
Walnut Creek Special Utility District

Annual Financial Report

December 31, 2022

Walnut Creek Special Utility District
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Hatter & Associates, LLP
Certified Public Accountants

Report of Independent Auditors

The Board of Directors of
Walnut Creek Special Utility District

Opinion

We have audited the accompanying financial statements of Walnut Creek Special Utility District (the "District") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Walnut Creek Special Utility District as of December 31, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Walnut Creek Special Utility District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Walnut Creek Special Utility District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 7, and budgetary comparison information, on pages 22 – 23, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Texas Supplementary Information on pages 25 – 35 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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.

HATTER & ASSOCIATES, LLP

Fort Worth, Texas

May 9, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Walnut Creek Special Utility District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2022. We encourage readers to consider the information presented here.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the statement of net position, statement of revenues, expenses and change in net position, statement of cash flows, and notes to the financial statements. This report also contains required supplementary information, and other information in addition to the basic financial statements.

Proprietary fund. The District maintains one proprietary fund to account for its water operations. The basic financial statements consist of the following:

- *Statement of Net Position* – This statement is similar to the balance sheet for a business enterprise and presents the District's assets, liabilities, and net position on the accrual basis as of year-end.
- *Statement of Revenues, Expenses, and Changes in Net Position* – This statement is similar to the income statement for a business enterprise and presents the District's revenues and expenses during the year on the accrual basis.
- *Statement of Cash Flows* – This statement presents the District's sources of cash receipts and cash expended for operating, capital and financing, and investing activities during the year. The reconciliation of operating income to cash provided by operating activities identifies non-cash activities and changes in certain balance sheet accounts.
- *Notes to Financial Statements.* The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, and other information that further explains and supports the information in the financial statements. The budgetary comparison schedule can be found on page 22 through 23 and Texas Supplementary Information (TSI) can be found on pages 25 through 35 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by \$49,734,992 (net position) for the current year reported. Of this amount, \$7,949,548 is unrestricted and is available to meet the District's ongoing obligation to creditors. This compares to the previous year when assets exceeded liabilities by \$41,090,996.
- The District's net position increased by \$8,643,996 during the current year compared to an increase of \$5,917,180 in the previous year.
- Total capital assets (net of accumulated depreciation) amounted to \$45,640,801 at the current year ended December 31, 2022 compared to \$41,411,592 in the previous year.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Below are summaries of the District's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position.

Table A-1
Condensed Schedule of Net Position

	2022	2021	% Change
Assets:			
Current and non-current assets	\$ 23,678,306	\$ 21,307,955	11.1%
Capital assets	45,640,801	41,411,592	10.2%
Deferred outflows	139,219	172,752	-19.4%
	<u>\$ 69,458,326</u>	<u>\$ 62,892,299</u>	<u>10.4%</u>
Liabilities:			
Current liabilities	\$ 5,561,875	\$ 5,266,440	5.6%
Long-term liabilities	14,161,459	16,534,863	-14.4%
	19,723,334	21,801,303	-9.5%
Net position:			
Invested in capital assets, net of related debt	34,004,046	27,579,204	23.3%
Restricted for debt service (expendable)	7,781,398	7,608,180	2.3%
Unrestricted net position	7,949,548	5,903,612	34.7%
	<u>49,734,992</u>	<u>41,090,996</u>	<u>21.0%</u>
	<u>\$ 69,458,326</u>	<u>\$ 62,892,299</u>	<u>10.4%</u>

Table A-2
Condensed Schedule of Revenues, Expenses, and Changes in Net Position

	2022	2021	% Change
Operating revenues:			
Water sales	\$ 9,634,079	\$ 8,113,948	18.7%
Other revenues	2,302,735	2,075,622	10.9%
	11,936,814	10,189,570	17.1%
Operating expenses	7,246,074	6,033,392	20.1%
Operating income	4,690,740	4,156,178	12.9%
Non-operating revenues (expenses):			
Interest income	233,924	36,269	545.0%
Interest expense	(308,739)	(428,402)	-27.9%
System development revenue	4,028,071	2,149,738	87.4%
Gain on disposal of assets	-	3,397	100.0%
	<u>3,953,256</u>	<u>1,761,002</u>	<u>124.5%</u>
Change in net position	8,643,996	5,917,180	46.1%
Net position at beginning of year	41,090,996	35,173,816	16.8%
Net Position at End of Year	<u>\$ 49,734,992</u>	<u>\$ 41,090,996</u>	<u>21.0%</u>

See accompanying report of independent auditors.

A significant portion of the District's net position (68%) reflects its investment in capital assets (e.g. land, buildings, equipment and vehicles, furniture and water distribution system), net of any related debt. The District uses these capital assets to provide services to residents of Parker and Wise Counties; consequently, these assets are not available for future spending.

An additional portion of the District's net position (16%) represents resources that are restricted primarily for debt service and other external restrictions on how they may be used. The remaining balance of unrestricted net position (16%) represents resources that may be used to meet the District's ongoing obligations to creditors.

Revenues, compared to prior year, increased by about \$1,747,000, due primarily to an increase in volume of water sold and fees from new customers. Operating expenses increased about \$1,213,000 resulting primarily from an increase in personnel costs of about \$225,000, an increase in water purchased of about \$455,000, an increase in materials and supplies of about \$83,000, an increase in utilities of about \$174,000, an increase in repairs and maintenance of about \$71,000, an increase in depreciation of about \$223,000, and a decrease in administrative and other expenses of about \$18,000. Non-operating interest income increased by about \$198,000 due to an increase in interest rates and increase in investment balances; interest expense decreased by about \$120,000 due to maturities and lower rate on bonds; system development fees and other increased by about \$1,875,000. As a result, the District's net position increased by \$8,643,996 from the previous year.

FINANCIAL ANALYSIS OF ENTERPRISE FUND

A fund is a grouping of related accounts and is used to maintain control over resources that have been segregated for specific activities or objective. The District's primary purpose is to provide treated water to customers in its service area for a fee much like a business enterprise. Accordingly, all of the District's activities are accounted for in one proprietary fund to ensure compliance with local and state finance-related legal requirements.

