 10 with interest at 2.50%.

In addition to the debt retirement schedule for the Series 2008 Subordinate Revenue Bonds, the Authority is required to maintain a reserve equal to one year's payments. During the fiscal year ending September 30, 2022, the monthly deposit requirement was met.

Subordinate Revenue Bonds, Series 2012

The Authority issued Subordinate Revenue Bonds, Series 2012, for micro-filtration plant improvements. Payments on the bonds are made from operating revenues and, when needed, from ad valorem taxes. The bonds do not have an interest component.

Annual debt service requirements to maturity were as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 216,000	\$ 4,125	\$ 220,125
2024	217,000	3,350	220,350
2025	218,000	2,550	220,550
2026	219,000	1,725	220,725
2027	220,000	875	220,875
2028-32	925,000	-	925,000
2033-37	905,000	-	905,000
2038-42	900,000	-	900,000
2043	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Totals	<u>\$4,000,000</u>	<u>\$12,625</u>	<u>\$4,012,625</u>

NOTE 6 - WATER PURCHASE CONTRACTS – MEMBER AND NON-MEMBER CITIES

By terms of water purchase contracts entered into on January 10, 1970, member cities are required to pay to the Authority a monthly demand charge and monthly consumption charge. The demand charge is to cover the Authority's annual budget, including operating and maintenance expenses, bond interest, and Reserve and Emergency Fund Transfers. The consumption charge is to cover required transfers to the Redemption Fund for retirement of the Authority's bonds.

In practice, the Authority makes a single charge to its member cities, based on its annual budget, including debt requirements. Minimum charges are made monthly, and excess gallons are billed only when it exceeds a cumulative monthly amount based on the annual consumption of the 2021-22 fiscal year.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 7 - DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Authority provides retirement, disability, and death benefits for all of its full-time employees through an agent multiple-employer defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 677 nontraditional defined benefit pension plans in 2014. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis that is publicly available at www.tcdrs.org.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the Authority.

B. Benefits Provided

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and the employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	9
Active employees	9

C. Contributions

The Authority has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the Authority based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The Authority contributed using the actuarially determined rate of 6.17% for the months of the accounting years in 2021 and 2022.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONT'D.)

The contribution rate payable by the employee members for calendar year 2021 is the rate of 7% as adopted by the Authority's Board of Directors. The employee contribution rate and the Authority's contribution rate may be changed by the Authority's Board of Directors within the options available in the TCDRS Act.

D. Net Pension Asset

The Authority's Net Pension Asset (NPA) was measured as of December 31, 2021, and the Total Pension Liability used to calculate the NPA was determined by an actuarial valuation.

Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2021 were developed from an actuarial experience investigation of TCDRS over the years 2017-2020, except where required to be different by GASB 68.

Real rate of return	5.00% per year
Inflation	2.50% per year
Long-term investment return	7.50% per year, net of pension plan investment expenses
Growth in membership	0.00% per year
Payroll growth	0.00% per year

Salary increases were based on a service-related table. The mortality rates for active members were based on 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. The mortality rate for service retirees, beneficiaries, and non-depositing members was based on 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. The mortality rates for disabled retirees were based on 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation.

The capital market assumptions and information shown below are based on January 2022 information for a 10-year time horizon.

The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONT'D.)

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation ⁽¹⁾</u>	<u>Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾</u>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities – Developed Markets	MSCI World Ex USA (net) Index	5.00%	3.80%
International Equities – Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

(1) Target asset allocation adopted at the March 2022 TCDRS Board Meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.6%, per Cliffwater's 2022 capital market assumptions.

(3) Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

Discount Rate

The projected fiduciary net position was determined to be sufficient compared to projected benefit payments. Based on that assumption, the pension plan's fiduciary net position was projected to be sufficient to pay projected benefit payments in all future years. Therefore, the discount rate for purposes of calculating the total pension liability and net pension liability / (asset) of the employer is equal to the long-term assumed rate of return on investments (7.60%).

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONT'D.)

E. Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2020	\$2,521,914	\$2,543,925	(\$ 22,011)
Changes for the year:			
Service cost	52,947	-	52,947
Interest on total pension liability ⁽¹⁾	193,027	-	193,027
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	12,774	-	12,774
Effect of assumptions changes or inputs	2,663	-	2,663
Refund of contributions	-	-	-
Benefit payments	(71,373)	(71,373)	-
Administrative expenses	-	(1,674)	1,674
Member contributions	-	34,528	(34,528)
Net investment income	-	558,039	(558,039)
Employer contributions	-	30,434	(30,434)
Other ⁽³⁾	-	519	(519)
Balances as of December 31, 2021	<u>\$2,711,952</u>	<u>\$3,094,398</u>	<u>(\$382,446)</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability (asset) of the Authority, calculated using the discount rate of 7.60%, as well as what the Authority's net pension liability / (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease <u>6.60%</u>	Current Discount Rate <u>7.60%</u>	1% Increase <u>8.60%</u>
Net pension liability / (asset)	<u>(\$44,127)</u>	<u>(\$382,446)</u>	<u>(\$672,826)</u>

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONT'D.)

