

EAST CENTRAL SPECIAL UTILITY DISTRICT

Comparative Financial Statements
With TSI Supplementary Information

December 31, 2021 and 2020

ANNUAL FILING AFFIDAVIT

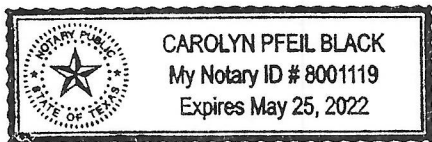
STATE OF TEXAS}
COUNTY OF BEXAR}

I, Melvin Strey, of the East Central Special Utility District hereby swear, or affirm, that the District above has reviewed and approved at the meeting of the District's Board of Directors on the 15th day of March, 2022 its annual audit report for the fiscal period ended December 31, 2021 and the copies of the annual audit report have been filed in the District's office, located at 5520 FM 1628, Adkins, Texas 78101.

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

Date: March 15, 2022 By: Melvin E. Strey

Sworn to and subscribed to before me this 15th day of March, 2022.



Carolyn Pfeil Black

My commission expires on: _____
Notary Public in the State of Texas

EAST CENTRAL SPECIAL UTILITY DISTRICT

Annual Financial Report
For the Year Ended December 31, 2021

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williams steinert mask

Certified Public Accountants and Advisors

Independent Auditor's Report

Board of Directors
East Central Special Utility District
Adkins, Texas

Opinion

We have audited the accompanying financial statements of the East Central Special Utility District (District) which comprise the statement of financial position as of and for the year ended December 31, 2021 and 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Central Special Utility District as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Central 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 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.

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 East Central Special Utility District ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of East Central 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 East Central 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.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Central Special Utility District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information required by the Texas Commission on Environmental Quality is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2022 on our consideration of East Central Special Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Central Special Utility District's internal control over financial reporting and compliance.

Williams, Steinert, Mask

Williams, Steinert, Mask, LLP
February 23, 2022
San Antonio, Texas

EAST CENTRAL SPECIAL UTILITY DISTRICT
Management's Discussion and Analysis
December 31, 2021 and 2020

Using this Annual Report

Within this section of the East Central Special Utility District (the District) annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the year ended December 31, 2021 and 2020. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This analysis should be read in conjunction with the basic financial statements that follow this section.

Financial Highlights

- Total assets increased \$9,882,032 to \$37,097,322.
- Total liabilities increased \$3,533,741 to \$17,102,278.
- Total unrestricted net position increased \$4,975,856 to \$9,808,066.
- Total net position increased \$6,389,092 to \$20,035,845.
- Net operating revenues increased \$1,985,406.
- Net operating expenses increased \$837,623.

Required Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of five components: (1) the independent auditor's report; (2) management's discussion and analysis (MD&A); (3) The Statement of Net Position which include all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities); (4) The Statement of Revenues, Expenses and Changes in Net Position shows the business-type activities of the District and provides information regarding income and expenses, both operating and non-operating, that affect the Net Position; and (5) The Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the period using the direct method of reporting cash flows from operating, investing, and capital and noncapital financing activities.

Notes to the Financial Statements

Integral to the financial statements are the notes to the basic financial statements. These notes provide additional information that is essential to a full understanding of the financial data provided in the basic statements. The District has prepared notes sufficient to provide the readers of these financial statements a clear picture of the District's financial position and insight into the results of its operations. These notes comply with the standardized reporting requirements for districts by TCEQ and are in conformity with GAAP.

Other Required/Supplementary Information

In addition to the basic financial statements and accompanying notes, this section also represents certain required supplementary information (RSI) and required supplementary information by TCEQ which may be beneficial to the reader. This information is in conformity with Generally Accepted Accounting Principles (GAAP).

EAST CENTRAL SPECIAL UTILITY DISTRICT
Management's Discussion and Analysis
December 31, 2021 and 2020

Financial Analysis of The District

The following condensed Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position show a three-year operating comparison of the District.

| | 2021 | 2020 | 2019 |
|--|----------------------|-------------------|-------------------|
| Cash and investments | \$ 15,736,801 | 7,621,707 | 3,454,389 |
| Other current assets | 1,370,444 | 1,181,316 | 996,940 |
| Capital assets, net | 19,293,822 | 18,223,280 | 17,970,947 |
| Other assets | 696,255 | 188,987 | 204,869 |
| Total Assets | <u>37,097,322</u> | <u>27,215,290</u> | <u>22,627,145</u> |
| Deferred outflow of resources | | | |
| Deferred outflows - pension | 40,801 | - | - |
| Total deferred outflow of resources and assets | <u>\$ 37,138,123</u> | <u>27,215,290</u> | <u>22,627,145</u> |
| Current liabilities | \$ 2,848,901 | 2,307,330 | 1,965,332 |
| Long-term liabilities | 14,253,377 | 11,261,207 | 12,245,145 |
| Total Liabilities | <u>17,102,278</u> | <u>13,568,537</u> | <u>14,210,477</u> |
| Net investment in capital assets | 4,315,030 | 6,158,768 | 5,006,412 |
| Restricted | 5,912,749 | 2,655,775 | 165,000 |
| Unrestricted | 9,808,066 | 4,832,210 | 3,245,256 |
| Total Net Position | <u>20,035,845</u> | <u>13,646,753</u> | <u>8,416,668</u> |
| Total Liabilities and Net Position | <u>\$ 37,138,123</u> | <u>27,215,290</u> | <u>22,627,145</u> |

Changes in the District's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Changes in Net Position for the three years ended December 31, 2021, 2020 and 2019.

Changes in District Net Position

| | 2021 | 2020 | 2019 |
|--------------------------------|---------------------|------------------|------------------|
| Operating revenues | \$ 13,754,791 | 11,769,385 | 7,549,836 |
| Operating expenses | 6,918,413 | 6,080,790 | 5,539,936 |
| Operating Income (Loss) | 6,836,378 | 5,688,595 | 2,009,900 |
| Non-operating income (expense) | (447,286) | (458,510) | (478,541) |
| Change in Net Position | <u>\$ 6,389,092</u> | <u>5,230,085</u> | <u>1,531,359</u> |

EAST CENTRAL SPECIAL UTILITY DISTRICT
Management's Discussion and Analysis
December 31, 2021 and 2020

Capital Assets and Debt

Capital Assets

As of December 31, 2021, the District had invested \$33.8 million in a broad range of capital assets, including land, buildings, equipment, plants, and distribution systems. Significant additions include several vehicles and construction in progress for the new building and utility system. More detailed information about the District's capital assets is presented in the notes to the financial statements.

District's Capital Assets

| | 2021 | 2020 | 2019 |
|--------------------------------|----------------------|-------------------|-------------------|
| Land | \$ 772,723 | 772,723 | 772,723 |
| CRWA assets | 13,304,338 | 13,304,338 | 13,304,338 |
| Plant and distribution system | 15,290,674 | 15,290,674 | 15,085,944 |
| Equipment | 1,123,178 | 673,095 | 280,356 |
| Building and improvements | 96,505 | 96,505 | 96,505 |
| Furniture and fixtures | 246,536 | 246,536 | 246,536 |
| Vehicles | 851,944 | 806,625 | 714,018 |
| Construction in progress | 2,105,739 | 690,566 | 223,094 |
| Totals at cost | <u>33,791,637</u> | <u>31,881,062</u> | <u>30,723,514</u> |
| Total accumulated depreciation | (14,497,815) | (13,657,782) | (12,752,567) |
| Net capital assets | <u>\$ 19,293,822</u> | <u>18,223,280</u> | <u>17,970,947</u> |

Long-Term Debt

At year-end, the District had \$15.4 million in principal outstanding on bonded debt and notes. More detailed information about the District's debt is presented in the notes to the financial statements.

