

**Tanglewood Forest
Limited District**

**Financial Statements and
Supplemental Information for the
Year Ended September 30, 2020 and
Independent Auditors' Report**

Tanglewood Forest Limited District

Table of Contents

	<u>Page</u>
Annual Filing Affidavit	1
Independent Auditors' Report	2
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Position and Governmental Fund Balance Sheet	8
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	9
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	10
Notes to Basic Financial Statements	11
Supplemental Information:	
Index of Supplemental Schedules Required by Texas Commission on Environmental Quality	19
Supplemental Schedules Required by Texas Commission on Environmental Quality	20

Annual Filing Affidavit

The State of Texas

County of Travis

I, Ron Peterson
(Name of Duly Authorized District Representative)

of the Tanglewood Forest Limited District

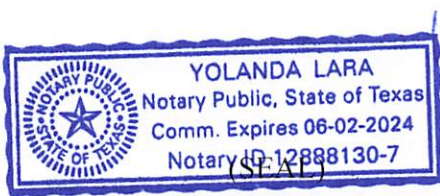
hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 20th day of September, 2023, its annual audit report for the fiscal year ended September 30, 2020 and that copies of the annual audit report have been filed in the District office, located at 4301 Westbank Drive, Suite B-130, Austin, Texas 78746.

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: September 27, 2023. By: Ron Peterson
(Signature of District Representative)

Ron Peterson, President
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this 27th day of September, 2023.



Yolanda Lara
(Signature of Notary)

Yolanda Lara
(Printed Name of Notary)

My Commission Expires On: June 2, 2024
Notary Public in and for the State of Texas.



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

Independent Auditors' Report

To the Board of Directors of
Tanglewood Forest Limited District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Tanglewood Forest Limited District (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the District as of September 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information required by the Texas Commission on Environmental Quality (the "TCEQ") listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information required by the TCEQ listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information required by the TCEQ listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maxwell Locke + Ritter LLP

Austin, Texas
September 20, 2023

Tanglewood Forest Limited District

Management's Discussion and Analysis For the Year Ended September 30, 2020

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Tanglewood Forest Limited District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2020. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
 - *Statement of Net Position and Governmental Fund Balance Sheet*
 - *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to Basic Financial Statements*

Other supplementary information is also included.

The *Statement of Net Position and Governmental Fund Balance Sheet* includes a column (titled "General Fund") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* includes a column (titled "General Fund") that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District's adopted budget to its actual results.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*.

Schedules required by the Texas Commission on Environmental Quality are presented immediately following the *Notes to Basic Financial Statements*.

Comparative Financial Statements

Statement of Net Position

	Governmental Activities		
	2020	2019	% Change
Current assets	\$ 508,884	\$ 415,556	22%
Capital assets	825,538	833,121	(1%)
Total assets	<u>\$ 1,334,422</u>	<u>\$ 1,248,677</u>	<u>7%</u>
Total liabilities	<u>\$ 43,678</u>	<u>\$ 14,381</u>	<u>204%</u>
Net investment in capital assets	\$ 825,538	\$ 833,121	(1%)
Unrestricted	465,206	401,175	16%
Total net position	<u>\$ 1,290,744</u>	<u>\$ 1,234,296</u>	<u>5%</u>

The District's total assets were approximately \$1.3 million as of September 30, 2020. Of this amount, approximately \$0.8 million is included in capital assets. The District had outstanding liabilities of approximately \$44,000 as of September 30, 2020, all of which are current liabilities.

Statement of Activities

	Governmental Activities		
	2020	2019	% Change
Property taxes, including penalties and interest	\$ 847,946	\$ 781,290	9%
Pool and park fees	1,539	30,010	(95%)
Miscellaneous	3,598	709	407%
Total revenue	<u>853,083</u>	<u>812,009</u>	<u>5%</u>
Repairs and maintenance	200,337	287,827	(30%)
Contracted services	129,975	214,650	(39%)
Pool operations	123,631	132,411	(7%)
Utilities	52,087	36,437	43%
Professional fees	191,396	65,492	192%
Other	46,794	32,875	42%
Depreciation	52,415	55,141	(5%)
Total expenses	<u>796,635</u>	<u>824,833</u>	<u>(3%)</u>
Change in net position	56,448	(12,824)	540%
Beginning net position	<u>1,234,296</u>	<u>1,247,120</u>	<u>(1%)</u>
Ending net position	<u>\$ 1,290,744</u>	<u>\$ 1,234,296</u>	<u>5%</u>