F. Pension Expense

	<u>January 1, 2021 to December 31, 2021</u>
Service cost	\$ 52,947
Interest on total pension liability ⁽¹⁾	193,027
Effect of plan changes	-
Administrative expenses	1,674
Member contributions	(34,528)
Expected investment return net of investment expenses	(193,056)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	8,756
Recognition of assumption changes or inputs	33,547
Recognition of investment gains or losses	(99,792)
Other ⁽²⁾	(519)
 Pension expense	 <u>(\$ 37,944)</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ Relates to allocation of system-wide items.

G. Deferred Outflows / Inflows of Resources

As of December 31, 2021, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,545	\$ -
Changes of assumptions	67,092	-
Net difference between projected and actual earnings	-	350,001
Contributions made subsequent to measurement date	<u>23,803</u>	<u>-</u>
 Total	 <u>\$104,440</u>	 <u>\$350,001</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONT'D.)

<u>Year Ended December 31:</u>	
2022	(\$35,740)
2023	(77,060)
2024	(83,566)
2025	(72,998)

For the year ended December 31, 2021, there were no significant changes to the Plan relative to assumptions and benefit terms.

NOTE 8 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

A. Plan Description

A description of the OPEB plan pursuant to Paragraph 50 of GASB Statement No. 75 is as follows:

1. The Authority participates in the retiree Group Term Life (GTL) program for the TCDRS which is a statewide, agent multiple-employer, public employee retirement system.
2. A brief description of benefit terms:
 - a) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected participation in the retiree GTL program are included in the OPEB plan.
 - b) The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program.
 - c) The OPEB benefit is a fixed \$5,000 lump-sum benefit.
 - d) No future increases are assumed in the \$5,000 benefit amount.
 - e) Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year.
3. Membership information is shown in the chart below.
4. Contributions made to the retiree GTL program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.
5. Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. The Authority's contribution rate for the retiree GTL program is calculated annually on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$5,000.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 8 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (CONT'D.)

B. Membership Information

<u>Members</u>	<u>12/31/20</u>	<u>12/31/21</u>
Number of inactive employees entitled to but not yet receiving benefits ⁽¹⁾	1	1
Number of active employees	10	9
Average age of active employees	46.52	50.35
Average length of service in years for active employees	15.37	18.03
<u>Inactive Employees Receiving Benefits</u> ⁽¹⁾		
Number of benefit recipients ⁽¹⁾	7	7

⁽¹⁾ "Receiving benefits" indicates the member is retired and receiving monthly pension benefits, and his or her beneficiary is eligible for the \$5,000 lump sum upon the retiree's death.

C. Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2021 were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2020, except where required to be different by GASB 75.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Level Percent of Salary
Amortization Method:	
Recognition of economic/demographic gains or losses	Straight-line amortization over expected working life
Recognition of assumptions changes or inputs	Straight-line amortization over expected working life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Annual salary increases range from 0.40% to 5.25% depending on age and years of service
Investment Rate of Return (Discount Rate)	2.06% (20-year Bond GO Index published by bondbuyer.com as of 12/31/21)
Cost-of-Living Adjustment	Does not apply

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 8 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (CONT'D.)

Disability	The rates of disability range from .000% to .001% for work-related disability and .000% to .198% for all other causes depending on age.
Mortality:	
Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Retirement	Members eligible for service retirement range from 5.3% to 25.3% for both male and females depending on age.
Other Termination of Employment	Annual rates for termination range from 0.0% to 23.1% for both males and females depending on entry dates and years of service.

D. Changes in Total OPEB Liability

	<u>Changes in Total OPEB Liability</u>
Balances as of December 31, 2020	\$39,789
Changes for the year:	
Service cost	1,011
Interest on total OPEB liability ⁽¹⁾	854
Changes of benefit terms ⁽²⁾	-
Effect of economic/demographic experience	558
Effect of assumptions changes or inputs ⁽³⁾	982
Benefit payments	(1,085)
Other	<u>-</u>
Balance as of December 31, 2021	<u>\$42,109</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ No plan changes valued.

⁽³⁾ Reflects change in discount rate.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONT'D.) YEAR ENDED SEPTEMBER 30, 2022

NOTE 8 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (CONT'D.)