There was a decrease in repairs and maintenance of about \$77,000, an increase in depreciation of about \$1,546,000, and a decrease in interest expense of about \$150,000 between the District's original and final amended budgets for 2022. Actual revenue during 2022 exceeded budget by about \$2,614,000, due primarily to an increase in water sales and fees from new customers. Operating expenses were less than budgeted during 2022 by about \$1,977,000, due primarily to lower than expected cost of materials and supplies, repairs and maintenance, professional fees, and other costs, net of higher than expected water purchased, utilities, contracted services, and depreciation. Net non-operating income exceeded budget by about \$3,352,000 due primarily to more system development revenue of about \$3,126,000, and more interest income of about \$226,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets	2022	2021
Land	\$ 349,837	\$ 281,312
Buildings	603,033	603,033
Equipment and vehicles	1,115,335	1,008,253
Office furniture and equipment	120,205	101,407
Water distribution system	55,553,159	52,068,877
Capital lease assets	2,858,631	2,793,289
Construction in progress	3,347,205	1,242,994
Water rights	1,213,237	1,213,237
Accumulated depreciation	(19,519,841)	(17,900,810)
	\$ 45,640,801	\$ 41,411,592

Major changes to capital assets during the current fiscal year are as follows:

- Purchase of land, vehicles, and equipment at a cost of \$194,405
- Improvements and extension of water distribution system and construction in progress of \$5,653,835

Long-Term Debt

The District’s outstanding bond debt of \$12,825,773 represents water revenue and refunding bonds which are payable from the District's water system revenues and are secured solely by a pledge of those revenues.

	<u>2022</u>	<u>2021</u>
Refunding Bonds Series 2017	\$ 1,515,000	\$ 1,615,000
Refunding Bonds Series 2015	3,805,000	5,230,000
Revenue Bonds Series 2014	7,115,000	7,405,000
Unamortized premium	<u>390,773</u>	<u>681,892</u>
Total Long-term debt	<u>\$ 12,825,773</u>	<u>\$ 14,931,892</u>

The District acquired meters and related equipment to replace the majority of meters in the system with a capital lease during 2019. The lease liability amounted to \$1,480,646 at December 31, 2022.

Additional information on the District's long-term debt is disclosed in the notes to the financial statements.

BUDGET, ECONOMIC ENVIRONMENT, AND RATES

There were no changes to fees charged to residential and commercial customers during 2022.

The District completed expansion of the water treatment plant during 2021 with proceeds from the bonds issued in 2014. The District plans to issue revenue bonds amounting to approximately \$40,000,000 during 2023 to fund projects to expand the distribution system.

The District's 2023 water sales are budgeted to increase by about \$661,000 from actual 2022 revenue due primarily to expected increase in volume of water sales. Other revenue is budgeted to decrease by about \$521,000 due to lower anticipated customer growth. Non-operating system development revenue is expected to decrease by about \$2,753,000, interest income is budgeted to decrease by about \$154,000, and non-operating interest expense is budgeted to increase by about \$95,000.

The District's 2023 operating expenses are budgeted to increase by about \$1,809,000 from actual 2022 expenses. The increase is due primarily to expected increase in personnel cost of about \$132,000, increase in repair and maintenance of about \$208,000, increase in materials and supplies of about \$104,000, increase in professional fees of about \$355,000, increase in other operating expenses of about \$1,099,000, increase in administrative expenses of about \$41,000, increase in utilities of about \$100,000, decrease in water purchased of about \$137,000, decrease in contracted services of about \$23,000, and decrease in depreciation of about 70,000.

Request for Information

The financial report is designed to provide a general overview of Walnut Creek Special Utility District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District’s General Manager, P.O. Box 657, Springtown, Texas 76082.

Walnut Creek Special Utility District
Statement of Net Position
December 31, 2022

Assets

Current assets:

Cash in banks	\$ 7,673,908
Investments	3,076,249
Accounts receivable, net of allowance for doubtful accounts of \$19,876	1,085,035
Inventory	1,302,782
	<u>13,137,974</u>

Noncurrent assets:

Restricted investments	10,540,332
Capital assets, at cost:	
Land	349,837
Buildings	603,033
Equipment and vehicles	1,115,335
Office furniture and equipment	120,205
Water distribution system	55,553,159
Capital lease asset	2,858,631
Water rights	1,213,237
Construction in progress	3,347,205
	<u>65,160,642</u>
Accumulated depreciation	<u>(19,519,841)</u>
	45,640,801

Deferred outflows:

Bond refunding costs, net	139,219
	<u>\$ 69,458,326</u>

Liabilities

Current liabilities:

Accounts payable	\$ 196,649
Accrued liabilities	228,228
Current portion of lease payable	224,960
Deferred developer revenue	1,414,153
Customer deposits payable	1,326,060

Current liabilities payable from restricted assets:

Interest payable	251,825
Current portion of revenue bonds payable	1,920,000
	<u>5,561,875</u>

Non-current liabilities:

Deferred liability	2,000,000
Lease payable, net of current portion	1,255,686
Revenue bonds payable, net of current portion	10,905,773
	<u>14,161,459</u>
	19,723,334

Net Position

Invested in capital assets, net of related debt	34,004,046
Restricted for debt service (expendable)	7,781,398
Unrestricted net position	7,949,548
	<u>49,734,992</u>
	<u>\$ 69,458,326</u>

See accompanying notes to financial statements.

Walnut Creek Special Utility District
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended December 31, 2022

Operating Revenues	
Water sales	\$ 9,634,079
Other revenues	2,302,735
	<u>11,936,814</u>
Operating Expenses	
Personnel	1,993,003
Water purchased	1,487,208
Materials and supplies	554,519
Utilities	683,434
Repair and maintenance	256,375
Contracted services	286,821
Professional fees	80,360
Other operating expenses	54,368
Administrative	230,955
Depreciation	1,619,031
	<u>7,246,074</u>
Operating Income	4,690,740
Nonoperating Revenues (Expenses)	
Interest income	233,924
Interest expense	(308,739)
System development revenue	4,028,071
	<u>3,953,256</u>
Change in Net Position	8,643,996
Net position, beginning of year	<u>41,090,996</u>
Net Position, End of Year	<u>\$ 49,734,992</u>

See accompanying notes to financial statements.