District's Long Term Debt

| | 2021 | 2020 | 2019 |
|-----------------------|----------------------|-------------------|-------------------|
| Bonds payable | \$ 4,955,000 | 875,000 | 995,000 |
| Notes payable | 10,423,595 | 11,368,499 | 12,164,406 |
| Totals at cost | <u>\$ 15,378,595</u> | <u>12,243,499</u> | <u>13,159,406</u> |

EAST CENTRAL SPECIAL UTILITY DISTRICT
Management's Discussion and Analysis
December 31, 2021 and 2020

Budgetary Highlights

The District's revenues exceeded expectations by \$4.1 million, primarily because of an increase in an increase of sales due to quick growth, water impact fees and meter installations, which is categorized in other charges. Operating expenses were \$330 thousand less than the budget, primarily due to depreciation expense, repairs and maintenance and water purchases. The net change in net position was an increase of \$6.4 million, of this amount \$4.9 million increases the unrestricted and \$3.3 increases the restricted net position; capital assets in excess of debt are decreased by \$1.8 million approximately.

Economic Factors and Next Year's Budget

The 2022 budget contemplates continued expenditures from the new building for the Capital Improvement Plan. Water rates are increased 2.5% for 2021 to prepare for upcoming bond payments for the new office. Aside from the construction, the District expects no major changes to services or operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at:

Street address:
5520 FM 1628,
Adkins, Texas, 78101

Mailing address:
P.O. Box 570
Adkins, Texas, 78101

Phone: (210-649-2383)

EAST CENTRAL SPECIAL UTILITY DISTRICT

Statement of Net Position December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|-------------------|
| Current assets: | | |
| Cash | \$ 14,901,515 | 6,779,946 |
| Investments | 670,286 | 676,761 |
| Accounts receivable, net | 865,223 | 743,716 |
| Inventory | 505,221 | 437,600 |
| Total Current Assets | <u>16,942,246</u> | <u>8,638,023</u> |
| Capital assets, net | <u>19,293,822</u> | <u>18,223,280</u> |
| Other assets: | | |
| CRWA membership | 10,000 | 10,000 |
| Bond issue and organizational costs | 410,795 | 178,987 |
| Restricted cash for debt service | 440,459 | 165,000 |
| Total Other Assets | <u>861,254</u> | <u>353,987</u> |
| Total Assets | <u>37,097,322</u> | <u>27,215,290</u> |
| Deferred outflow of resources | | |
| Deferred outflows - pension | 40,801 | - |
| Total Deferred Outflow of Resources and Assets | <u>\$ 37,138,123</u> | <u>27,215,290</u> |
| Current liabilities: | | |
| Accounts payable | \$ 421,703 | 300,392 |
| Payroll liabilities | 55,684 | 33,007 |
| Accrued interest | 32,574 | 34,843 |
| Customer deposits | 1,106,657 | 956,796 |
| Current portion of long-term debt | 1,232,283 | 982,292 |
| Total Current Liabilities | <u>2,848,901</u> | <u>2,307,330</u> |
| Long-term liabilities: | | |
| Bonds and notes payable, net of current portion | 14,146,312 | 11,261,207 |
| Other long-term liabilities | 83,213 | - |
| Net pension liability | 23,852 | - |
| Total Liabilities | <u>17,102,278</u> | <u>13,568,537</u> |
| Net position: | | |
| Capital assets in excess of debt | 4,315,030 | 6,158,768 |
| Restricted: | | |
| Board designated | 500,000 | - |
| Debt service | 440,459 | 165,000 |
| Impact fees | 3,556,690 | 1,899,975 |
| Water acquisition | 1,415,600 | 590,800 |
| Unrestricted | 9,808,066 | 4,832,210 |
| Total Net Position | <u>20,035,845</u> | <u>13,646,753</u> |
| Total Liabilities and Net Position | <u>\$ 37,138,123</u> | <u>27,215,290</u> |

See Accompanying Notes to the Financial Statements and the Auditor's Report.

EAST CENTRAL SPECIAL UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|--------------------------|
| Operating revenue: | | |
| Water sales | \$ 7,994,623 | 7,538,061 |
| Wastewater service fees | 792,002 | 385,183 |
| Water impact fees | 2,516,150 | 1,899,975 |
| Water acquisition fees | 824,800 | 590,800 |
| Other charges | 1,627,216 | 1,355,366 |
| Total operating revenues | <u>13,754,791</u> | <u>11,769,385</u> |
| Operating expenses | 6,918,413 | 6,080,790 |
| Operating income | 6,836,378 | 5,688,595 |
| Non-operating revenues (expenses) | | |
| Rental income | 9,581 | 10,452 |
| Interest income | 21,275 | 7,294 |
| Gain on sale of assets | 6,676 | - |
| Other income | - | 6,150 |
| Interest expense | (484,818) | (482,406) |
| Total non-operating revenues (expenses) | <u>(447,286)</u> | <u>(458,510)</u> |
| Change in net position | 6,389,092 | 5,230,085 |
| Net position at beginning of year | 13,646,753 | 8,416,668 |
| Net position at end of year | <u><u>\$ 20,035,845</u></u> | <u><u>13,646,753</u></u> |

See Accompanying Notes to the Financial Statements and the Auditor's Report.

EAST CENTRAL SPECIAL UTILITY DISTRICT
Statement of Cash Flows
For the Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|--------------------|
| Net cash flows from operating activities | | |
| Cash received from customers | \$ 13,783,145 | 11,841,758 |
| Cash payments to suppliers for goods and services | (4,588,613) | (4,117,128) |
| Payments to employees for services | (1,327,794) | (1,019,359) |
| Net cash flow provided by operating activities | <u>7,866,738</u> | <u>6,705,271</u> |
| Cash flows from capital and related financing activities | | |
| Principal payments on bonds and notes payable | (982,292) | (915,907) |
| Interest paid | (487,087) | (488,393) |
| Proceeds from the sale of equipment | 6,676 | - |
| Purchase of property, plant and equipment | (581,075) | (690,079) |
| Construction in process | (1,415,173) | (467,471) |
| Proceeds from issuance of bonds | 4,116,057 | - |
| Bond issue costs | (164,147) | - |
| Net cash flow provided (used) by capital and related financing activities | <u>492,959</u> | <u>(2,561,850)</u> |
| Cash flows from investing activities | | |
| Interest and investment income | 30,856 | 23,896 |
| Net cash provided by investing activities | <u>30,856</u> | <u>23,896</u> |
| Net increase (decrease) in cash and cash equivalents | 8,390,553 | 4,167,317 |
| Beginning cash and cash equivalents | 7,621,707 | 3,454,390 |
| Ending cash and cash equivalents | <u>\$ 16,012,260</u> | <u>7,621,707</u> |
| <i>Reconciliation to Statement of Net Position</i> | | |
| Cash and cash equivalents - Unrestricted | \$ 15,571,801 | 7,456,707 |
| Cash and cash equivalents - Restricted | 440,459 | 165,000 |
| | <u>\$ 16,012,260</u> | <u>7,621,707</u> |

See Accompanying Notes to the Financial Statements and the Auditor's Report.