Sensitivity Analysis

The following presents the total OPEB liability of the Authority, calculated using the discount rate of 2.06%, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.06%) or 1 percentage point higher (3.06%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease <u>1.06%</u>	Current Discount Rate <u>2.06%</u>	1% Increase <u>3.06%</u>
Total OPEB liability	<u>\$49,554</u>	<u>\$42,109</u>	<u>\$36,108</u>

E. OPEB Expense

	<u>January 1, 2021 to December 31, 2021</u>
Service cost	\$ 1,011
Interest on total pension liability ⁽¹⁾	854
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	448
Recognition of assumption changes or inputs	1,893
Other	<u>-</u>
 OPEB expense	 <u>\$4,206</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

F. Deferred Outflows / Inflows of Resources

As of December 31, 2021, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$1,253	\$ -
Changes of assumptions	6,153	931
Contributions made subsequent to measurement date	<u>810</u>	<u>-</u>
 Total	 <u>\$8,216</u>	 <u>\$ 931</u>

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONT'D.)
YEAR ENDED SEPTEMBER 30, 2022**

NOTE 8 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (CONT'D.)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

<u>Year Ended December 31:</u>	
2022	\$2,340
2023	2,089
2024	1,024
2025	1,022

NOTE 9 - LITIGATION, CONTINGENCIES, AND COMMITMENTS

The Authority had no outstanding litigation. No contingent liabilities or commitments at September 30, 2022 were discovered during the course of our audit.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2022**

	Original and Final Budget	Actual Amounts on GAAP Basis	Adjustments to Budget Basis	Actual Amounts on Budget Basis	Variance Positive (Negative)
Operating revenues:					
Charges for water service	\$ 1,212,500	\$ 1,296,006	\$ -	\$ 1,296,006	\$ 83,506
Office management service - RPGWD	-	19,081	-	19,081	19,081
Miscellaneous revenue	18,500	1,033	-	1,033	(17,467)
Total operating revenues	<u>1,231,000</u>	<u>1,316,120</u>	<u>-</u>	<u>1,316,120</u>	<u>85,120</u>
Operating expenses:					
Source of supply	557,861	669,879	-	669,879	(112,018)
Power and pumping	147,250	168,337	-	168,337	(21,087)
Transmission and distribution	33,433	13,927	-	13,927	19,506
Accounting and collecting	6,250	5,367	-	5,367	883
Administrative and general expenses	428,656	307,997	-	307,997	120,659
Depreciation	-	260,360	(260,360)	-	-
Total operating expenses	<u>1,173,450</u>	<u>1,425,867</u>	<u>(260,360)</u>	<u>1,165,507</u>	<u>7,943</u>
Operating income (loss)	<u>57,550</u>	<u>(109,747)</u>	<u>260,360</u>	<u>150,613</u>	<u>93,063</u>
Non-operating revenues (expenses):					
Property tax revenues	162,500	180,092	-	180,092	17,592
Investment earnings	850	3,697	-	3,697	2,847
Interest expense	(4,900)	(4,900)	-	(4,900)	-
Loan principal	(216,000)	-	(216,000)	(216,000)	-
Total non-operating revenues (expenses)	<u>(57,550)</u>	<u>178,889</u>	<u>(216,000)</u>	<u>(37,111)</u>	<u>20,439</u>
Change in net position	-	69,142	44,360	113,502	113,502
Net position at beginning of year	<u>6,630,863</u>	<u>6,630,863</u>	<u>-</u>	<u>6,630,863</u>	<u>-</u>
Net position at end of year	<u>\$ 6,630,863</u>	<u>\$ 6,700,005</u>	<u>\$ 44,360</u>	<u>\$ 6,744,365</u>	<u>\$ 113,502</u>