Walnut Creek Special Utility District
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows From Operating Activities:

Cash received from customers	\$ 12,138,648
Cash payments to suppliers for goods and services	(4,133,160)
Cash paid to employees	(1,993,003)
Net cash provided by operating activities	<u>6,012,485</u>

Cash Flows From Capital And Related Financing Activities:

Purchases of capital assets	(5,848,240)
System development receipts	3,891,649
Debt service prepayment	2,109,163
Net principal payments on long-term debt and capital lease	(2,031,950)
Interest paid on long-term debt and capital lease	(608,663)
Net cash used in capital and related financing activities	<u>(2,488,041)</u>

Cash Flows From Investing Activities:

Interest income received	<u>233,924</u>
Net cash provided by investing activities	<u>233,924</u>
Net change in cash and cash equivalents	3,758,368
Cash and cash equivalents, beginning of year	<u>17,532,121</u>
Cash and Cash Equivalents, End of Year	<u>\$ 21,290,489</u>

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:

Operating income	\$ 4,690,740
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,619,031
Change in:	
Accounts receivable	57,148
Inventory	(641,872)
Accounts payable	(4,715)
Accrued liabilities	147,467
Deferred developer revenue	40,552
Customer deposits payable	104,134
Net Cash Provided by Operating Activities	<u>\$ 6,012,485</u>

Reconciliation of Cash and Cash Equivalents to Statement of Net Position

Cash in banks	\$ 7,673,908
Investments	3,076,249
Restricted investments	<u>10,540,332</u>
Total Cash and Cash Equivalents	<u>\$ 21,290,489</u>

Supplemental Cash Flow Information:

Amortization of bond premium	\$ 291,119
Amortization of bond refunding costs	33,533

See accompanying notes to financial statements.

Walnut Creek Special Utility District

Notes to Financial Statements

1. History and Summary of Significant Accounting Policies

Creation of District

Walnut Creek Special Utility District (the “District”) was created on July 8, 1992, by an order of the Texas Water Commission in accordance with the Texas Water Code, Chapter 65. The Board of Directors held its first meeting on July 8, 1992. The District acquired all of the existing assets, property and equipment of the predecessor water supply corporation and assumed all of the related contracts, obligations, and indebtedness as of August 25, 1992.

Reporting Entity

The accompanying financial statements include all accounts maintained by the District and subject to oversight and control by the publicly elected Board of Directors. No other entity, component unit, or fiduciary fund exists that should be considered for inclusion as a component unit in accordance with criteria adopted by the Governmental Accounting Standards Board, and the District has no oversight responsibility for any other governmental entity.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles and statements issued by the Governmental Accounting Standards Board. The financial statements are derived from a set of self-balancing accounts maintained in a single proprietary enterprise fund, which is comprised of the assets, liabilities, net position, revenues, and expenses of the District. The District’s proprietary fund distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses of the District consist of charges for services (including tap fees) and the cost of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

Measurement Focus and Basis of Accounting

The focus of proprietary fund measurement is on determination of operating income, changes in net assets, financial position, and cash flow. The applicable generally accepted accounting principles are those similar to businesses in the private sector. The proprietary fund financial statements are reported using the economics resources measurement focus and the accrual basis of accounting. Fees and charges are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses reported during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Amounts invested in Local Government Investment Cooperative (LOGIC), which is an external public funds investment pool, are considered cash and cash equivalents.

Inventory

Parts and supplies inventories are carried at cost using the first-in-first-out method.

Walnut Creek Special Utility District

Notes to Financial Statements

1. History and Summary of Significant Accounting Policies (continued)

Investments

The District's investment policy allows investments that are consistent with the State Public Funds Investment Act which may include, obligations of the U.S. Treasury, obligations of states, agencies, counties, cities and other political subdivisions, secured certificates of deposit, repurchase agreements, banker's acceptance, commercial paper, mutual funds, guaranteed investment contracts and investment pools. During the year ended December 31, 2022, the District did not own any types of securities other than those permitted by statute.

Accounts Receivable and Revenue Recognition

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance is estimated based on historical collection experience and management's judgment.

Revenues are recognized when earned. Metered water accounts are read and billed during the month on a monthly cycle by zone. Unbilled water charges are accrued for the period from the last meter reading through year-end and are included in accounts receivable. Unbilled accounts receivable amounted to \$223,405 at December 31, 2022.

Capital Assets

The District's capital assets consist of property, plant and equipment, which are recorded at historical cost, or if donated, the estimated fair value at the date of donation. The District capitalizes items greater than \$2,500 that have a useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment, and water rights are depreciated using the straight-line method over the following estimated useful lives:

Water distribution system	5 – 50 years
Water rights	40 years
Buildings	15 – 30 years
Equipment and vehicles	3 – 10 years
Capital lease asset	10 years
Office furniture and equipment	3 – 7 years

Deferred Charges

The difference in costs incurred and the carrying value of bonds advance refunded is reported as a deferred outflow and is amortized as a component of interest expense using the straight-line method over the shorter of the remaining life of the old debt or life of the new bond issue.

Use of Restricted Resources

Certain resources set aside for repayment of loans, as well as certain resources set aside for construction of water facilities, are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants and other legal restrictions. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Walnut Creek Special Utility District

Notes to Financial Statements

1. History and Summary of Significant Accounting Policies (continued)

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bonds payable are reported net of the applicable bond premiums and discounts, which are deferred and amortized as a component of interest expense over the life of the bonds. Bond issuance costs are expensed as incurred.

Proprietary Fund Net Position

Proprietary fund net position is comprised of the following three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation, plus any unspent debt proceeds for capital projects, less any debt that remains outstanding that was used to finance those assets.
- Restricted for debt service – consist of net assets that are restricted by the District’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net assets are reported in this category.

2. Cash Deposits and Investments

Deposits

The District’s cash deposits are maintained at financial institutions with FDIC insurance coverage and amounted to \$7,673,908 at December 31, 2022.

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s funds are required to be deposited and invested under the terms of a depository contract. The District’s deposits are required to be collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance. At December 31, 2022, the District’s deposits were entirely covered by FDIC insurance or collateralized with securities held by the bank’s agent in the District’s name.

Interest Rate Risk-Investments

The District’s investments in LOGIC have a weighted average maturity of 17 days at December 31, 2022. These investments can generally be redeemed daily and are considered relatively low risk investments.

Investments are reported in the statement of net position as follows at December 31, 2022:

Investments	\$ 3,076,249
Restricted investments	10,540,332
	<u>\$ 13,616,581</u>

Credit Risk and Concentration of Credit Risk for Investments

The District’s investments in LOGIC was rated “AAAm” by Standard and Poor’s and represents 100% of the District’s investment portfolio at December 31, 2022.

Walnut Creek Special Utility District
Notes to Financial Statements

2. Cash Deposits and Investments (continued)

Investments

The District invests in the Local Government Investment Cooperative (LOGIC), which is an external public funds investment pool with investment objectives to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. Investments in LOGIC are carried at amortized cost measured at net asset value and are exempt from fair value reporting.