EAST CENTRAL SPECIAL UTILITY DISTRICT
Statement of Cash Flows (Continued)
For the Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|-------------------------|
| Reconciliation of operating income to net cash | | |
| provided by operating activities | | |
| Operating income | \$ 6,836,378 | 5,688,595 |
| Adjustments to reconcile income from operations to net cash | | |
| provided by operating activities: | | |
| Depreciation | 942,588 | 921,097 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in assets: | | |
| Accounts receivable | (121,507) | (68,562) |
| Inventory | (67,621) | (115,813) |
| Deferred outflows - pension | (40,801) | |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 121,311 | 139,201 |
| Payroll liabilities | 22,677 | (182) |
| Customer deposits | 149,861 | 140,935 |
| Net pension liability | 23,852 | - |
| Net cash provided by operating activities | <u><u>\$ 7,866,738</u></u> | <u><u>6,705,271</u></u> |

See Accompanying Notes to the Financial Statements and the Auditor's Report.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements
December 31, 2021 and 2020

1) Reporting Entity

East Central Special Utility District (the District) was created pursuant to the provision of Texas Water Code, Chapters 49 and 65 and Texas Administrative Code 293.11 and 293.12 to purchase, own, hold, lease and otherwise acquire sources of water supply; to build, operate and maintain facilities for the transportation of water; and to sell water and wastewater services to towns, cities, and other political subdivisions of this state, to private business entities and to individuals. East Central Water Supply Corporation was dissolved, and all assets and liabilities and equity of that organization were transferred to the newly created East Central Special Utility District. This transfer took place in April of 2005, for financial reporting purposes.

The Board of Directors (Board), a nine-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to providing water services within the jurisdiction of the East Central Special Utility District. Members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters.

The District is legally separate and is fiscally independent of other state and local governments, it is a primary government and not included in any other governmental reporting entity. The District has no component units.

2) Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units in conjunction with the "Water District's Financial Management Guide" published by the Texas Commission on Environmental Quality. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The District is reported as a special-purpose government engaged in business-type activities. The financial statements of the District measure and report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, and gains and losses using the economic resources measurement focus and accrual basis of accounting.

Basis of Presentation

Net position and revenue, expenses, gains, and losses are classified based on the existence or absence of grantor-imposed restrictions. Net position of the District and changes therein are classified as unrestricted net position. Unrestricted net position represents the portion of expendable funds that is available for support of the operations of the District. 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.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements
December 31, 2021 and 2020

2) Summary of Significant Accounting Policies (Continued)

Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operating activities. As business-type activities, the District's operating revenues are defined as the result of exchange transactions with those who purchase, use or directly benefit from the services provided by the District. Non-operating items include activities that have the characteristic on non-exchange transactions such as grants and contributions and other items that are defined as non-operating.

Cash and Cash Equivalents

State statutes authorize the District to invest in (a) obligations of the United States or its agencies, and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value (plus accrued interest) except for money market, certificates of deposit, local government investment pools, and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost, which approximates fair value.

The District considers cash and cash equivalents to be amounts in checking accounts, savings accounts, money market accounts, and local government investment pools.

Receivables and Payables

All receivables and payables are reported at their gross value. The District uses the direct write-off method to account for bad debt associated with receivables. Payables are reported in the period the liability is incurred. The District believes that sufficient detail of receivable and payable balances are provided and therefore, provides no additional disclosure.

Inventory

Inventory consists of pipe, fittings, pumps and meters. Inventory is reported at the lower of cost or market based on the first in-first out method.

Use of Estimates

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

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2021 and 2020

2) Summary of Significant Accounting Policies (Continued)

Customer Deposits

Upon creation of a new account, customers make a deposit toward their final bill. The amount is recorded as customer deposits liability on the Statement of Net Position.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, water rights, and water plant and distribution systems, are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Interest has been capitalized during the construction periods on water plant and distribution systems. Purchases in excess of \$5,000 with a useful life in excess of one year are capitalized and depreciated using the straight-line method over the following estimated useful lives:

| | |
|--|----------------|
| Buildings and Improvements | 10 to 50 years |
| Equipment | 3 to 10 years |
| Water Plants and Distributions Systems | 20 to 50 years |

Amortization of SUD Conversion

The District's membership voted in March of 2005 and approved the conversion from its then current status to a Special Utility District under Chapter 65 of the Texas Water Code. Section 65.014 permits a Special Utility District to file a resolution with the Commission requesting that a district be created. The application was completed, and SUD conversion was achieved in April of 2005.

Accounting principles generally accepted in the United States of America require that the District capitalize the costs associated with these assets and amortize those costs over the life of the asset or loan, and not less than 60 months, respectively, rather than expensing the entire amount in the year acquired. The expense associated with this amortization appears in the basic financial statements as "Amortization."

Long-Term Obligations

Bonds, notes and capital leases are recorded as liabilities on the statement of net position. Bond issue costs and premiums are expensed in the period they are incurred. Bonds payable are reported net of the applicable bond premium or discount. Interest costs are expensed during the construction period.

Budget

An operating budget is adopted each fiscal year for the District. The budget is adopted on a cash basis of accounting internally and converted to accrual basis for financial reporting. Additional budgetary information is provided in the required supplementary information.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements
December 31, 2021 and 2020

2) Summary of Significant Accounting Policies (Continued)

Compensated Absences

East Central Special Utility District provides vacation and sick leave for all qualifying employees. Employees are allowed to accumulate vacation leave, and it is payable if the employee terminates. Sick leave may also be accumulated; however, it is not payable upon termination. The vacation and sick accrual schedules for 2021 and 2020 are as follows:

| | Year of Service | Annual Accrual in Hours | Carry Over Amount in Hours |
|----------|-----------------|----------------------------|----------------------------------|
| Vacation | 1/2-4 | 80 | 136 |
| | 5-9 | 96 | 136 |
| | 10-14 | 120 | 136 |
| | 15-19 | 136 | 136 |
| | 20-29 | 160 | 136 |
| | 30-34 | 176 | 136 |
| | Over 35 | 200 | 136 |
| Sick | 1/2-14 | 48 | 160 |
| | 15-19 | 56 | 160 |
| | 20-29 | 72 | 160 |
| | Over 30 | 80 | 160 |

3) Cash and Investments

Cash

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. 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. As of year-end, the District's bank deposits were covered by a combination of federal deposit insurance and pledged securities.

Investments

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

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2021 and 2020

3) Cash and Investments (Continued)

Investments (Continued)

This Act requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines which investments are acceptable for the District. These may include, with certain restrictions; (1) obligations of the U.S. Treasury, certain U.S. agencies, the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) fully collateralized repurchase agreements with certain criteria, (6) banker's acceptances, (7) mutual funds, (8) investment pools, and (9) guaranteed investment contracts. The District policy authorizes all the State allowable investments. If additional types of securities are approved for investment by public funds by state statute, the District will have to amend its policy before the new investment types can be considered for investment by the District.