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total Pension Liability										
Service cost	\$ 52,947	\$ 42,840	\$ 41,331	\$ 39,954	\$ 39,369	\$ 40,802	\$ 34,221	\$ 31,307	N/A	N/A
Interest on total pension liability	193,027	181,885	171,480	160,946	152,402	144,677	134,947	126,586	N/A	N/A
Effect of plan changes	-	-	-	-	-	-	(8,142)	-	N/A	N/A
Effect of plan changes or inputs	2,663	130,635	-	-	4,337	-	10,043	-	N/A	N/A
Effect of economic/demographic (gains) or losses	12,774	9,768	583	7,646	(17,506)	(25,743)	29,949	13,421	N/A	N/A
Benefit payments/refunds of contributions	(71,373)	(89,987)	(83,026)	(76,850)	(70,676)	(96,293)	(70,586)	(70,317)	N/A	N/A
Net change in total pension liability	190,038	275,141	130,368	131,696	107,926	63,443	130,432	100,997	N/A	N/A
Total pension liability, beginning	2,521,914	2,246,773	2,116,405	1,984,709	1,876,783	1,813,340	1,682,908	1,581,911	N/A	N/A
Total pension liability, ending (a)	<u>\$ 2,711,952</u>	<u>\$ 2,521,914</u>	<u>\$ 2,246,773</u>	<u>\$ 2,116,405</u>	<u>\$ 1,984,709</u>	<u>\$ 1,876,783</u>	<u>\$ 1,813,340</u>	<u>\$ 1,682,908</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary Net Position										
Employer contributions	\$ 30,434	\$ 35,270	\$ 33,738	\$ 33,083	\$ 31,879	\$ 31,308	\$ 33,335	\$ 29,971	N/A	N/A
Member contributions	34,528	32,486	31,074	30,472	29,362	28,836	28,597	26,216	N/A	N/A
Investment income net of investment expenses	558,039	240,452	331,254	(38,728)	265,033	127,500	14,120	112,453	N/A	N/A
Benefit payments/refunds of contributions	(71,373)	(89,987)	(83,025)	(76,851)	(70,676)	(96,293)	(70,586)	(70,317)	N/A	N/A
Administrative expenses	(1,674)	(1,861)	(1,774)	(1,620)	(1,377)	(1,385)	(1,238)	(1,287)	N/A	N/A
Other	519	(428)	(299)	(188)	(139)	1,750	(530)	554	N/A	N/A
Net change in fiduciary net position	550,473	215,932	310,968	(53,832)	254,082	91,716	3,698	97,590	N/A	N/A
Fiduciary net position, beginning	2,543,925	2,327,993	2,017,025	2,070,857	1,816,775	1,725,059	1,721,361	1,623,771	N/A	N/A
Fiduciary net position, ending (b)	<u>\$ 3,094,398</u>	<u>\$ 2,543,925</u>	<u>\$ 2,327,993</u>	<u>\$ 2,017,025</u>	<u>\$ 2,070,857</u>	<u>\$ 1,816,775</u>	<u>\$ 1,725,059</u>	<u>\$ 1,721,361</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability (asset), ending = (a) - (b)	<u>\$ (382,446)</u>	<u>\$ (22,011)</u>	<u>\$ (81,220)</u>	<u>\$ 99,380</u>	<u>\$ (86,148)</u>	<u>\$ 60,008</u>	<u>\$ 88,281</u>	<u>\$ (38,453)</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	114.10%	100.87%	103.61%	95.30%	104.34%	96.80%	95.13%	102.28%	N/A	N/A
Covered payroll	\$ 493,263	\$ 464,085	\$ 443,918	\$ 435,308	\$ 419,454	\$ 411,941	\$ 408,524	\$ 368,363	N/A	N/A
Net pension liability (asset) as a % of covered payroll	-77.53%	-4.74%	-18.30%	22.83%	-20.54%	14.57%	21.61%	-10.44%	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Year Ending December 31,	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2012	\$ 26,509	\$ 26,509	\$ -	\$ 327,677	8.1%
2013	27,644	27,644	-	328,704	8.4%
2014	29,469	29,971	(502)	368,363	8.1%
2015	33,336	33,336	-	408,524	8.2%
2016	31,184	31,308	(124)	411,941	7.6%
2017	26,635	31,879	(5,244)	419,454	7.6%
2018	23,811	33,083	(9,272)	435,308	7.6%
2019	19,577	33,738	(14,161)	443,918	7.6%
2020	21,719	35,270	(13,551)	464,085	7.6%
2021	20,569	30,434	(9,865)	493,263	6.2%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contributions amounts on a fiscal year basis; however, the fiscal year information is not readily available.

(2) Payroll is calculated based on contributions as reported to TCDRS.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB Liability										
Service cost	\$ 1,011	\$ 782	\$ 422	\$ 500	\$ 441	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	854	960	1,090	979	984	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	982	3,773	6,581	(2,796)	1,309	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	558	521	891	219	202	N/A	N/A	N/A	N/A	N/A
Benefit payments	(1,085)	(975)	(843)	(565)	(545)	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	2,320	5,061	8,141	(1,663)	2,391	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	39,789	34,728	26,587	28,250	25,859	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending	<u>\$ 42,109</u>	<u>\$ 39,789</u>	<u>\$ 34,728</u>	<u>\$ 28,587</u>	<u>\$ 28,250</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered payroll	<u>\$ 493,263</u>	<u>\$ 464,085</u>	<u>\$ 443,918</u>	<u>\$ 435,308</u>	<u>\$ 419,454</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total OPEB liability as a % of covered payroll	<u>8.54%</u>	<u>8.57%</u>	<u>7.82%</u>	<u>6.11%</u>	<u>6.73%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S OTHER POST EMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 2,121	\$ 1,902	\$ 1,642	\$ 1,437	\$ 1,342
Contributions in relation to the contractually required contribution	<u>(2,121)</u>	<u>(1,902)</u>	<u>(1,642)</u>	<u>(1,437)</u>	<u>(1,342)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pensionable covered payroll	<u>\$ 493,263</u>	<u>\$ 464,085</u>	<u>\$ 443,918</u>	<u>\$ 435,308</u>	<u>\$ 419,454</u>
Contributions as a percentage of pensionable covered payroll	<u>0.43%</u>	<u>0.41%</u>	<u>0.37%</u>	<u>0.33%</u>	<u>0.32%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been prepared.

Note - the contractually required contribution is for supposed to be reported on the Authority's fiscal year; however, that information is not readily available. Therefore, the information is provided by TCDRS on the calendar year basis.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED SEPTEMBER 30, 2022

A. BUDGETARY INFORMATION

Annual budgets are adopted on the cash basis of accounting for the Enterprise Fund. Consequently, adjustments are required to adjust the GAAP basis actual information to cash basis for comparison purposes. All annual appropriations lapse at fiscal year end.