3. Restricted Assets

Certain proceeds of the District’s revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or other legal restrictions. Restricted assets amounted to the following at December 31, 2022:

	<u>Investments</u>
Interest and sinking funds	\$ 6,214,174
Revenue bond reserve	1,819,050
Bond funds for capital projects	<u>2,507,108</u>
	<u>\$ 10,540,332</u>

4. Bond Refunding Costs

Bond refunding costs are related to issuance of the 2017 and 2015 series refunding bonds, and consist of the advance refunding costs to retire the prior bonds, which is reported as a deferred outflow. These costs are amortized over the 10 – 17 year term of the bonds. Amortization of advance refunding costs is included in interest expense and amounted to \$33,533 during 2022.

Bond refunding costs consisted of the following at December 31, 2022:

Advance refunding costs	\$ 391,448
Less accumulated amortization	<u>(252,229)</u>
	<u>\$ 139,219</u>

Amortization is expected as follows for the years ending December 31:

2023	\$ 33,533
2024	33,533
2025	8,017
2026	8,017
2027	8,017
Thereafter	<u>48,102</u>
	<u>\$ 139,219</u>

Walnut Creek Special Utility District

Notes to Financial Statements

5. Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Assets:				
Land	\$ 281,312	\$ 68,525	\$ -	\$ 349,837
Construction in progress	1,242,994	2,104,211	-	3,347,205
	<u>1,524,306</u>	<u>2,172,736</u>	<u>-</u>	<u>3,697,042</u>
Depreciable Assets:				
Buildings	603,033	-	-	603,033
Equipment and vehicles	1,008,253	107,082	-	1,115,335
Office furniture and equipment	101,407	18,798	-	120,205
Water distribution system	52,068,877	3,484,282	-	55,553,159
Capital lease asset	2,793,289	65,342	-	2,858,631
Water rights	1,213,237	-	-	1,213,237
	<u>57,788,096</u>	<u>3,675,504</u>	<u>-</u>	<u>61,463,600</u>
Accumulated Depreciation:				
Buildings	(221,727)	(19,662)	-	(241,389)
Equipment and vehicles	(710,167)	(114,474)	-	(824,641)
Office furniture and equipment	(73,192)	(10,031)	-	(83,223)
Water distribution system	(16,150,255)	(1,161,937)	-	(17,312,192)
Capital lease asset	(682,280)	(282,596)	-	(964,876)
Water rights	(63,189)	(30,331)	-	(93,520)
	<u>(17,900,810)</u>	<u>(1,619,031)</u>	<u>-</u>	<u>(19,519,841)</u>
Capital assets, net	<u>\$ 41,411,592</u>	<u>\$ 4,229,209</u>	<u>\$ -</u>	<u>\$ 45,640,801</u>

Depreciation expense amounted to \$1,619,031 during 2022.

6. Long-Term Debt

Revenue and Refunding Bonds

On September 20, 2017, the District issued \$1,850,000 in Water System Revenue Refunding Bonds, Series 2017 to partially refund \$1,640,000 of the District's outstanding Series 2009 Water System Revenue Bonds in order to lower the overall debt service requirements and to pay costs associated with issuance of the bonds. The bonds will mature semi-annually beginning January 10, 2018 through January 10, 2034. The debt is payable from the pledged revenues from operation of the District's water system.

On January 13, 2015, the District issued Water Revenue Refunding Bonds, Series 2015, in the amount of \$12,215,000. The bonds will mature semi-annually beginning January 10, 2016 through January 10, 2031. Proceeds from the sale of the bonds were used to refund \$10,885,000 of the District's outstanding Series 2005 Refunding Bonds and \$2,155,000 of the outstanding Series 2006 Bonds in order to lower the overall debt service requirements of the District and to pay the cost associated with the issuance of the bonds. The debt is payable from the pledged revenues from operation of the District's water system.

Walnut Creek Special Utility District

Notes to Financial Statements

6. Long-Term Debt (continued)

On July 17, 2014, the District issued Water System Revenue Bonds, Series 2014, in the amount of \$9,245,000 to construct major improvements to its distribution system. The bonds will mature semi-annually beginning January 10, 2015 through January 10, 2039. The debt is payable from the pledged revenues from operation of the District's water system.

In prior years, the District defeased various bond issues by placing the proceeds of the new bonds in irrevocable trusts, which are invested in U.S. Government Securities, and are designed to meet all future debt service payments on the refunded debt. Accordingly, the trust assets and the liability for the defeased bonds are not included in the District's financial statements. At December 31, 2022, \$5,985,000 of bonds outstanding are considered defeased.

Long-term debt consisted of the following at December 31, 2022:

Water System Revenue Refunding Bonds, Series 2017, interest rate ranges from 3.00% - 4.00%, issued on September 20, 2017. Due in installments beginning January 10, 2018 through January 10, 2034	\$ 1,515,000
Water System Revenue Refunding Bonds, Series 2015, interest rate ranges from 3.00% - 5.00%, issued on January 13, 2015. Due in installments beginning January 10, 2016 through January 10, 2031	3,805,000
Water System Revenue Bonds, Series 2014, interest rate ranges from 3.25% - 4.00%, issued on July 17, 2014. Due in installments beginning January 10, 2015 through January 10, 2039	<u>7,115,000</u>
	12,435,000
Unamortized premium	<u>390,773</u>
Total debt	12,825,773
Current maturities	<u>(1,920,000)</u>
Long-term debt net of current maturities	<u><u>\$ 10,905,773</u></u>

Long-term debt activity consists of the following for the year ended December 31, 2022:

Description	January 1, 2022	Additions	Retirements Refunding and Amortization	December 31, 2022	Due within one year
Refunding Bonds Series 2017	\$ 1,615,000	\$ -	\$ 100,000	\$ 1,515,000	\$ 105,000
Refunding Bonds Series 2015	5,230,000	-	1,425,000	3,805,000	1,515,000
Revenue Bonds Series 2014	7,405,000	-	290,000	7,115,000	300,000
Unamortized premium	681,892	-	291,119	390,773	
Total Long-term debt	<u>\$ 14,931,892</u>	<u>\$ -</u>	<u>\$ 2,106,119</u>	<u>\$ 12,825,773</u>	<u>\$ 1,920,000</u>

Walnut Creek Special Utility District

Notes to Financial Statements

6. Long-Term Debt (continued)

Bond debt service requirements are as follows for the years ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,920,000	\$ 458,425	\$ 2,378,425
2024	2,040,000	365,113	2,405,113
2025	555,000	307,887	862,887
2026	570,000	288,944	858,944
2027	555,000	269,393	824,393
2028-2032	2,980,000	1,025,800	4,005,800
2033-2037	2,710,000	479,700	3,189,700
2038-2039	1,105,000	44,700	1,149,700
Total Debt Service Requirement	<u>\$ 12,435,000</u>	<u>\$ 3,239,962</u>	<u>\$ 15,674,962</u>

Compliance with Debt Service Requirements

Provisions of the Bond Resolutions require the District to collect rates and charges which will be sufficient to produce Pledge Revenues of the System in each year at least equal to the amount required to maintain the Interest and Sinking Fund and the Reserve Fund so as to provide for the payment of principal and interest on all bonds then outstanding and to pay the maintenance and operating expenses of the District.