The District's board believes that the District has complied in all material respects with the requirements of the Act and the District's investment policies.

As of December 31, 2021 and 2020, the District had \$835,286 and \$841,761 respectively, in a money market account that has a AAA rating, of this amount \$165,000 is restricted.

Analysis of Specific Deposit and Investment Risks

GASB Statement 40 requires a determination as to whether the district was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year-end the District did not have any significant credit risk.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralize with securities held by the pledging financial institution's trust department or agent. At year-end the District had no exposure to custodial credit risk.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District adopted Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on at least a monthly basis.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In order to limit interest and market rate risk from changes in interest rates, the District's adopted Investment Policy sets a maximum stated maturity limit of two years.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2021 and 2020

4) Restricted Cash and Cash Equivalents

Restricted cash consists of a debt service related to the Trust account with Bank of America. The District is required to pledge a portion of their investments for sinking funds. The District has complied with the restriction requirements.

5) Receivables

Accounts receivable from members represent unpaid water usage. At December 31, 2021 and 2020 the amount is as follows:

| | 2021 | 2020 |
|------------------------|-------------------|----------------|
| Customer balances | \$ 873,965 | 751,228 |
| Allowance for doubtful | (8,742) | (7,512) |
| | <u>\$ 865,223</u> | <u>743,716</u> |

6) Joint Venture – Canyon Regional Water Authority

The District is a member entity of Canyon Regional Water Authority (CRWA) through a regional taxable water supply contract dated August 1, 1998. CRWA was created to purchase, own, hold, lease and otherwise acquire sources of potable water; build, operate and maintain facilities for the treatment and transportation of water; sell potable water to local governments, water supply corporations and other persons in Texas; to protect, preserve and restore the purity and sanitary condition of water in the area. The participating entities, of which there are 12, are contractually obligated to fund a pro-rata portion of CRWA's operating, debt service and project costs. The District participates in the repayment of the CRWA bond indebtedness. Principal and interest payments are made to CRWA monthly. The District receives approximately 12% of the related debt.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements
December 31, 2021 and 2020

7) Capital Assets

As of December 31, 2021, the District had \$20,035,845 in Net Position. The District had capital assets in excess of related debt in the amount of \$4,315,030.

A summary of changes in capital assets for the year ended December 31, 2021, is as follows:

| | Balances at 12/31/20 | Increases | Decreases | Balances at 12/31/21 |
|--|--------------------------|----------------------|-----------------|-------------------------|
| Capital Assets | | | | |
| Non-depreciable: | | | | |
| Land and easements | \$ 772,723 | - | - | 772,723 |
| Construction in Progress | 690,566 | 1,415,173 | - | 2,105,739 |
| Total assets non-depreciable | <u>1,463,289</u> | <u>1,415,173</u> | <u>-</u> | <u>2,878,462</u> |
| Depreciable: | | | | |
| CRWA assets | 13,304,338 | - | - | 13,304,338 |
| Plant and distribution system | 15,290,674 | - | - | 15,290,674 |
| Equipment | 673,095 | 450,083 | - | 1,123,178 |
| Building and improvements | 96,505 | - | - | 96,505 |
| Furniture and fixtures | 246,536 | - | - | 246,536 |
| Vehicles | 806,625 | 131,992 | (86,673) | 851,944 |
| Total assets depreciable | <u>30,417,773</u> | <u>582,075</u> | <u>(86,673)</u> | <u>30,913,175</u> |
| Less accumulated depreciation | <u>13,657,782</u> | <u>926,706</u> | <u>(86,673)</u> | <u>14,497,815</u> |
| Total depreciable assets, net | <u>16,759,991</u> | <u>(344,631)</u> | <u>-</u> | <u>16,415,360</u> |
| Total depreciable and non-depreciable assets | <u>\$ 18,223,280</u> | <u>1,070,542</u> | <u>-</u> | <u>19,293,822</u> |
| Other assets | | | | |
| Organizational expenses | \$ 180,372 | 247,690 | - | 428,062 |
| Refinance bond costs | 157,086 | - | - | 157,086 |
| CRWA membership | 10,000 | - | - | 10,000 |
| | <u>347,458</u> | <u>247,690</u> | <u>-</u> | <u>595,148</u> |
| Less accumulated amortization | <u>158,471</u> | <u>15,882</u> | <u>-</u> | <u>174,353</u> |
| Total other assets, net | <u>188,987</u> | <u>231,808</u> | <u>-</u> | <u>420,795</u> |
| Total Capital and Other Assets | <u>\$ 18,412,267</u> | <u>1,302,350</u> | <u>-</u> | <u>19,714,617</u> |

Depreciation for 2021 was \$926,706 and amortization was \$15,882. Depreciation for 2020 was \$905,215 and amortization was \$15,882. Land, water rights and construction in progress are not depreciated.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements
December 31, 2021 and 2020

7) Capital Assets (Continued)

As of December 31, 2019, the District had \$13,646,753 in Net Position. The District had capital assets in excess of related debt in the amount of \$6,158,768.

A summary of changes in capital assets for the year ended December 31, 2020, is as follows:

| | Balances at 12/31/19 | Increases | Decreases | Balances at 12/31/20 |
|--|-------------------------|-----------|-----------|-------------------------|
| Capital Assets | | | | |
| Non-depreciable: | | | | |
| Land and easements | \$ 772,723 | - | - | 772,723 |
| Construction in Progress | 223,095 | 467,471 | - | 690,566 |
| Total assets non-depreciable | 995,818 | 467,471 | - | 1,463,289 |
| Depreciable: | | | | |
| CRWA assets | 13,304,338 | - | - | 13,304,338 |
| Plant and distribution system | 15,085,944 | 204,730 | - | 15,290,674 |
| Equipment | 280,356 | 392,739 | - | 673,095 |
| Building and improvements | 96,505 | - | - | 96,505 |
| Furniture and fixtures | 246,536 | - | - | 246,536 |
| Vehicles | 714,017 | 92,608 | - | 806,625 |
| Total assets depreciable | 29,727,696 | 690,077 | - | 30,417,773 |
| Less accumulated depreciation | 12,752,567 | 905,215 | - | 13,657,782 |
| Total depreciable assets, net | 16,975,129 | (215,138) | - | 16,759,991 |
| Total depreciable and non-depreciable assets | \$ 17,970,947 | 252,333 | - | 18,223,280 |
| Other assets | | | | |
| Organizational expenses | \$ 180,372 | - | - | 180,372 |
| Refinance bond costs | 157,086 | - | - | 157,086 |
| CRWA membership | 10,000 | - | - | 10,000 |
| | 347,458 | - | - | 347,458 |
| Less accumulated amortization | 142,589 | 15,882 | - | 158,471 |
| Total other assets, net | 204,869 | (15,882) | - | 188,987 |
| Total Capital and Other Assets | \$ 18,175,816 | 236,451 | - | 18,412,267 |

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements
December 31, 2021 and 2020

