



ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
DECEMBER 31, 2022**

EAST CENTRAL SPECIAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS :

COUNTY OF BEXAR :

I, Melvin Strey, of East Central Special Utility District hereby swear, or affirm, that the District named above has reviewed and approved, at a meeting of the District's Board of Directors on the 9th day of March, 2023, its annual audit report of the fiscal period ended December 31, 2022, and that copies of the annual audit report have been filed in the District's office located at 5520 FM 1628, Adkins, TX 78101.

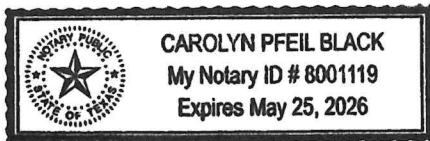
This annual filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of the Texas Water Code Section 49.194.

Date: March 9, 2023 By: Melvin E. Strey
(Signature of District Official)

Melvin E Strey, President
(Typed Name & Title of District Representative)

Sworn to and subscribed to before me this 9th day of March, 2023.

Carolyn Pfeil Black
(Signature of Notary)



Commission expires on May 25, 2026
Notary Public in the State of Texas



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of East Central Special Utility District, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America..

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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

East Central Special Utility District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East Central 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a 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.

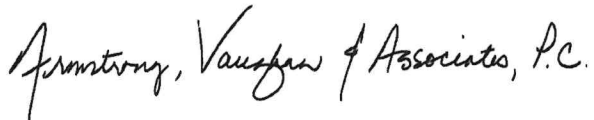
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules (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 standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

February 24, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of East Central Special Utility District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$27.4 million at December 31, 2022.
- During the year, the District's operating revenues were \$2.4 million more than the \$7.8 million in operating expenses.
- Operating revenues increased by 19% and operating expenses increased by 25%. The District has hired additional personnel and purchased more water to keep up with the growth in the District's customer base.
- No new debt was issued in 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), *the basic financial statements, required supplementary information*, and *supplementary information required by the Texas Commission on Environmental Quality (TCEQ)*. The basic financial statements consist of the following statements:

- The *Statement of Net Position* shows the financial standing of the District as of the end of the year, including all assets and liabilities.
- The *Statement of Revenues, Expenses and Changes in Net Position* provides information about the activity of the District during the fiscal year. It reports revenues when incurred, regardless of when they are received, and expenses when incurred, regardless of when they are paid.
- The *Statement of Cash Flows* reports the sources and uses of cash during the fiscal year.

The financial statements also include notes that explain information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The final section of supplementary information provides even more information required by TCEQ.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FINANCIAL ANALYSIS OF THE DISTRICT

Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

The District's total net position was \$27.4 million at December 31, 2022. Of this amount, \$7.1 million is unrestricted, representing resources available to fund the operations of the District next year. (See Table A-1).

Table A-1
District's Net Position

	2022	2021*	Percentage Change
<i>Assets:</i>			
Cash and Investments	\$ 18,461,299	\$ 15,603,156	18%
Other Current Assets	1,962,712	1,706,828	15%
Other Assets	588,601	446,478	32%
Capital Assets (Net)	13,952,359	9,942,726	40%
<i>Total Assets</i>	<u>34,964,971</u>	<u>27,699,188</u>	26%
<i>Deferred Outflows</i>	<u>155,044</u>	<u>95,947</u>	62%
<i>Liabilities:</i>			
Current	2,922,737	2,433,697	20%
Long Term	4,792,497	5,205,237	-8%
<i>Total Liabilities</i>	<u>7,715,234</u>	<u>7,638,934</u>	1%
<i>Deferred Inflows</i>	<u>17,858</u>	<u>-</u>	100%
<i>Net Position:</i>			
Net Investment in Capital Assets	8,930,203	4,315,030	107%
Restricted	11,375,684	5,412,749	110%
Unrestricted	7,081,036	10,428,422	-32%
<i>Total Net Position</i>	<u>\$ 27,386,923</u>	<u>\$ 20,156,201</u>	36%