Provisions of the Bond Resolutions require the District to establish an Interest and Sinking Fund in order to pay the scheduled interest and principal on the bonds. At December 31, 2022, the District had \$6,214,174 in the interest and sinking fund accounts and the next scheduled principal and interest payment is \$2,171,825 for all bonds. The District is in compliance with these requirements.

Provisions of the Bond Resolutions require the District to establish a Reserve Fund equal to the average annual debt service requirement. The Reserve Fund shall be used to pay principal and interest on the Revenue Bonds at any time when there is not sufficient money available in the Interest and Sinking Fund. At December 31, 2022, the District had \$1,819,050 in reserve fund accounts, which exceeds the average annual debt service requirement. The District is in compliance with these requirements.

The District is in compliance with the required debt service coverage ratio at December 31, 2022 as follows:

Operating revenues	\$ 11,936,814
Operating expenses excluding depreciation	<u>5,627,043</u>
Net revenues available for debt service	<u>\$ 6,309,771</u>
Average annual debt service requirements	\$ 922,057
Debt coverage ratio (net revenues available for debt service divided by average annual debt service)	6.84
Debt Coverage Ratio Required	1.25

Walnut Creek Special Utility District
Notes to Financial Statements

6. Long-Term Debt (continued)

Capital Lease

The District has a long-term lease agreement to finance the purchase, installation, and retrofit of certain water meters and related cellular connections in the distribution system with a total cost of \$2,903,190. The District made a down payment of \$600,000 on September 27, 2018, with the remaining liability due in 10 annual installments of principal and interest of \$279,625 at 3.692% interest. The District has the option to purchase the water meters for \$1 at the end of the lease in 2028.

Long-term lease activity consists of the following for the year ended December 31, 2022:

Description	January 1, 2022	Additions	Principal Payments	December 31, 2022	Due within one year
Capital lease	\$ 1,697,596	\$ -	\$ 216,950	\$ 1,480,646	\$ 224,960

The lease is collateralized by capital lease assets of \$1,893,755 (net of accumulated amortization of \$964,876). Amortization expense of \$282,596 is included in depreciation expense.

The following is a schedule of future payments required under the lease as of December 31, 2022:

Years ending December 31:	Interest	Principal
2023	\$ 54,665	\$ 224,960
2024	46,360	233,265
2025	37,748	241,877
2026	28,818	250,807
2027	19,558	260,067
Thereafter	9,956	269,670
	<u>\$ 197,105</u>	<u>\$ 1,480,646</u>

Interest expense on long-term debt amounted to \$308,739 during the year ended December 31, 2022.

7. Change in Accounting Principle

In June 2017, the GASB issued GASB Statement No. 87, Leases (GASB 87). Under GASB 87, lessees are required to recognize assets and liabilities on the statement of net position for most leases and provide enhanced disclosures. The District adopted GASB 87 effective January 1, 2022. No cumulative effect adjustment to net position as of January 1, 2022, was necessary. Adoption of GASB 87 had no significant net effect on the statements of net position, revenues, expenses and change in net position, or cash flows for the year ended December 31, 2022.

8. Compensated Absences

Full-time employees accrue five days of vacation credits after completing one year of employment. After one year, vacation leave credits vary depending on length of tenure with the District. Vacation leave credits cannot be taken, nor will it be paid, upon separation during the one-year period.

Employees accrue sick leave benefits each year. Unused sick leave benefits will carry over to the subsequent year not to exceed fifteen days. Unused sick leave is not paid upon separation. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Walnut Creek Special Utility District

Notes to Financial Statements

9. Retirement Plan

The District currently maintains a Savings Incentive Matching Plan (Simple IRA) for its qualifying employees, which is administered by Edward Jones. The District will match up to 3% of compensation contributed by employees to the plan each year and retains the right to amend the plan. Participants are 100% vested in contributions to the plan. The District's cost for this defined contribution plan amounted to \$24,059 during 2022.

10. Water Service Rates

The District's water service rates in effect at December 31, 2022 are as follows:

Residential:

Minimum 5/8" x 3/4" meter	\$	35.70
Minimum usage		2,000 gallons
Additional water usage (per 1,000 gallons over minimum):		
2,001 to 10,000 gallons	\$	6.11
10,001 to 20,000 gallons	\$	6.95
20,001 and above	\$	7.90

Commercial:

Minimums:

5/8" x 3/4" meter	\$	40.70
1" meter	\$	51.95
1 1/2" meter	\$	85.65
2" meter	\$	130.70
3" meter	\$	395.70
4" meter	\$	530.70
Additional water usage (per 1,000 gallons over minimum):		
2,001 to 10,000 gallons	\$	6.35
10,001 to 20,000 gallons	\$	7.05
20,001 and above	\$	8.00

Water service rates charged to municipalities range from \$5.91 to \$7.08 per 1,000 gallons.

11. Purchase of Water and Economic Dependency

On May 14, 1992, the District signed an agreement with Tarrant Regional Water District to purchase up to 2,200 acre-feet of raw water per year. During 2019, the District paid \$1,213,237 to purchase rights to an additional 1,120 acre-feet per year. The amount paid for purchased water under the agreement for the year ended December 31, 2022, was \$1,487,208.

12. Commitments and Contingent Liabilities

The production of treated water requires the use of chemicals. Some of the chemicals are classified as hazardous. The District actively monitors the use of these chemicals. The District complies with all laws and regulations concerning the use of these chemicals for the production of treated water.