Revenues were approximately \$853,000 for the fiscal year ended September 30, 2020, which is a 5% increase from the prior year. Property taxes provided approximately \$848,000 and other revenues provided approximately \$5,000. Total expenses decreased approximately \$28,000 to approximately \$797,000 for the fiscal year ended September 30, 2020, of which approximately \$745,000 related to service operations and approximately \$52,000 related to depreciation. Net position increased approximately \$56,000 for the fiscal year ended September 30, 2020.

Analysis of Governmental Funds

	2020	2019
Cash	\$ 462,724	\$ 380,603
Receivables	29,570	11,363
Prepaid items	16,590	23,590
Total assets	\$ 508,884	\$ 415,556
Accounts payable	\$ 43,678	\$ 14,381
Deferred inflows of resources	16,990	11,363
Nonspendable fund balance	16,590	23,590
Assigned fund balance	20,289	-
Unassigned fund balance	411,337	366,222
Total fund balances	448,216	389,812
Total liabilities, deferred inflows of resources, and fund balances	\$ 508,884	\$ 415,556

The *General Fund* pays for daily operating expenditures. When comparing actual to budget, actual revenues were less than budget by approximately \$105,000 primarily due to less property tax revenue than expected. Actual expenditures were less than final budget by approximately \$129,000 primarily due to less repairs and maintenance expenditures and lower than expected capital outlay expenditures than budgeted, which was offset some by higher professional fee expenditures than expected. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

Capital Assets

	2020	2019
Land	\$ 528,688	\$ 528,688
Construction in progress	-	15,008
Park improvements	1,763,814	1,703,974
Pool facilities	660,165	660,165
Accumulated depreciation	(2,127,129)	(2,074,714)
Total	\$ 825,538	\$ 833,121

More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

For fiscal year 2021, which is tax year 2020, the tax rate has been set at \$0.1896 per \$100 of assessed valuation for maintenance and operating expenditures. The adopted budget for 2021 projects a decrease in fund balance for the General Fund of approximately \$20,000. When compared to the 2020 budget, revenues and expenditures are expected to decrease by approximately \$186,000 and \$132,000, respectively.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District c/o The Carlton Law Firm, PLLC 4301 Westbank Drive, Suite B-130, Austin, Texas 78746.

Tanglewood Forest Limited District

Statement of Net Position and Governmental Fund Balance Sheet September 30, 2020

	General Fund	Adjustments (Note 2)	Statement of Net Position
Assets:			
Cash	\$ 462,724	-	462,724
Receivables:			
Property taxes	16,990	-	16,990
Other	12,580	-	12,580
Prepaid items	16,590	-	16,590
Capital assets (net of accumulated depreciation):			
Land	-	528,688	528,688
Park improvements	-	227,772	227,772
Pool facilities	-	69,078	69,078
Total assets	<u>\$ 508,884</u>	<u>825,538</u>	<u>1,334,422</u>
Liabilities-			
Accounts payable	<u>\$ 43,678</u>	-	<u>43,678</u>
Deferred Inflows of Resources-			
Property taxes	<u>16,990</u>	<u>(16,990)</u>	<u>-</u>
Fund Balance/Net Position:			
Fund balance:			
Nonspendable	16,590	(16,590)	-
Assigned for subsequent year's budget deficit	20,289	(20,289)	-
Unassigned	411,337	(411,337)	-
Total fund balance	<u>448,216</u>	<u>(448,216)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 508,884</u>		
Net position:			
Net investment in capital assets		\$ 825,538	825,538
Unrestricted		465,206	465,206
Total net position		<u>\$ 1,290,744</u>	<u>1,290,744</u>

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

Tanglewood Forest Limited District

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance Year Ended September 30, 2020