8) Long-Term Debt

The District's bond and note activity as of and for the year ending December 31, 2021 and 2020 is as follows

| Bonds, Notes Payable | Balance Outstanding at 12/31/20 | Additions | Retirements | Balance Outstanding at 12/31/21 | Due Within One Year |
|-------------------------------------|------------------------------------|---------------------|---------------------|------------------------------------|------------------------|
| LD/MC Bond, Series 2016 | \$ 4,052,014 | \$ - | \$ 428,276 | \$ 3,623,738 | \$ 445,092 |
| Wells Ranch, Series 2009 | 217,412 | - | 217,412 | - | - |
| Wells Ranch, Series 2011 | 1,257,815 | - | 1,257,815 | - | - |
| Wells Ranch, Series 2015 | 2,540,025 | - | 115,020 | 2,425,005 | 150,804 |
| Wells Ranch, Series 2016 | 2,573,350 | - | 164,983 | 2,408,367 | 171,236 |
| Wells Ranch, Series 2021 | - | 1,333,332 | - | 1,333,332 | 56,758 |
| Revenue Refunding, Series 2016 | 875,000 | - | 120,000 | 755,000 | 120,000 |
| Utility System Revenue, Series 2021 | - | 4,200,000 | - | 4,200,000 | 190,000 |
| CoBank Note | 727,883 | - | 94,730 | 633,153 | 98,393 |
| | <u>\$ 12,243,499</u> | <u>\$ 5,533,332</u> | <u>\$ 2,398,236</u> | <u>\$ 15,378,595</u> | <u>\$ 1,232,283</u> |

| Bonds, Notes Payable | Balance Outstanding at 12/31/19 | Additions | Retirements | Balance Outstanding at 12/31/20 | Due Within One Year |
|--------------------------------|------------------------------------|-------------|-------------------|------------------------------------|------------------------|
| LD/MC Bond, Series 2016 | \$ 4,463,866 | \$ - | \$ 411,852 | \$ 4,052,014 | \$ 428,877 |
| Wells Ranch, Series 2009 | 236,171 | - | 18,759 | 217,412 | 19,721 |
| Wells Ranch, Series 2011 | 1,295,333 | - | 37,518 | 1,257,815 | 38,961 |
| Wells Ranch, Series 2015 | 2,616,705 | - | 76,680 | 2,540,025 | 115,020 |
| Wells Ranch, Series 2016 | 2,731,599 | - | 158,249 | 2,573,350 | 164,983 |
| Revenue Refunding, Series 2016 | 995,000 | - | 120,000 | 875,000 | 120,000 |
| CoBank Note | 819,086 | - | 91,203 | 727,883 | 94,730 |
| | <u>\$ 13,157,760</u> | <u>\$ -</u> | <u>\$ 914,261</u> | <u>\$ 12,243,499</u> | <u>\$ 982,292</u> |

Bonds Payable

Revenue Refunding Bonds, Series 2016 were refinanced and issued by the District in 2016 to pay off short term borrowings for construction of system improvements. The bonds were refinanced through BB&T Governmental Finance. The bonds bear interest at 2.08% and mature serially through December 1, 2027. The bonds require debt service and reserve accounts to which the District has substantially complied.

Utility System Revenue, Series 2021 were issued by the District in 2021 to pay off short term borrowings for office and maintenance building. The bonds bear interest ranging from 1.0% - 1.75% and mature serially through September 2041. The bonds require debt service and reserve accounts of \$275,458 to which the District has substantially complied.

Notes Payable

The District signed a promissory note with CoBank in 2017. The CoBank note bears a variable interest rate not to exceed 3% and requires monthly payments of interest and principal until maturity on October 20, 2027. In addition to the notes and bonds, the District is liable for a portion of CRWA bonds, which have been included in the long-term debt. There are no debt service requirements related to this debt.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements
December 31, 2021 and 2020

8) Long-Term Debt (Continued)

The annual requirements to amortize all outstanding privately placed debt as of December 31, 2021, including interest payments, are as follows:

| Year End December 31, | Principal Payments | Interest Payments | Total |
|--------------------------|-----------------------|----------------------|----------------------|
| 2022 | \$ 1,232,283 | 464,091 | 1,696,374 |
| 2023 | 1,283,189 | 413,868 | 1,697,057 |
| 2024 | 1,330,072 | 368,398 | 1,698,470 |
| 2025 | 1,372,259 | 320,850 | 1,693,109 |
| 2026 | 1,424,468 | 271,187 | 1,695,655 |
| 2027-2031 | 4,808,623 | 736,224 | 5,544,847 |
| 2032-2036 | 2,425,021 | 255,043 | 2,680,064 |
| 2037-2041 | 1,502,680 | 71,180 | 1,573,860 |
| Total | <u>\$ 15,378,595</u> | <u>\$ 2,900,841</u> | <u>\$ 18,279,436</u> |

9) Risk Management

General Liability

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; personal injuries; and natural disasters. The District's risk management program encompasses various means of protecting the District against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers and from participation in a risk pool.

The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage. District management is not aware of any pending or alleged claims for which expected liability would exceed the policy limits of present insurance coverage. The following table shows the District's coverage:

| Type of Policy | Coverage Period | | Coverage Amount |
|----------------------------|-----------------|---------|-----------------|
| | Beginning | Ending | |
| Workers' compensation | 02-2021 | 01-2021 | STATUTORY |
| Vehicle | 02-2021 | 01-2021 | \$1,000,000 |
| Umbrella | 02-2021 | 01-2021 | \$1,000,000 |
| Directors | 02-2021 | 01-2021 | \$2,000,000 |
| Real and Personal Property | 02-2021 | 01-2021 | Per Schedule |
| General liability | 02-2021 | 01-2021 | \$2,000,000 |

Workers' Compensation

The District purchases workers' compensation insurance annually on the open market. Premiums are based on the estimated District payroll by risk factor and rates. The premiums are adjusted by the District's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for in the financial statements.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2021 and 2020

10) Texas County and District Retirement System

Beginning January 1, 2020 the District began its participation in the Texas County and District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. The district provides retirement benefits for all of its employees (excluding Temporary) through a defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS).

The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple employer public retirement system, consisting of 677 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a Comprehensive Annual Financial Report (CAFR) on a calendar year basis. The CAFR is publicly available upon written request from the TCDRS Client of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or on their website at www.tcdrs.org.

The plan provisions are adopted by the governing body and can be amended, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump-sum are not entitled to any amounts contributed by their employer.

Funding Policy

The Client have elected the Annually Determined Contribution Rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 8.39% for the year ended December 31, 2021. The contribution rate payable by all employee members for the current year is the rate of 5% as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Benefits Provided

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

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2021 and 2020

10) Texas County and District Retirement System (Continued)

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following number of employees were covered by the benefit terms:

| | Count |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | - |
| Inactive employees entitled to but not yet receiving benefits | 7 |
| Active employees | 17 |
| | <u>24</u> |

Net Pension Liability

The Client's Net Pension Liability was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2021 and 2020

10) Texas County and District Retirement System (Continued)

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|--|
| Valuation Timing | Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contribution are reported |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Straight-Line amortization over Expected Working Life |
| Recognition of economic/demographic gains or losses | |
| Recognition of assumptions changes or inputs | Straight-Line amortization over Expected Working Life |
| Asset Valuation Method: | 5 years Non-asymptotic None |
| Smoothing Period | |
| Recognition method | |
| Corridor | |
| Inflation | 2.50% |
| Salary Increases | 4.60% (Average) |
| Investment Rate of Return | 7.60% (Gross of administrative expenses) |
| Cost-of-Living Adjustments | Cost-of-Living Adjustments for Client are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Retirement Age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| Turnover | The rates vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed. |
| Mortality | 90% of the RP-2014 Active Employee Mortality table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014. 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. |
| Depositing Members | |
| Service Retirees, Beneficiaries and Non-depositing Members | |
| Disabled Retirees | |

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2021 and 2020

10) Texas County and District Retirement System (Continued)

Actuarial assumptions:

Actuarial assumptions used in the December 31, 2020, valuation were based on the results of actuarial experience studies. The experience study in TCDRS was for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68. TCDRS' actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect best estimates of future experience. Every four years, the TCDRS consulting actuary conducts an investigation of experience, TCDRS assumptions are compared to plan experience and future expectations, and changes to the assumptions are recommended as needed.