Walnut Creek Special Utility District

Notes to Financial Statements

13. Risk Management

The District is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchased insurance coverage from Texas Municipal League Intergovernmental Risk Pool (contract number 3480, term through December 31, 2022) to cover general liabilities and mitigate certain other risks. There were no significant reductions in coverage in the past year and there were no settlements exceeding insurance coverage for each of the past two years.

Property and liability insurance coverage is as follows for the year ended December 31, 2022:

<u>Type</u>		<u>Contract Number</u>
General liability	\$ 2,000,000	Each occurrence
	\$ 4,000,000	Annual aggregate
Errors and omissions	\$ 2,000,000	Each occurrence
	\$ 4,000,000	Annual aggregate
Automobile liability	\$ 1,000,000	Each occurrence
	\$ 25,000	Each person
Real and personal property	\$ 17,670,824	Limit
Boiler and machinery	\$ 100,000	Per accident
Mobile equipment	\$ 434,481	Limit
Public employee dishonesty	\$ 100,000	Per occurrence
Forgery or alteration	\$ 25,000	Per occurrence
Cyber liability and data breach	\$ 2,000,000	Annual aggregate

14. Deferred Liability

In 1997, the District entered into an agreement with Mitchell Energy Corporation, (subsequently acquired by Devon Energy Corporation) whereby Devon Energy Corporation would assist the District in the cost of constructing certain improvements and extensions to its water system in Wise County, Texas. Under the terms of the agreement, Devon Energy Corporation conveyed \$3,000,000 to the District. In prior years, \$1,000,000 of this amount was converted to a grant from Devon Energy Corporation and reported as income. The remainder of the funds was expended for the design, construction, and acquisition of the capital improvements to the water system. The remaining \$2,000,000 will be converted to subordinated revenue bonds at a future date when the District reaches certain customer levels.

15. Evaluation of Subsequent Events

Subsequent events were evaluated through May 9, 2023, which is the date the financial statements were available to be issued.

Budgetary Comparison Schedule

**Walnut Creek Special Utility District
Budgetary Comparison Schedule – Proprietary Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Water sales	\$ 7,488,250	\$ 7,488,250	\$ 9,634,079	\$ 2,145,829
Other revenues	1,834,690	1,834,690	2,302,735	468,045
	<u>9,322,940</u>	<u>9,322,940</u>	<u>11,936,814</u>	<u>2,613,874</u>
Expenses				
Personnel	1,981,300	1,981,300	1,993,003	(11,703)
Water purchased	995,500	995,500	1,487,208	(491,708)
Materials and supplies	859,100	859,100	554,519	304,581
Utilities	540,250	540,250	683,434	(143,184)
Repairs and maintenance	1,100,150	1,023,250	256,375	766,875
Contracted services	246,520	246,520	286,821	(40,301)
Professional fees	475,000	475,000	80,360	394,640
Other operating expenses	1,276,670	1,276,670	54,368	1,222,302
Administrative	276,300	276,300	230,955	45,345
Depreciation and amortization	3,647	1,549,400	1,619,031	(69,631)
	<u>7,754,437</u>	<u>9,223,290</u>	<u>7,246,074</u>	<u>1,977,216</u>
Operating income	1,568,503	99,650	4,690,740	4,591,090
Non-operating Revenues and Expenses				
Interest income	7,500	7,500	233,924	226,424
Interest expense	(458,425)	(308,739)	(308,739)	-
System development revenue	901,700	901,700	4,028,071	3,126,371
	<u>450,775</u>	<u>600,461</u>	<u>3,953,256</u>	<u>3,352,795</u>
Change in net position	2,019,278	700,111	8,643,996	7,943,885
Net position beginning of year	<u>41,090,996</u>	<u>41,090,996</u>	<u>41,090,996</u>	
Net Position End of Year	<u>\$ 43,110,274</u>	<u>\$ 41,791,107</u>	<u>\$ 49,734,992</u>	

See notes to the budgetary comparison schedule – proprietary fund, and report of independent auditors.

Walnut Creek Special Utility District
Notes to the Budgetary Comparison Schedule - Proprietary Fund
For the Year Ended December 31, 2022

Budget Policies

The annual operating budget is adopted on a basis consistent with generally accepted accounting principles for the proprietary fund. All annual appropriations lapse at fiscal year-end.

The Board of Directors follow the following procedures in establishing budgetary data reflected in the financial statements:

- a. Prior to the beginning of the fiscal year, proposed operating budget is submitted by the General Manager to the Board for the fiscal year commencing the following January 1. The operating budget includes proposed expenses and the means of financing them for the proprietary fund.
- b. The budget may be amended with the approval of the Board of Directors.
- c. Budgetary control is maintained at the line-item level, subject to adjustments permitted as described above.

Analysis of Significant Budget Variances

During 2022, actual operating revenue exceeded budget by about \$2,614,000 due primarily to an increase in water sales of about \$2,146,000, and an increase in other revenues of about \$468,000. Actual operating expenses were less than budget during 2022 by about \$1,977,000 due primarily to more personnel cost of about \$12,000, more water purchased of about \$492,000, less materials and supplies of about \$305,000, more utilities of about \$143,000, more contracted services of about \$40,000, less repairs and maintenance of about \$767,000, less professional fees of about \$395,000, less other operating expenses of about \$1,222,000, less administrative expenses of about \$45,000, and more depreciation expense of about 70,000. Non-operating revenues and expenses exceeded budget by about \$3,352,000 due primarily to more interest income of about \$226,000 and more system development revenue of about \$3,126,000. The significant variance in repair and maintenance, and other operating expenses is due primarily to capitalization of certain expenditures budgeted as expenses.