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues:			
General revenues:			
Property taxes, including penalties and interest	\$ 842,319	5,627	847,946
Pool and park fees	1,539	-	1,539
Miscellaneous	3,598	-	3,598
Total general revenues	<u>847,456</u>	<u>5,627</u>	<u>853,083</u>
Expenditures:			
Service operations:			
Repairs and maintenance	200,337	-	200,337
Contracted services	129,975	-	129,975
Pool operations	123,631	-	123,631
Utilities	52,087	-	52,087
Professional fees	191,396	-	191,396
Other	46,794	-	46,794
Capital outlay	44,832	(44,832)	-
Depreciation	-	52,415	52,415
Total expenditures	<u>789,052</u>	<u>7,583</u>	<u>796,635</u>
Excess of Revenues Over Expenditures	58,404	(58,404)	-
Change in net position	-	56,448	56,448
Fund Balance/Net Position:			
Beginning of year	<u>389,812</u>	<u>844,484</u>	<u>1,234,296</u>
End of year	<u>\$ 448,216</u>	<u>842,528</u>	<u>1,290,744</u>

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

Tanglewood Forest Limited District

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Year Ended September 30, 2020

	Original and Final Budget	Actual	Variance
Revenues:			
Property taxes, including penalties and interest	\$ 951,980	842,319	(109,661)
Pool and park fees	-	1,539	1,539
Miscellaneous	-	3,598	3,598
Total revenues	<u>951,980</u>	<u>847,456</u>	<u>(104,524)</u>
Expenditures:			
Service operations:			
Repairs and maintenance	275,390	200,337	75,053
Contracted services	198,550	129,975	68,575
Pool operations	108,008	123,631	(15,623)
Utilities	54,300	52,087	2,213
Professional fees	86,100	191,396	(105,296)
Other	77,000	46,794	30,206
Capital outlay	<u>118,500</u>	<u>44,832</u>	<u>73,668</u>
Total expenditures	<u>917,848</u>	<u>789,052</u>	<u>128,796</u>
Excess of Revenues Over Expenditures	34,132	58,404	24,272
Fund Balance:			
Beginning of year	<u>389,812</u>	<u>389,812</u>	<u>-</u>
End of year	<u>\$ 423,944</u>	<u>448,216</u>	<u>24,272</u>

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

Tanglewood Forest Limited District

Notes to Basic Financial Statements Year Ended September 30, 2020

1. Summary of Significant Accounting Policies

Tanglewood Forest Limited District (the “District”) was converted to a limited district on December 31, 1997, upon annexation of Tanglewood Forest Municipal Utility District by the City of Austin, Texas pursuant to Section 43.0751(f)(6) of the Local Government Code. The District owns, maintains, operates, and controls the parks and recreational facilities within the District’s boundaries. It also provides security for these parks and recreational facilities, maintains landscaping in the Slaughter Lane median, enforces restrictive covenants, and provides graffiti removal. The District’s initial term was to be no more than ten years ended December 31, 2007. In September 2007, the term was extended through December 31, 2017. In August 2017, the term was extended through December 31, 2027.

The District is governed by a five member Board of Directors (the “Board”) which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”), since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units which are included in the District’s reporting entity.

Government-Wide and Fund Financial Statements

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the “General Fund” column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net position and the statement of activities.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide 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. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Major revenue sources considered susceptible to accrual include interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

The District reports the following major governmental fund -

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. The budget is proposed by the District’s General Manager and Board Treasurer for the fiscal year commencing the following October 1, and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Investments - The District’s investment policies and types of investments are governed by Section 2256 of the Texas Government Code (“Public Funds Investment Act”). The District’s management believes that it complied with the requirements of the Public Funds Investment Act and the District’s investment policies.

Prepaid Items - Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid assets in both the government-wide and fund financial statements. Prepaid assets are charged to expenditures when consumed.

Capital Assets - Capital assets, which include land, construction in progress, park improvements, and pool facilities are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets’ lives are not capitalized.

Capital assets (other than land) are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Park improvements	10-20
Pool facilities	15

Ad Valorem Property Taxes - Property taxes, penalties and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Allowances for uncollectibles are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Fund Balance - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental fund. See Note 6 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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

Recently Issued Accounting Pronouncement

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2022.

2. Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for governmental activities in the statement of net position are different because:

Governmental fund total fund balance	\$ 448,216
Capital assets used in governmental activities are not current financial resources and are therefore not reported in the governmental fund balance sheet	825,538
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the fund	<u>16,990</u>
Total net position	<u>\$ 1,290,744</u>

Amounts reported for governmental activities in the statement of activities are different because:

Excess of revenues over expenditures	\$ 58,404
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital outlay	44,832
Depreciation expense	(52,415)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund-	
Property tax revenue	<u>5,627</u>
Change in net position	<u><u>\$ 56,448</u></u>

3. Cash and Temporary Investments

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2020, such deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

The District is entitled to invest in: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) certain collateralized mortgage obligations; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (5) obligations of states, agencies, counties, cities and other political subdivisions having not less than an "A" rating from a nationally recognized investment rating firm; (6) insured or collateralized certificates of deposit issued by a bank or savings and loan associations doing business in the State of Texas; (7) certain fully collateralized repurchase agreements; (8) certain bankers' acceptance and commercial paper with a maturity of 270 days or less; (9) certain no-load money market mutual funds and mutual funds; and (10) certain public fund investment pools. At September 30, 2020, the District had no investments.

4. Property Taxes

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Travis Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred inflows of resources. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

In October 2019, the District levied a maintenance tax rate of \$0.19 per \$100 of assessed valuation to finance maintenance and operating expenditures. The total 2019 tax levy was \$863,098 based on a taxable valuation of \$450,645,716.

5. Capital Assets

Capital assets activity for the year ended September 30, 2020 was as follows:

	Balance September 30, 2019	Additions	Retirements	Balance September 30, 2020
Capital assets not being depreciated:				
Land	\$ 528,688	-	-	528,688
Construction in progress	15,008	-	(15,008)	-
Total capital assets not being depreciated	543,696	-	(15,008)	528,688
Capital assets being depreciated:				
Park improvements	1,703,974	59,840	-	1,763,814
Pool facilities	660,165	-	-	660,165
Total capital assets being depreciated	2,364,139	59,840	-	2,423,979
Less accumulated depreciation for:				
Park improvements	(1,497,747)	(38,295)	-	(1,536,042)
Pool facilities	(576,967)	(14,120)	-	(591,087)
Total accumulated depreciation	(2,074,714)	(52,415)	-	(2,127,129)
Total capital assets being depreciated, net	289,425	7,425	-	296,850
Capital assets, net	\$ 833,121	7,425	(15,008)	825,538

6. Fund Balance

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, the Board may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances is included in the Governmental Fund Balance Sheet on page 8. Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has the authority to assign fund balance for a specific purpose. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

7. Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District effectively manages its risk by obtaining coverage from commercial insurance companies for its fidelity bonds and the Texas Municipal League Intergovernmental Risk Pool ("TML Pool") to provide property and boiler and machinery coverage. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established claims reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

Tanglewood Forest Limited District

Index of Supplemental Schedules Required by Texas Commission on Environmental Quality Year Ended September 30, 2020

<u>Schedule Included</u>		
<u>Yes</u>	<u>No</u>	
<u>X</u>	<u> </u>	TSI-0 Notes Required by the Water District Accounting Manual
<u>X</u>	<u> </u>	TSI-1 Schedule of Services and Rates
<u>X</u>	<u> </u>	TSI-2 Schedule of General Fund Expenditures
<u> </u>	<u>X</u>	TSI-3 Schedule of Temporary Investments
<u>X</u>	<u> </u>	TSI-4 Analysis of Taxes Levied and Receivable
<u> </u>	<u>X</u>	TSI-5 Long-Term Debt Service Requirements by Years
<u> </u>	<u>X</u>	TSI-6 Analysis of Changes in Long-Term Bonded Debt
<u>X</u>	<u> </u>	TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund - Five Years
<u>X</u>	<u> </u>	TSI-8 Board Members, Key Personnel and Consultants

Tanglewood Forest Limited District

TSI-0 Notes Required by the Water District Accounting Manual Year Ended September 30, 2020

The notes which follow are not necessarily required for fair presentation of the audited basic financial statements of the District which are contained in the preceding section of this report. They are presented in conformity with requirements of the Texas Commission on Environmental Quality to assure disclosure of specifically required facts.

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

Not applicable.

(C) Pension Coverage

Not applicable.

(D) Pledge of Revenues

Not applicable.