The long-term expected rate of return on pension plan investments is 7.60%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Client of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10-year time horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon; the TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Geometric Real Rate of Return (Expected minus Inflation) |
|------------------------------------|-------------------|--|
| US Equities | 11.50% | 4.25% |
| Global Equities | 2.50% | 4.55% |
| International Equities - Developed | 5.00% | 4.25% |
| International Equities - Emerging | 6.00% | 4.75% |
| Investment - Grade Bonds | 3.00% | -0.85% |
| Strategic Credit | 9.00% | 2.11% |
| Direct Lending | 16.00% | 6.70% |
| Distressed Debt | 4.00% | 5.70% |
| REIT Equities | 2.00% | 3.45% |
| Master Limited Partnerships | 2.00% | 5.10% |
| Private Real Estate Partnerships | 6.00% | 4.90% |
| Private Equity | 25.00% | 7.25% |
| Hedge Funds | 6.00% | 1.85% |
| Cash Equivalents | 2.00% | -0.70% |
| Total | 100.0% | |

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2021 and 2020

10) Texas County and District Retirement System (Continued)

Discount Rate

In order to determine the discount rate to be used by the employer TCDRS has used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act: 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods, 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy, 3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less, when this point is reached the employer is still required to contribute at least the normal cost, 4) Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable. Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investment. The long term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses. The discount rate used to measure the Total Pension Liability was 7.60%.

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|--|-----------------------------------|---------------------------------------|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a)-(b) |
| Balance at December 31, 2019 | \$ - | \$ - | \$ - |
| Changes for the year: | | | |
| Service Cost | 98,211 | - | 98,211 |
| Interest | 7,955 | - | 7,955 |
| Effect of plan changes | - | - | - |
| Effect of economic/demographic gains or losses | 74 | - | 74 |
| Changes of assumptions | 8,950 | - | 8,950 |
| Refund of contributions | - | - | - |
| Benefit payments | - | - | - |
| Administrative expense | - | (65) | 65 |
| Member contributions | - | 33,338 | (33,338) |
| Net investment income | - | 176 | (176) |
| Employer contributions | - | 52,674 | (52,674) |
| Other changes | - | 2,545 | (2,545) |
| Balance at December 31, 2020 | \$ 115,190 | \$ 88,668 | \$ 26,522 |

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2021 and 2020

10) Texas County and District Retirement System (Continued)

Sensitivity of the net pension liability to changes in the discount rate

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

| | 1% Decrease in Discount Rate (6.60%) | Discount Rate (7.60%) | 1% Increase in Discount Rate (8.60%) |
|-------------------------------|---|--------------------------|---|
| Total pension liability | \$ 136,914 | \$ 115,190 | \$ 97,920 |
| Fiduciary net position | 88,668 | 88,668 | 88,668 |
| Net Pension Liability/(Asset) | \$ 48,246 | \$ 26,522 | \$ 9,252 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the measurement date ended December 31, 2020, the District recognized pension expense of \$68,630.

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 65 | \$ - |
| Changes in actuarial assumptions | 7,831 | - |
| Difference between projected and actual investment earnings | 2,670 | - |
| Contributions subsequent to the measurement date | 82,574 | N/A |

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2021 and 2020

10) Texas County and District Retirement System (Continued)

District contributions subsequent to the measurement date of \$85,579 reported as deferred outflows of resources related to pensions will be recognized as a reduction of the net pension liability for the year ending December 31, 2021. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

| <u>Year ended December 31:</u> | <u>Amount</u> |
|--------------------------------|------------------|
| 2021 | \$ 1,796 |
| 2022 | 1,796 |
| 2023 | 1,796 |
| 2024 | 1,794 |
| 2025 and thereafter | 3,384 |
| Total | <u>\$ 10,566</u> |

11) Subsequent Events

Subsequent events were evaluated through February 13, 2022, which is the report date. The effects of Covid-19 are still ongoing, however, it does not appear that this will have a material effect on the financials for 2022.

EAST CENTRAL SPECIAL UTILITY DISTRICT
Required Supplementary Information
Statement of Revenues, Expenses and Changes in Net Pension
Budget and Actual
For the years ended December 31, 2021 and 2020

| | 2021 | | | 2020 | | |
|--|---------------------|-------------------|--|---------------------|-------------------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| Operating revenue: | | | | | | |
| Water sales | 6,973,456 | 7,994,623 | 1,021,167 | 6,090,970 | 7,538,061 | 1,447,091 |
| Wastewater service fees | - | 792,002 | 792,002 | 69,000 | 385,183 | 316,183 |
| Water impact fees | 1,225,000 | 2,516,150 | 1,291,150 | 490,000 | 1,899,975 | 1,409,975 |
| Water acquisition fees | 400,000 | 824,800 | 424,800 | 170,000 | 590,800 | 420,800 |
| Other charges | 980,867 | 1,627,216 | 646,349 | 502,452 | 1,355,366 | 852,914 |
| Total operating revenue | 9,579,323 | 13,754,791 | 4,175,468 | 7,322,422 | 11,769,385 | 4,446,963 |
| Operating expenses: | | | | | | |
| Water purchases | 4,230,610 | 3,539,130 | 691,480 | 3,825,189 | 3,161,331 | 663,858 |
| Personnel | 1,271,000 | 1,333,522 | (62,522) | 930,000 | 1,019,177 | (89,177) |
| Repairs and maintenance | 1,109,167 | 456,982 | 652,185 | 557,553 | 390,462 | 167,091 |
| Depreciation | - | 942,588 | (942,588) | 160,000 | 921,097 | (761,097) |
| Professional fees | 70,000 | 65,075 | 4,925 | 65,000 | 78,758 | (13,758) |
| Administrative expenses | 364,747 | 396,853 | (32,106) | 336,221 | 302,109 | 34,112 |
| Vehicles and equipment | 102,400 | 96,096 | 6,304 | 145,200 | 111,209 | 33,991 |
| Utilities | 53,000 | 48,152 | 4,848 | 50,000 | 48,825 | 1,175 |
| Insurance | 50,000 | 40,016 | 9,984 | 40,000 | 47,822 | (7,822) |
| Total operating expenses | 7,250,924 | 6,918,414 | 332,510 | 6,109,163 | 6,080,790 | 28,373 |
| Operating income (loss) | 2,328,399 | 6,836,377 | 4,507,978 | 1,213,259 | 5,688,595 | 4,475,336 |
| Non-operating revenues (expenses) | | | | | | |
| Rental income | 9,408 | 9,581 | 173 | 8,700 | 10,452 | 1,752 |
| Interest income | 5,000 | 21,275 | 16,275 | 21,200 | 7,294 | (13,906) |
| Gain on sale of assets | - | 6,676 | 6,676 | - | - | - |
| Other income | - | - | - | - | 6,150 | 6,150 |
| Interest expense | (50,000) | (484,818) | (434,818) | (60,000) | (482,406) | (422,406) |
| Total non-operating revenues (expenses) | (35,592) | (447,286) | (411,694) | (30,100) | (458,510) | (428,410) |
| Net income | \$ 2,292,807 | 6,389,091 | 4,096,284 | \$ 1,183,159 | 5,230,085 | 4,046,926 |

williams steinert mask

Certified Public Accountants and Advisors

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Directors
East Central Special Utility District
Adkins, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States, the financial statements of East Central Special Utility District (District) which comprise the balance sheet as of December 31, 2021 and 2020, fund balance, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated February 23, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of East Central Special Utility District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Williams, Steinert, Mask