The General Manager has the responsibility of preparing the Authority's budget. Before October 1, a proposed budget is presented to the Authority's Board of Directors. A public hearing is then held and the Board of Directors takes action on the proposed budget. Before determining the final budget, the Board of Directors may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the estimate of revenues and available fund balance.

Once the budget has been adopted by the Board of Directors, the General Manager is responsible for monitoring the expenditures of the Authority to prevent expenditures from exceeding budgeted appropriations and for keeping the Board of Directors advised of the conditions of the accounts.

During the year ended September 30, 2022, the budget was over expended in the source of supply and power and pumping lines by \$112,018 and \$21,087, respectfully.

No amendments may be made without the Board of Directors' approval. No supplemental appropriations were required during the year.

B. DEFINED BENEFIT PENSION PLAN

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

There were no changes in the actuarial assumptions that affected the measurement of the total pension liability during the measurement period.

C. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes of assumptions

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- The discount rate changed from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021. This change increased the total OPEB liability.

TEXAS SUPPLEMENTARY INFORMATION

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

**SERVICES AND RATES (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2022**

1. Services Provided by the Authority during the fiscal year:

- | | | |
|--|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input checked="" type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other: None | | |

2. Retail Service Providers

Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum Use</u>	<u>Usage Levels</u>
Water	\$30.00	3,000	Y		0 to 3,000
				\$4.00	3,001 to 10,000
				\$5.00	Over 10,000
Wastewater	\$ N/A				
Surcharge	\$ N/A				
Sewer usage employs winter averaging		Yes _____	No _____	N/A	X
Total water charges per 10,000 gallons:		Water: <u>\$ 58.00</u>		Wastewater: <u>N/A</u>	

3. Total Water Consumption during the Fiscal Year

Gallons Pumped into System:	<u>462,603,131</u>	Water Accountability Ratio: (Gallons Billed / Gallons Pumped)
Gallons Billed to Customers:	<u>414,181,957</u>	<u>89.5%</u>

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

SERVICES AND RATES (UNAUDITED) (CONT'D.) YEAR ENDED SEPTEMBER 30, 2021

4. Location of Authority:

County(ies) in which the Authority is located: Baylor, Knox, Haskell & Stonewall

Is the Authority located entirely within one county? Yes No

Is the Authority located within a city? Entirely Yes Not at all

City(ies) in which the Authority is located: _____

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

Entirely Yes Not at all

ETJs in which the Authority is located: _____

Are Board members appointed by an office outside the Authority? Yes No

If Yes, by whom? 2 members from each of the following member cities - City of Goree, City of Haskell
City of Knox City, City of Munday

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

ENTERPRISE FUND EXPENSES (UNAUDITED) YEAR ENDED SEPTEMBER 30, 2022

Personnel Expenses:		
Wages	\$ 513,735	
Benefits	42,270	
	556,005	\$ 556,005
Professional Fees:		
Auditing	8,750	
Legal	10,084	
	18,834	18,834
Purchased Services:		
Power Expense	143,742	
Supplies - Chemicals	237,971	
Water purchase	10,000	
	391,713	391,713
Contracted Services:		
Appraisal District	5,367	
Farm Operations	7,206	
Other Contracted Services	625	
	13,198	13,198
Utilities - Office		1,782
Repairs and Maintenance		107,047
Auto & Travel		32,552
Administrative Expenses:		
Directors Fees	1,429	
Office Supplies & Postage	2,971	
Insurance	35,537	
Other Administrative Expenses	4,439	
	44,376	44,376
Depreciation Expense		260,360
Total Expenses		\$ 1,425,867

Number of Persons Employed by the District:

8 full-time, 0 part-time

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

**TEMPORARY INVESTMENTS (UNAUDITED)
SEPTEMBER 30, 2022**

<u>Investment</u>	<u>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>
CD	97386	0.20%	10/28/2022	\$ 55,309	\$ -
CD	95869	0.50%	1/8/2023	192,732	-
Total Temporary Investments				<u>\$ 248,041</u>	<u>\$ -</u>

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

SCHEDULE OF DELINQUENT TAXES LEVIED AND RECEIVABLE (UNAUDITED) FISCAL YEAR ENDED SEPTEMBER 30, 2022

<u>Last Ten Years Ended September 30</u>	<u>Tax Rates</u>		<u>Assessed/Appraised Value for Tax Purposes</u>	
	<u>Maintenance</u>	<u>Debt Service</u>		
2013 and prior years	Various	Various	\$	Various
2014	0.10000	0.00000		141,514,000
2015	0.10000	0.00000		148,811,000
2016	0.10000	0.00000		157,160,000
2017	0.10000	0.00000		163,443,000
2018	0.10000	0.00000		162,998,000
2019	0.10000	0.00000		154,561,000
2020	0.10000	0.00000		166,175,000
2021	0.10000	0.00000		167,907,000
2022 (Fiscal year under audit)	0.10000	0.00000		176,708,000