Texas Supplementary Information

**Walnut Creek Special Utility District
TSI-1. Schedule of Services and Rates
December 31, 2022**

1. Services Provided by the District during the Fiscal Year:

- Retail Water Wholesale Water Drainage
 Retail Wastewater Wholesale Wastewater Irrigation
 Parks/Recreation Fire Protection Security
 Solid Waste/Garbage Flood Control Roads
 Participates in joint venture, regional system, and/or wastewater services
 (other than emergency interconnect)

2. Retail Service Providers

a. Retail Rates for a 5/8" - 3/4" meter:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Flat Rates per 1,000 Gallons Over Minimum Use	Usage Levels (gallons)
Water:	\$ 35.70	2,000	N	\$ 6.11	2,001 to 10,000
				\$ 6.95	10,001 to 20,000
				\$ 7.90	Above 20,000

Total charges per 10,000 gallons usage:

Water: \$ 84.58

b. Water Connections:

Meter Size	Total Connections	Active Connections
<= 3/4"	10,176	9,937
1"	52	50
1 1/2"	8	8
2"	34	33
3"	19	14
4"	10	10
6"	5	5
8"	0	0
10"	0	0
Total	10,304	10,057

**Walnut Creek Special Utility District
TSI-1. Schedule of Services and Rates (Continued)
December 31, 2022**

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

Gallons pumped into system:	1,250,587,000
Gallons billed to customers:	1,137,929,500
Water Accountability Ratio: (Gallons billed/Gallons pumped)	0.90991670

4. Location of District:

County(ies) in which District is located: Parker and Wise

Is the District located entirely within one county? No

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

City(ies) in which the District is located: N/A

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

Entirely Partly Not at all

ETJs in which the District is located: Springtown, Boyd, Paradise, and Reno

Are Board members appointed by an office outside the District?

If yes, by whom? No

**Walnut Creek Special Utility District
TSI-2. Schedule of Proprietary Fund Expenses
For the Year Ended December 31, 2022**

Operating Expenses

Personnel Expenses (including benefits)*:

Wages	\$ 1,591,564
Payroll taxes	120,820
Health Insurance	256,560
Retirement expense	24,059
	<u>1,993,003</u>
Water purchased	1,487,208
Materials and supplies	554,519
Utilities	683,434
Repairs and maintenance	256,375
Contracted services	286,821
Professional fees:	
Audit	38,700
Legal	28,459
Engineer/consultant	13,201
	<u>80,360</u>
Other operating expenses	54,368
Administrative:	
Insurance	113,134
Postage	60,685
Office supplies	9,408
Other administrative expenses	47,728
	<u>230,955</u>
Depreciation	<u>1,619,031</u>
Total operating expenses	<u><u>\$ 7,246,074</u></u>

* Number of persons employed by the District at year-end: 30

**Walnut Creek Special Utility District
 TSI-3. Schedule of Temporary Investments
 December 31, 2022**

Identification or Certificate Number	Interest Rate	Maturity Date	Balance At End of Year	Accrued Interest Receivable At End of Year
Proprietary Fund:				
LOGIC Savings	4.5424%	none	\$ 3,076,249	-
LOGIC Construction	4.5424%	none	2,507,108	-
LOGIC Interest & Sinking	4.5424%	none	6,214,174	-
LOGIC Reserve Fund	4.5424%	none	1,819,050	-
			<u>\$ 13,616,581</u>	<u>\$ -</u>

See report of independent auditors.

**Walnut Creek Special Utility District
TSI-4. Taxes Levied and Receivable
December 31, 2022**

The District does not levy or receive any tax monies.

Walnut Creek Special Utility District
TSI-5 Long-Term Debt Service Requirements by Years
December 31, 2022

Water Revenue Bonds, Series 2014			
Due During Fiscal Years Ending	Principal Due January 10	Interest Due	
		January 10, July 10	Total
2023	\$ 300,000	\$ 272,938	\$ 572,938
2024	315,000	262,175	577,175
2025	325,000	250,975	575,975
2026	335,000	239,006	574,006
2027	350,000	226,162	576,162
2028	360,000	212,400	572,400
2029	375,000	197,700	572,700
2030	395,000	182,300	577,300
2031	410,000	166,200	576,200
2032	425,000	149,500	574,500
2033	440,000	132,200	572,200
2034	460,000	114,200	574,200
2035	500,000	95,000	595,000
2036	500,000	75,000	575,000
2037	520,000	54,600	574,600
2038	540,000	33,400	573,400
2039	565,000	11,300	576,300
	<u>\$ 7,115,000</u>	<u>\$ 2,675,056</u>	<u>\$ 9,790,056</u>

Refunding Bonds, Series 2015			
Due During Fiscal Years Ending	Principal Due January 10	Interest Due	
		January 10, July 10	Total
2023	\$ 1,515,000	\$ 139,987	\$ 1,654,987
2024	1,615,000	61,738	1,676,738
2025	115,000	19,637	134,637
2026	115,000	16,188	131,188
2027	85,000	13,081	98,081
2028	85,000	10,319	95,319
2029	90,000	7,475	97,475
2030	95,000	4,469	99,469
2031	90,000	1,462	91,462
	<u>\$ 3,805,000</u>	<u>\$ 274,356</u>	<u>\$ 4,079,356</u>

See report of independent auditors.

Walnut Creek Special Utility District
TSI-5 Long-Term Debt Service Requirements by Years (continued)
December 31, 2022

Due During Fiscal Years Ending	Water Revenue Bonds, Series 2017		
	Principal Due January 10	Interest Due	
		January 10	July 10
2023	\$ 105,000	\$ 45,500	\$ 150,500
2024	110,000	41,200	151,200
2025	115,000	37,275	152,275
2026	120,000	33,750	153,750
2027	120,000	30,150	150,150
2028	120,000	26,550	146,550
2029	130,000	22,800	152,800
2030	130,000	18,900	148,900
2031	135,000	14,925	149,925
2032	140,000	10,800	150,800
2033	145,000	6,525	151,525
2034	145,000	2,175	147,175
	<u>\$ 1,515,000</u>	<u>\$ 290,550</u>	<u>\$ 1,805,550</u>

Walnut Creek Special Utility District
TSI-5 Long-Term Debt Service Requirements by Years (continued)
December 31, 2022

Due During Fiscal Years Ending	Annual Requirement for All Series		
	Principal Due January 10	Interest Due January 10, July 10	Total
2023	\$ 1,920,000	\$ 458,425	\$ 2,378,425
2024	2,040,000	365,113	2,405,113
2025	555,000	307,887	862,887
2026	570,000	288,944	858,944
2027	555,000	269,393	824,393
2028	565,000	249,269	814,269
2029	595,000	227,975	822,975
2030	620,000	205,669	825,669
2031	635,000	182,587	817,587
2032	565,000	160,300	725,300
2033	585,000	138,725	723,725
2034	605,000	116,375	721,375
2035	500,000	95,000	595,000
2036	500,000	75,000	575,000
2037	520,000	54,600	574,600
2038	540,000	33,400	573,400
2039	565,000	11,300	576,300
	<u>\$ 12,435,000</u>	<u>\$ 3,239,962</u>	<u>\$ 15,674,962</u>

See report of independent auditors.