(E) Compliance with Debt Service Requirements

Not applicable.

(F) Redemption of Bonds

Not applicable.

Tanglewood Forest Limited District

TSI-1 Schedule of Services and Rates Year Ended September 30, 2020

1. Services Provided by the District:

- | | | |
|--|---|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input checked="" 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 (specify): _____ | | |

2. Retail Service Providers:

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
Water	N/A	N/A	N/A	N/A	N/A
Wastewater	N/A	N/A	N/A	N/A	N/A
Surcharge	N/A				

District employs winter averaging for wastewater usage? Yes No

(continued)

Tanglewood Forest Limited District

TSI-1 Schedule of Services and Rates (continued)

Year Ended September 30, 2020

b. Water and Wastewater Retail Connections:

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

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system:	-	Water Accountability Ratio: (Gallons billed/Gallons pumped)
Gallons billed to customers:	-	N/A

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If yes, Date of the most recent Commission Order:	N/A	
Does the District have Operation and Maintenance standby fees?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If yes, Date of the most recent Commission Order:	N/A	

(continued)

Tanglewood Forest Limited District

TSI-1 Schedule of Services and Rates (continued) Year Ended September 30, 2020

5. Location of District:

County in which district is located: Travis

Is the District located entirely within one county? Yes No

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

City in which District is located: Austin

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

ETJ's in which district is located: Austin

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

If yes, by whom? N/A

Tanglewood Forest Limited District

TSI-2 Schedule of General Fund Expenditures Year Ended September 30, 2020

Personnel Expenditures (including benefits)	\$	-
Professional Fees:		
Auditing		11,666
Legal		179,275
Purchased Services For Resale-		
Bulk Water and Wastewater Purchases		-
Contracted Services:		
Bookkeeping		12,000
General Manager		34,428
Tax Collector		2,790
Other Contracted Services		80,757
Utilities		52,087
Repairs and Maintenance		200,337
Administrative Expenditures:		
Directors' Fees		19,200
Office Supplies		-
Insurance		6,482
Other Administrative Expenditures		21,112
Capital Outlay:		
Capitalized Assets		44,832
Expenditures not Capitalized		-
Tap Connection Expenditures		-
Solid Waste Disposal		-
Parks and Recreation		123,631
Other Expenditures		455
Total Expenditures	\$	<u>789,052</u>

Number of persons employed by the District: 0 Full-Time 5 Part-Time
(Does not include independent contractors or consultants)

Tanglewood Forest Limited District

TSI-4 Analysis of Taxes Levied and Receivable Year Ended September 30, 2020

	Maintenance Taxes	Debt Service Taxes
Taxes Receivable, September 30, 2019	\$ 11,363	\$ -
2019 Tax Roll	863,098	-
Adjustments	(14,878)	-
Total to be accounted for	<u>859,583</u>	<u>-</u>
Tax collections:		
Current year	846,983	-
Prior years	(4,390)	-
Total collections	<u>842,593</u>	<u>-</u>
Taxes Receivable, September 30, 2020	<u><u>\$ 16,990</u></u>	<u><u>\$ -</u></u>
Taxes Receivable, by Years		
2019	\$ 7,346	\$ -
2018	3,029	-
2017	1,594	-
2016	967	-
2015 and earlier	<u>4,054</u>	<u>-</u>
Taxes Receivable, September 30, 2020	<u><u>\$ 16,990</u></u>	<u><u>\$ -</u></u>

	2019	2018	2017	2016
Property Valuations-				
Land improvements and personal property	\$ 450,645,716	416,051,500	371,439,363	336,421,355
Tax Rates per \$100 Valuation*:				
Maintenance tax rates	\$ 0.1900	0.1886	0.1900	0.1754
Debt service tax rates	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>
Total Tax Rates per \$100 Valuation	<u><u>\$ 0.1900</u></u>	<u><u>0.1886</u></u>	<u><u>0.1900</u></u>	<u><u>0.1754</u></u>
Original Tax Levy	<u><u>\$ 863,098</u></u>	<u><u>787,483</u></u>	<u><u>713,829</u></u>	<u><u>601,356</u></u>
Percent of Taxes Collected To Taxes Levied	<u><u>99.1%</u></u>	<u><u>99.6%</u></u>	<u><u>99.8%</u></u>	<u><u>99.8%</u></u>

* Maintenance tax - maximum tax rate of \$0.40 per \$100 of assessed valuation was approved by voters on May 2, 1998.