San Antonio, Texas
February 23, 2022

EAST CENTRAL SPECIAL UTILITY DISTRICT

TSI – 1 Services and Rates
For the year ended December 31, 2021

1. Services Provided by the District:

- | | | |
|---|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input checked="" type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participants in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other (specify): | | |

2. Retail Rates Based on 5/8' Meter

| | | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate Per 1,000 Gallons/Cu Ft over Minimum | Usage Levels |
|---------------------|-------|-------------------|------------------|---------------|---|--------------------------|
| East Central | | | | | | |
| | Water | \$ 38.00 | - | Y | \$ 5.69 | 0 to 1,199 cu ft |
| | | | | | \$ 6.54 | 1,200 to 2,299 cu ft |
| | | | | | \$ 7.24 | 2,300 to 3,399 cu ft |
| | | | | | \$ 7.67 | 3,400 to 4,499 cu ft |
| | | | | | \$ 8.63 | 4,500 and over |
| Palm Park | | | | | | |
| | Water | \$ 33.00 | - | Y | \$ 7.05 | 0 to 6,999 gallons |
| | | | | | \$ 7.34 | 7,000 to 9,999 gallons |
| | | | | | \$ 7.74 | 10,000 to 15,999 |
| | | | | | \$ 8.28 | 16,000 to 20,999 gallons |
| | | | | | \$ 9.32 | 21,000 and over |

District employs winter averaging for wastewater usage?

No

Total charges per 11,000 gallons/cu ft usage:

| | | |
|---------------|-------|-----------------|
| East Central: | WATER | \$122.42 |
| Palm Park: | WATER | <u>\$114.39</u> |

EAST CENTRAL SPECIAL UTILITY DISTRICT

TSI – 1 Services and Rates (Continued)
For the year ended December 31, 2021

2. Retail Rates based on 5/8' Meter continued

Water and Wastewater Retail Connections:

| Meter Size Unmetered | Total Connections | Active Connections | ESFC Factor | Active ESFCs |
|-------------------------|-------------------|-----------------------|-------------|-----------------|
| 5/8" | 7,183 | 7,183 | x 1 | 7,183 |
| 3/4" | 25 | 25 | x 1.5 | 37.5 |
| 1.0" | 26 | 26 | x 2.5 | 65 |
| 1.5" | 8 | 8 | x 5 | 40 |
| 2.0" | 30 | 30 | x 8 | 240 |
| 3.0" | 2 | 2 | x 17.5 | 35 |
| 4.0" | 1 | 1 | x 25 | 25 |
| 6.0" | 1 | 1 | x 50 | 50 |
| 8.0" | 1 | 1 | x 80 | 80 |
| Multi Unit | 100 | 102 | - | 346 |
| Total Water | 7,377 | 7,379 | | 8,102 |

EAST CENTRAL SPECIAL UTILITY DISTRICT

TSI – 1 Services and Rates (Continued)
For the year ended December 31, 2021

3. Total water consumption during the fiscal year:

| | |
|------------------------------|-------------|
| Gallons pumped into system: | 597,643,305 |
| Gallons billed to customers: | 547,933,122 |
| Water accountability ratio: | 91.68% |

4. District does not levy standby fees.

5. Location of District:

County(ies) in which the District is located. Bexar, Wilson, Guadalupe

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

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

City(ies) in which the District is located. San Antonio, St. Hedwig, New Berlin

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

ETJ's in which District is located. San Antonio, St. Hedwig, New Berlin, Elmendorf

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

If yes, by whom? N/A

EAST CENTRAL SPECIAL UTILITY DISTRICT

TSI – 2 Enterprise Fund Expenses
For the year ended December 31, 2021

| | | |
|--|-----------|-----------|
| Water purchases | | 3,539,130 |
| Personnel | | 1,333,522 |
| Operations and maintenance | | 456,982 |
| Depreciation | | 942,588 |
| Professional fees | | |
| Legal | | 9,847 |
| Engineering | | 39,478 |
| Accounting and Audit | | 15,750 |
| Administrative expenses | | 396,853 |
| Vehicles and equipment | | 96,096 |
| Utilities | | 48,152 |
| Insurance | | 40,016 |
| Interest | | 484,818 |
| | | <hr/> |
| Total expenses | | 7,403,232 |
| Total number of persons employed by the District | | |
| | Full time | 20 |
| | Part time | 2 |
| | | <hr/> |

The following sections have been omitted since they do not pertain to this entity:

TSI-3 Temporary Investments
TSI-4 Taxes Levied and Receivable

EAST CENTRAL SPECIAL UTILITY DISTRICT

TSI – 5 Long-Term Debt Service Requirements

Series 2016, Series 2021 – by Years

Year Ended December 31, 2021

| Year Ending December 31, | Series 2016 | | |
|-----------------------------|----------------------------|---------------------------|-------------------|
| | Principal Due Each Year | Interest Due Each Year | Total |
| 2022 | 120,000 | 14,456 | 134,456 |
| 2023 | 125,000 | 11,908 | 136,908 |
| 2024 | 125,000 | 9,308 | 134,308 |
| 2025 | 125,000 | 6,708 | 131,708 |
| 2026 | 130,000 | 4,056 | 134,056 |
| 2027 | 130,000 | 1,352 | 131,352 |
| | <u>\$ 755,000</u> | <u>\$ 47,788</u> | <u>\$ 802,788</u> |

| Year Ending December 31, | Series 2021 | | |
|-----------------------------|----------------------------|---------------------------|---------------------|
| | Principal Due Each Year | Interest Due Each Year | Total |
| 2022 | 190,000 | 52,290 | 242,290 |
| 2023 | 190,000 | 50,390 | 240,390 |
| 2024 | 195,000 | 48,465 | 243,465 |
| 2025 | 195,000 | 46,515 | 241,515 |
| 2026 | 195,000 | 44,565 | 239,565 |
| 2027 | 200,000 | 42,590 | 242,590 |
| 2028 | 200,000 | 40,590 | 240,590 |
| 2029 | 200,000 | 38,590 | 238,590 |
| 2030 | 205,000 | 36,565 | 241,565 |
| 2031 | 205,000 | 34,515 | 239,515 |
| 2032 | 210,000 | 32,309 | 242,309 |
| 2033 | 210,000 | 29,763 | 239,763 |
| 2034 | 215,000 | 26,946 | 241,946 |
| 2035 | 215,000 | 23,936 | 238,936 |
| 2036 | 220,000 | 20,728 | 240,728 |
| 2037 | 225,000 | 17,334 | 242,334 |
| 2038 | 225,000 | 13,790 | 238,790 |
| 2039 | 230,000 | 10,092 | 240,092 |
| 2040 | 235,000 | 6,197 | 241,197 |
| 2041 | 240,000 | 2,100 | 242,100 |
| | <u>\$ 4,200,000</u> | <u>\$ 618,270</u> | <u>\$ 4,818,270</u> |