Totals

Percent of Taxes Collected to Taxes Levied - 2021 tax year

EXHIBIT TSI-4

<u>Beginning Balance 10/1/21</u>	<u>Current Year's Total Levy</u>	<u>Maintenance Collections</u>	<u>Debt Service Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 9/30/22</u>
\$ 1,959	\$ -	\$ 27	\$ -	\$ (416)	\$ 1,516
153	-	12	-	(9)	132
171	-	20	-	(8)	143
242	-	68	-	(14)	160
488	-	136	-	(15)	337
923	-	271	-	(14)	638
1,648	-	608	-	(42)	998
3,465	-	1,704	-	(69)	1,692
5,209	-	2,632	-	(239)	2,338
-	176,708	169,730	-	(508)	6,470
<u>\$ 14,258</u>	<u>\$ 176,708</u>	<u>\$ 175,208</u>	<u>\$ -</u>	<u>\$ (1,334)</u>	<u>\$ 14,424</u>
		<u>96%</u>			

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

**LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
 SUBORDINATE REVENUE BONDS - SERIES 2008 (UNAUDITED)
 YEAR ENDED SEPTEMBER 30, 2022**

Fiscal Years Ending	Principal Due July 10	Interest Due		Total Annual Requirement
		January 10	July 10	
2023	\$ 31,000	\$ 2,063	\$ 2,062	\$ 35,125
2024	32,000	1,675	1,675	35,350
2025	33,000	1,275	1,275	35,550
2026	34,000	863	862	35,725
2027	35,000	438	437	35,875
	<u>\$ 165,000</u>	<u>\$ 6,314</u>	<u>\$ 6,311</u>	<u>\$ 177,625</u>

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS SUBORDINATE REVENUE BONDS - SERIES 2012 (UNAUDITED) YEAR ENDED SEPTEMBER 30, 2022

Fiscal Years Ending	Principal Due July 10	Interest Due		Total Annual Requirement
		January 10	July 10	
2023	\$ 185,000	\$ -	\$ -	\$ 185,000
2024	185,000	-	-	185,000
2025	185,000	-	-	185,000
2026	185,000	-	-	185,000
2027	185,000	-	-	185,000
2028	185,000	-	-	185,000
2029	185,000	-	-	185,000
2030	185,000	-	-	185,000
2031	185,000	-	-	185,000
2032	185,000	-	-	185,000
2033	185,000	-	-	185,000
2034	180,000	-	-	180,000
2035	180,000	-	-	180,000
2036	180,000	-	-	180,000
2037	180,000	-	-	180,000
2038	180,000	-	-	180,000
2039	180,000	-	-	180,000
2040	180,000	-	-	180,000
2041	180,000	-	-	180,000
2042	180,000	-	-	180,000
2043	180,000	-	-	180,000
	<u>\$ 3,835,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,835,000</u>

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS ALL BONDED DEBT (UNAUDITED) YEAR ENDED SEPTEMBER 30, 2022

Fiscal Years Ending	Principal Due July 10	Interest Due		Total Annual Requirement
		January 10	July 10	
2023	\$ 216,000	\$ 2,063	\$ 2,062	\$ 220,125
2024	217,000	1,675	1,675	220,350
2025	218,000	1,275	1,275	220,550
2026	219,000	863	862	220,725
2027	220,000	438	437	220,875
2028	185,000	-	-	185,000
2029	185,000	-	-	185,000
2030	185,000	-	-	185,000
2031	185,000	-	-	185,000
2032	185,000	-	-	185,000
2033	185,000	-	-	185,000
2034	180,000	-	-	180,000
2035	180,000	-	-	180,000
2036	180,000	-	-	180,000
2037	180,000	-	-	180,000
2038	180,000	-	-	180,000
2039	180,000	-	-	180,000
2040	180,000	-	-	180,000
2041	180,000	-	-	180,000
2042	180,000	-	-	180,000
2043	180,000	-	-	180,000
	<u>\$ 4,000,000</u>	<u>\$ 6,314</u>	<u>\$ 6,311</u>	<u>\$ 4,012,625</u>

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

CHANGES IN LONG-TERM BONDED DEBT (UNAUDITED) YEAR ENDED SEPTEMBER 30, 2022

	Bond Issues		
	Series 2008	Series 2012	Total
Interest Rate	2.50%	0.00%	
Dates Interest Payable	1/10 / 7/10	N/A	
Maturity Date	7/10/2027	7/10/2043	
Beginning Bonds Outstanding	\$ 196,000	\$ 4,020,000	\$ 4,216,000
Bonds Sold During the Fiscal Year	-	-	-
Bonds Retired During the Fiscal Year	<u>31,000</u>	<u>185,000</u>	<u>216,000</u>
Ending Bonds Outstanding	<u>\$ 165,000</u>	<u>\$ 3,835,000</u>	<u>\$ 4,000,000</u>
Interest Paid During the Fiscal Year	<u>\$ 4,900</u>	<u>\$ -</u>	<u>\$ 4,900</u>