Tanglewood Forest Limited District

TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund Five Years Ended September 30, 2020

	Amounts					Percent of Fund Total Revenues				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
General Fund										
Revenues:										
Property taxes, including penalties and interest	\$ 842,319	780,274	704,801	585,865	545,508	99.4 %	96.2	99.4	92.3	93.8
Pool and park fees	1,539	30,010	3,567	40,238	25,435	0.2	3.7	0.5	6.3	4.4
Miscellaneous	3,598	709	701	9,050	10,293	0.4	0.1	0.1	1.4	1.8
Total revenues	847,456	810,993	709,069	635,153	581,236	100.0	100.0	100.0	100.0	100.0
Expenditures:										
Service operations:										
Repairs and maintenance	200,337	287,827	175,753	156,383	159,986	23.7	35.4	24.8	24.6	27.6
Contracted services	129,975	214,650	202,351	141,541	147,831	15.3	26.5	28.5	22.3	25.4
Pool operations	123,631	132,411	95,375	90,585	109,817	14.6	16.3	13.5	14.3	18.9
Utilities	52,087	36,437	50,697	35,419	78,053	6.1	4.5	7.1	5.6	13.4
Professional fees	191,396	65,492	88,476	34,268	35,005	22.6	8.1	12.5	5.4	6.0
Other	46,794	32,875	50,252	85,453	71,477	5.5	4.1	7.1	13.4	12.3
Capital outlay	44,832	15,008	68,834	-	-	5.3	1.9	9.7	-	-
Total expenditures	789,052	784,700	731,738	543,649	602,169	93.1	96.8	103.2	85.6	103.6
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 58,404	26,293	(22,669)	91,504	(20,933)	6.9 %	3.2	(3.2)	14.4	(3.6)
Total Active Retail										
Water Connections	-	-	-	-	-					
Total Active Retail										
Wastewater Connections	-	-	-	-	-					

Tanglewood Forest Limited District

TSI-8 Board Members, Key Personnel and Consultants Year Ended September 30, 2020

Complete District Mailing Address: c/o The Carlton Law Firm, PLLC
4301 Westbank Drive, Suite B-130, Austin, Texas 78746

District Business Telephone Number: (512) 291-8743

Submission date of the most recent District Registration Form:
(TWC Sections 36.054 and 49.054) April 20, 2020

Limit on fees of office that a director may receive during a fiscal year:
(Set by Board Resolution - TWC Sections 49.060) \$7,200

Name	Term of Office Elected & Expires or Date Hired	Fees 9/30/2020	Expense Reimbursements 9/30/2020	Title at 9/30/2020
<u>Board Members:</u>				
Catherine Rockwell	Elected 11/16 - 11/20	\$ 3,450	\$ -	President
Sue McCoy	Elected 11/18 - 11/22	5,400	-	Vice President
Kat Dowling	Elected 11/18 - 11/22	6,600	119	Secretary
Enrique Alvarez	Elected 11/16 - 11/20	1,050	257	Treasurer
Ron Peterson	Appointed 5/20 - 11/20	1,050	-	Asst. Treasurer/Secretary
<u>Former Board Members-</u>				
Bonnie S. McCalister	Elected 11/16 - 3/20	1,650	-	Former Asst. Treasurer/Secretary

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

(continued)

Tanglewood Forest Limited District

TSI-8 Board Members, Key Personnel and Consultants (continued) Year Ended September 30, 2020

<u>Name</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements 9/30/2020</u>	<u>Title at Year End</u>
<u>Consultants:</u>			
Horizon HOA Management, LLC	2017	\$ 28,409	Former General Manager/Bookkeeper
Giles & Shea Inc.	2020	11,696	Bookkeeper
The Carlton Law Firm, PLLC	2014	158,305	Attorney
Pioneer Real Estate Services	2020	25,158	General Manager
Maxwell Locke & Ritter LLP	2016	10,500	Auditor
Travis County Tax Assessor/Collector	1996	2,790	Tax Assessor/Collector