**Walnut Creek Special Utility District
TSI-6. Analysis of Change in Long-Term Bonded Debt
December 31, 2022**

	Bond Issues			Total
	Series 2014	Series 2015	Series 2017	
Interest rate	3.50% - 4.00%	3.00% - 5.00%	3.00% - 4.00%	
Dates interest payable	1/10, 7/10	1/10, 7/10	1/10, 7/10	
Maturity date	1/10/2039	1/10/2031	1/10/2034	
Beginning bonds outstanding	\$ 7,405,000	\$ 5,230,000	\$ 1,615,000	\$ 14,250,000
Bonds sold during 2022	-	-	-	-
Bonds retired during 2022	(290,000)	(1,425,000)	(100,000)	(1,815,000)
Ending Bonds Outstanding	<u>\$ 7,115,000</u>	<u>\$ 3,805,000</u>	<u>\$ 1,515,000</u>	<u>\$ 12,435,000</u>
Interest expense during 2022	\$ 260,107	\$ (57,460)	\$ 43,417	\$ 246,064
Paying Agent's Name and City:	(a)	(a)	(a)	
(a) BOKF, N.A. dba Bank of Texas, Austin Texas				
Bond Authority:	Revenue Bonds*	Refunding Bonds**		
Amount authorized	\$ 9,245,000	\$ 14,065,000		
Amount issued	9,245,000	14,065,000		
Remaining To Be Issued	<u>\$ -</u>	<u>\$ -</u>		

* Includes bonds series 2014 secured with pledged revenues of the water system.

** Includes bonds series 2015 and 2017, secured with pledged revenues of the water system.

Debt service fund cash and temporary investments balances at year end	<u>\$ 1,819,050</u>
Average annual debt service (principal and interest) for remaining term of all bonds	<u>\$ 922,057</u>

Walnut Creek Special Utility District
TSI-7. Comparative Schedule of Revenues and Expenses - Proprietary Fund
For Each of the Five Years Ended December 31:

	Amounts					Percent of Total Revenues				
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
Operating Revenues										
Water sales	\$ 9,634,079	\$ 8,113,948	\$ 7,438,480	\$ 6,715,400	\$ 6,493,598	80.71%	79.63%	81.65%	80.93%	86.96%
Other revenues	2,302,735	2,075,622	1,671,647	1,582,435	973,714	19.29	20.37	18.35	19.07	13.04
	11,936,814	10,189,570	9,110,127	8,297,835	7,467,312	100.00	100.00	100.00	100.00	100.00
Operating Expenses										
Personnel	1,993,003	1,768,385	1,644,623	1,436,234	1,275,609	16.70	17.35	18.05	17.31	17.08
Water purchased	1,487,208	1,032,351	1,008,201	909,072	906,288	12.46	10.13	11.07	10.96	12.14
Materials and supplies	554,519	471,202	355,112	358,060	431,352	4.65	4.62	3.90	4.32	5.78
Utilities	683,434	509,611	329,617	360,876	316,864	5.73	5.00	3.62	4.35	4.24
Repairs and maintenance	256,375	184,996	190,924	176,121	171,730	2.15	1.82	2.10	2.12	2.30
Contracted services	286,821	262,995	199,697	219,339	139,022	2.40	2.58	2.19	2.64	1.86
Professional fees	80,360	103,109	42,013	168,483	81,240	0.67	1.01	0.46	2.03	1.09
Other operating expenses	54,368	79,960	25,788	37,374	40,415	0.46	0.78	0.28	0.45	0.54
Administrative	230,955	224,501	169,236	168,624	213,230	1.93	2.20	1.86	2.03	2.86
Depreciation and amortization	1,619,031	1,396,282	1,313,430	1,076,801	909,855	13.56	13.70	14.42	12.98	12.18
	7,246,074	6,033,392	5,278,641	4,910,984	4,485,605	60.71	59.19	57.95	59.19	60.07
Operating Income	4,690,740	4,156,178	3,831,486	3,386,851	2,981,707	39.29	40.81	42.05	40.81	39.93
Nonoperating Revenues (Expenses)										
Interest income	233,924	36,269	113,520	403,422	336,993	1.96	0.36	1.25	4.86	4.51
Interest expense	(308,739)	(428,402)	(605,781)	(685,819)	(687,338)	(2.59)	(4.20)	(6.65)	(8.27)	(9.20)
Bond issue costs	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	-	3,397	18,700	-	(1,310,267)	-	0.03	0.21	-	(17.55)
System development revenue	4,028,071	2,149,738	2,084,337	1,436,128	1,511,871	33.74	21.10	22.88	17.31	20.25
	3,953,256	1,761,002	1,610,776	1,153,731	(148,741)	33.11	17.29	17.69	13.90	(1.99)
Change in net position	\$ 8,643,996	\$ 5,917,180	\$ 5,442,262	\$ 4,540,582	\$ 2,832,966	72.40%	58.10%	59.74%	54.71%	37.94%
Total Active Retail Water Connections	10,057	9,359	8,698	8,195	7,706					

See report of independent auditors.

**Walnut Creek Special Utility District
TSI-8. Board Members, Key Personnel, and Consultants
December 31, 2022**

Names	Term of Office (Elected or Appointed or Date Hired	Fees of Office Paid 2022	Expense Reimbursements 2022	Title at Year End
Board Members:				
Mike Gilley	(Elected) 5/2022-5/2025	\$ 1,700	\$ -	President
Al Garrett	(Appointed) 1/2021-5/2024	\$ 1,600	\$ -	Vice President
Beth Correll	(Elected) 5/2022-5/2025	\$ 1,400	\$ -	Secretary/ Treasurer
Jim Cox	(Elected) 5/2022-5/2025	\$ 1,300	\$ -	Director
Andy Deskins Died in office	(Elected) 5/2021-12/2022	\$ 1,400	\$ -	Director
Key Administrative Personnel:				General Manager
Steve Harris	10/1/2014	\$ 144,811		
Consultants:				
Taylor, Olson, Adkins, Sralla, Elam, LLP	1/1/2015	\$ 566		Attorney
Ronald J Freeman	4/15/2017	\$ 8,885		Attorney
Richards, Elder & Gibson, PLLC	5/31/2022	\$ 2,072		Attorney
Hatter & Associates, LLP	10/15/2012	\$ 38,700		Auditor
E.S. & C.M., Inc.	5/1/2003	\$ 850,075		Engineer/ Consultant
John K. Swaim, CPA	1/1/2021	\$ 13,838		Financial/ Consultant