Paying Agent's Name and City:

Series 2008 Bank of New York - 2001 Bryan St., 8th Floor - Dallas, Texas 75201
 Series 2012 Bank of New York - 2001 Bryan St., 8th Floor - Dallas, Texas 75201

Debt Service Fund cash and temporary investment balances as of September 30, 2022: \$ 248,041

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES LAST FIVE FISCAL YEARS (UNAUDITED)

	Amounts				
	2022	2021	2020	2019	2018
Operating revenues:					
Municipal contracts	\$ 848,000	\$ 848,000	\$ 848,000	\$ 808,000	\$ 788,000
Non-member cities	400,315	341,252	326,700	293,491	286,544
Individuals	47,691	44,453	47,720	91,943	46,493
Office management service - RPGWD	19,081	17,827	19,567	16,766	15,944
Miscellaneous revenue	1,033	7,229	21,500	69,216	31,698
Total operating revenues	<u>1,316,120</u>	<u>1,258,761</u>	<u>1,263,487</u>	<u>1,279,416</u>	<u>1,168,679</u>
Operating expenses:					
Source of supply	669,879	549,370	486,998	523,425	443,330
Power and pumping	168,337	150,739	145,406	126,891	141,043
Transmission and distribution	13,927	12,588	10,271	26,411	31,778
Accounting and collection	5,367	5,315	5,754	4,891	5,773
Administrative and general	307,997	326,939	341,648	360,205	294,902
Depreciation	260,360	261,864	261,462	243,862	237,225
Total operating expenses	<u>1,425,867</u>	<u>1,306,815</u>	<u>1,251,539</u>	<u>1,285,685</u>	<u>1,154,051</u>
Operating income (loss)	<u>(109,747)</u>	<u>(48,054)</u>	<u>11,948</u>	<u>(6,269)</u>	<u>14,628</u>
Non-operating revenues (expenses):					
Property tax revenues	180,092	173,145	169,424	148,169	172,734
Investment earnings	3,697	1,057	8,776	18,983	26,098
Gain (loss) on sale of capital assets	-	-	(894)	7,500	-
Interest paid on bonds	(4,900)	(5,650)	(6,375)	(7,100)	(7,800)
Total non-operating revenues (expenses)	<u>178,889</u>	<u>168,552</u>	<u>170,931</u>	<u>167,552</u>	<u>191,032</u>
Change in net position	<u>\$ 69,142</u>	<u>\$ 120,498</u>	<u>\$ 182,879</u>	<u>\$ 161,283</u>	<u>\$ 205,660</u>

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
64.4%	67.4%	67.1%	63.2%	67.4%
30.4%	27.1%	25.9%	22.9%	24.5%
3.6%	3.5%	3.8%	7.2%	4.0%
1.4%	1.4%	1.5%	1.3%	1.4%
0.1%	0.6%	1.7%	5.4%	2.7%
100.0%	100.0%	100.0%	100.0%	100.0%
50.9%	43.6%	38.5%	40.9%	37.9%
12.8%	12.0%	11.5%	9.9%	12.1%
1.1%	1.0%	0.8%	2.1%	2.7%
0.4%	0.4%	0.5%	0.4%	0.5%
23.4%	26.0%	27.0%	28.2%	25.2%
19.8%	20.8%	20.7%	19.1%	20.3%
108.3%	103.8%	99.1%	100.5%	98.7%
-8.3%	-3.8%	0.9%	-0.5%	1.3%
13.7%	13.8%	13.4%	11.6%	14.8%
0.3%	0.1%	0.7%	1.5%	2.2%
0.0%	0.0%	-0.1%	0.6%	0.0%
-0.4%	-0.4%	-0.5%	-0.6%	-0.7%
13.6%	13.4%	13.5%	13.1%	16.3%
5.3%	9.6%	14.5%	12.6%	17.6%

EXHIBIT TSI-8

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

**BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
YEAR ENDED SEPTEMBER 30, 2022
(UNAUDITED)**

Complete District Mailing Address: P.O. Box 36, Munday, TX 76371

District Business Telephone Number: (940) 422-4051

District Business Email Address: davidk@nctmwa.org

Submission Date of the Most Recent District Registration Form (TWC Sections 36.054 and 49.054): July 2021