EAST CENTRAL SPECIAL UTILITY DISTRICT

TSI – 6 Changes in Long-Term Bonded Debt
Year Ended December 31, 2021

| | Revenue Refunding, Series 2016 | Utility System Revenue, Series 2021 | Total |
|---|-----------------------------------|--|---------------------|
| Interest Rate | 2.080% | 1-1.75% | |
| Dates Interest Payable | Feb 1; Aug 1 | Feb 1; Aug 1 | |
| Maturity Date | 2/1/2027 | 9/30/2041 | |
| Beginning Bonds Outstanding | 875,000 | 4,200,000 | 5,075,000 |
| Bonds Sold During the Year | - | - | - |
| Bonds Retired During the Year | (120,000) | - | (120,000) |
| Ending Bonds Outstanding | <u>\$ 755,000</u> | <u>\$ 4,200,000</u> | <u>\$ 4,955,000</u> |
| Interest Paid During the Year | <u>\$ 19,448</u> | <u>\$ 26,620</u> | <u>\$ 46,068</u> |
| Paying Agent's Name and City | BB&T Charlotte, NC | SAMCO Austin, TX | |
| Bond authority | Refunding Bonds | Refunding Bonds | |
| Amount Authorized by Voters | 1,345,000 | 4,200,000 | |
| Amount Issued | 1,345,000 | 4,200,000 | |
| Remaining to be Issued | <u>\$ -</u> | <u>\$ -</u> | |
| Debt Service Cash and Investments as of December 31 | <u>\$ 165,000</u> | <u>\$ 275,459</u> | <u>\$ 440,459</u> |
| Average Annual Debt Service | 107,857 | 210,000 | |

EAST CENTRAL SPECIAL UTILITY DISTRICT
 TSI – 7 Comparative Schedule of Revenues and Expenses
 Five Years Ended
 Year Ended December 31, 2021

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|---------------------|-------------------|---------------------|---------------------|---------------------|
| Operating revenue: | | | | | |
| Water sales | 4,883,580 | 5,360,374 | 5,902,488 | 7,538,061 | 7,994,623 |
| Wastewater service fees | 53,009 | 136,687 | 208,812 | 385,183 | 792,002 |
| Water impact fees | - | - | 787,675 | 1,899,975 | 2,516,150 |
| Water acquisition fees | - | - | - | 590,800 | 824,800 |
| Other charges | 754,677 | 1,157,360 | 650,861 | 1,355,366 | 1,627,216 |
| Total operating revenues | <u>5,691,266</u> | <u>6,654,421</u> | <u>7,549,836</u> | <u>11,769,385</u> | <u>13,754,791</u> |
| Operating expenses: | | | | | |
| Water purchases | 2,780,137 | 2,410,464 | 2,731,093 | 3,161,331 | 3,539,130 |
| Personnel | 852,362 | 948,731 | 980,913 | 1,019,177 | 1,333,522 |
| Repairs and maintenance | 437,348 | 656,004 | 405,912 | 390,462 | 456,982 |
| Depreciation | 890,606 | 866,491 | 895,745 | 921,097 | 942,588 |
| Professional fees | 63,344 | 69,678 | 51,918 | 78,758 | 65,075 |
| Administrative expenses | 232,735 | 268,160 | 294,855 | 302,109 | 396,853 |
| Vehicles and equipment | 85,644 | 108,065 | 98,538 | 111,209 | 96,096 |
| Utilities | 48,796 | 52,001 | 43,462 | 48,825 | 48,152 |
| Insurance | 27,029 | 37,219 | 37,500 | 47,822 | 40,016 |
| Total operating expenses | <u>5,418,001</u> | <u>5,416,813</u> | <u>5,539,936</u> | <u>6,080,790</u> | <u>6,918,414</u> |
| Operating income (loss) | <u>273,265</u> | <u>1,237,608</u> | <u>2,009,900</u> | <u>5,688,595</u> | <u>6,836,377</u> |
| Non-operating revenues (expenses) | | | | | |
| Rental income | 7,260 | 7,986 | 8,857 | 10,452 | 9,581 |
| Interest income | 6,191 | 13,274 | 21,384 | 7,294 | 21,275 |
| Gain on sale of assets | - | 19,463 | 14,000 | - | 6,676 |
| Other income | 69,141 | 4,500 | 13,650 | 6,150 | - |
| Interest expense | (544,417) | (533,732) | (536,432) | (482,406) | (484,818) |
| Total non-operating revenues (expenses) | <u>(461,825)</u> | <u>(488,509)</u> | <u>(478,541)</u> | <u>(458,510)</u> | <u>(447,286)</u> |
| Change in Net Position | <u>\$ (188,560)</u> | <u>\$ 749,099</u> | <u>\$ 1,531,359</u> | <u>\$ 5,230,085</u> | <u>\$ 6,389,091</u> |

EAST CENTRAL SPECIAL UTILITY DISTRICT
TSI – 8 Board Members, Key Personnel and Consultants
Year Ended December 31, 2021

Complete District Mailing Address: PO Box 570, Adkins, TX 78101

District Business Telephone Number: (210) 649-2383

Submission Date of the most recent District Registration Form: February 2006

Limit on Fees of Office that a Director may receive during a fiscal year: \$6,000

| Name | Term of Office (Elected or Appointed) or Date Hired | Fees of Office Paid * 12/31/21 | Expense Reimbursements 12/31/21 | Title at Year End |
|----------------------------------|--|-----------------------------------|---------------------------------------|-------------------|
| Board of Directors: | | | | |
| Melvin Strey | 2005 | 1,275 | - | President |
| Paul Bricker | 2005 | 1,150 | 255 | Vice President |
| Milton Lowak | 2010 | 980 | 510 | Treasurer |
| James Pederson | 2005 | 765 | 510 | Director |
| Doris Isley | 2013 | 765 | - | Director |
| Mark Davis | 2011 | 935 | - | Director |
| Randy Schwenn | 2019 | 3,955 | - | Director |
| Tom Dupnick | 2020 | 1,020 | 170 | Director |
| David Padalecki | 2020 | 850 | - | Director |
| Administrative Personnel: | | | | |
| Albert Strzelczyk | | 92,308 | | General Manager |
| Arthur Strzelczyk | | 109,698 | | Field Manager |
| Jill Brown | | 59,154 | | Office Manager |
| Brandon Rohan | | 103,038 | | Asst Gen Manager |
| Consultants: | | | | |
| Gallegos Engineering, Inc. | | 258,976 | | Engineer |
| Louis Rosenberg, PC | | 10,970 | | Attorney |
| Williams, Steinert, Mask LLP | | 12,500 | | Auditor |