Limit on Fees of Office that a Director May Receive During a Fiscal Year: None

Names	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 9/30/2022	Expense Reimbursements 9/30/2022	Title at Year-End
Board Members:				
Bob Presnall 406 South 5th St, Goree, TX 76363	Appointed - June 2020 - 2022	\$ 260	\$ -	President
James Peek 406 North 2nd St, Goree, TX 76363	Appointed - June 2021 - 2023	\$ 238	\$ -	Vice-President
George Oustad P.O. Box 342, Munday, TX 76371	Appointed - June 2021 - 2023	\$ 238	\$ -	Secretary
Andy Shaver 509 SE 5th Ave, Knox City, TX 79529	Appointed - June 2020 - 2022	\$ 152	\$ -	Director
Jason Young 610 West I St, Munday, TX 76371	Appointed - June 2020 - 2022	\$ 87	\$ -	Director
Larry Cunningham 906 North 3rd St E, Haskell, TX 79521	Appointed - June 2020 - 2022	\$ 217	\$ -	Director
Travis Hawkins 304 South Central, Knox City, TX 79529	Appointed - June 2021 - 2023	\$ 87	\$ -	Director
John Kimbrough 801 North Ave L, Haskell, TX 79521	Appointed - June 2021 - 2023	\$ 130	\$ -	Director
Key Administrative Personnel:				
David Kuehler		\$ 110,000	\$ 3,009	General Manager
Consultants:				
Edgin, Parkman, Fleming & Fleming, PC	2014	\$ 8,750	\$ -	Auditor
Lloyd Gosselink	2014	\$ 10,084	\$ -	Attorney
Jacob & Martin	2000	\$ -	\$ -	Engineer
Haskell County Appraisal District	2013	\$ 3,561	\$ -	Tax Collector
Knox County Appraisal District	2013	\$ 1,806	\$ -	Tax Collector

* - Fees of the Office are the amounts actually paid to a director during the Authority's fiscal year.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

CHANGE IN THE FINAL ADOPTED BUDGETS (UNAUDITED) YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	Final Budget Year Ended September 30, 2022	Final Budget Year Ended September 30, 2021	Change Between Years	Percentage Change Between Years
Operating revenues:				
Charges for water service	\$ 1,212,500	\$ 1,200,000	\$ 12,500	1.0%
Office management service - RPGWD	-	-	-	0.0%
Miscellaneous revenue	18,500	20,000	(1,500)	-7.5%
Total operating revenues	1,231,000	1,220,000	11,000	-6.5%
Operating expenses:				
Source of supply	557,861	562,161	(4,300)	-0.8%
Power and pumping	147,250	145,750	1,500	1.0%
Transmission and distribution	33,433	28,000	5,433	19.4%
Accounting and collecting	6,250	6,250	-	0.0%
Administrative and general expenses	428,656	417,439	11,217	2.7%
Depreciation	-	-	-	0.0%
Total operating expenses	1,173,450	1,159,600	13,850	22.4%
Operating income	57,550	60,400	(2,850)	-28.8%
Non-operating revenues (expenses):				
Property tax revenues	162,500	158,750	3,750	2.4%
Investment earnings	850	1,500	(650)	-43.3%
Interest expense	(4,900)	(5,650)	750	-13.3%
Loan principal	(216,000)	(215,000)	(1,000)	0.5%
Total non-operating revenues (expenses)	(57,550)	(60,400)	2,850	-4.7%
Change in net position	\$ -	\$ -	\$ -	0.0%

INTERNAL CONTROL AND COMPLIANCE SECTION



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

1401 HOLLIDAY ST., SUITE 216 ▪ P.O. Box 750
WICHITA FALLS, TEXAS 76307-0750
PH. (940) 766-5550 ▪ FAX (940) 766-5778

MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance with Government Auditing Standards

Board of Directors
North Central Texas Municipal Water Authority
Munday, Texas

Members of the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Central Texas Municipal Water Authority (Authority) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise North Central Texas Municipal Water Authority's basic financial statements, and have issued our report thereon dated November XX, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Finding 2022-001.

Authority's Response to Findings

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Accounting Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
November XX, 2022

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED SEPTEMBER 30, 2022

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to the financial statements noted?	<u> X </u> Yes	<u> </u> No

B. Financial Statement Findings

Finding 2022-001 – Material Noncompliance – Over-Expended Budgets

Criteria

At no time can the Authority expend more than the approved budget.

Condition

The Authority's budget for source of supply and power and pumping were over-expended by \$112,018 and \$21,087, respectively.

Cause

The Authority incurred additional costs throughout the year for which the budget was not amended.

Effect

The Authority is not in compliance with the Texas Water Code relative to budgeted expenses.

Recommendation

We recommend that the Authority closely monitor its expenses and make the necessary budget amendments when needed.

View of Responsible Officials and Planned Corrective Actions

The Authority will work diligently to ensure future expenses do not exceed budgeted amounts.

David Kuehler, General Manager, is the person responsible for implementing this plan.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2022

Finding 2022-001

The Authority will continue to work to ensure expenses are correctly recorded and are within the budgeted amounts at all times.

The contact person for this corrective action plan is David Kuehler, General Manager.

NORTH CENTRAL TEXAS MUNICIPAL WATER AUTHORITY

RESOLUTION OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2022

There were no findings in the prior year.