*2021 has been restated to reflect a prior period adjustment

The District's total operating revenues were \$10.2 million, an increase of 19%. Revenues were higher for 2022 primarily from new customers. The operating expenses increased to \$7.8 million for more personnel and water purchases. (See Table A-2)

Table A-2
Changes in District Net Position

	2022	2021*	Percentage Change
Operating Revenues	\$ 10,166,725	\$ 8,530,036	19%
Operating Expenses	<u>(7,807,388)</u>	<u>(6,266,463)</u>	25%
Operating Income (Loss)	2,359,337	2,263,573	4%
Nonoperating Income (Expense)	<u>4,871,385</u>	<u>4,495,266</u>	8%
Change in Net Position	7,230,722	6,758,839	7%
Beginning Net Position	20,156,201	13,397,362	50%
Ending Net Position	<u>\$ 27,386,923</u>	<u>\$ 20,156,201</u>	36%

*2021 has been restated to reflect a prior period adjustment

BUDGETARY HIGHLIGHTS

The District's revenues exceeded the budget by \$1.3 million as more customers connected than expected and the dry year. Expenses were \$412 thousand under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2022, the District had invested \$24.7 million in a broad range of capital assets, including land, equipment, treatment plants, and distribution systems. (See Table A-3.) Work is continuing on the new office and easements are being acquired in anticipation of plant improvement projects. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table A-3
District's Capital Assets

	2022	2021	Percentage Change
Land	\$ 772,728	\$ 772,728	0%
Building and Improvements	96,505	96,505	0%
Plant and Distribution System	16,845,812	16,248,724	4%
Machinery and Equipment	1,296,745	1,263,604	3%
Construction in Progress	5,728,082	2,105,738	172%
Totals at Historical Cost	24,739,872	20,487,299	21%
Total Accumulated Depreciation	(10,787,513)	(10,544,573)	2%
Net Capital Assets	\$ 13,952,359	\$ 9,942,726	40%

Long-Term Debt

At year-end, the District had \$5.2 million in principal outstanding on bonded debt and notes payable. No new debt was issued during the fiscal year. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-4
District's Long Term Debt

	2022	2021	Percentage Change
Bonds and Notes Payable	\$ 5,184,635	\$ 5,588,153	-7%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the fiscal year ending December 31, 2023, the District has conservatively budgeted for a 2% increase in revenues. Expenses are budgeted to increase approximately 15% to keep up with the anticipated growth. Management expects to finish construction of the new office and close on a new USDA loan to finance needed capital improvements. The District has begun design of a new wastewater system to serve portions of the District that are not currently served by any other providers.

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 5520 FM 1628, Adkins, TX 78101 or online at www.eastcentralsud.org.

BASIC FINANCIAL STATEMENTS

The basic financial statements include:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

EAST CENTRAL SPECIAL UTILITY DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2022

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 18,461,299
Accounts Receivable (net)	1,213,436
Other Receivables	6,922
Inventory	670,473
Prepaid Expenses	71,881
<i>Total Current Assets</i>	<u>20,424,011</u>

Other Assets:

Restricted Cash for Construction	1,000
Restricted Cash for Debt Service	587,601
Capital Assets (net)	13,952,359
<i>Total Other Assets</i>	<u>14,540,960</u>

TOTAL ASSETS	<u>34,964,971</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Pension Related Outflows	<u>155,044</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	869,092
Accrued Wages	70,011
Accrued Leave	56,786
Accrued Interest	29,593
Customer Deposits	1,480,050
Bonds and Notes Payable - Current	417,205
<i>Total Current Liabilities</i>	<u>2,922,737</u>

Long-term Liabilities:

Bonds and Notes Payable (net of current portion)	4,767,430
Net Pension Liability	25,067
<i>Total Long-term Liabilities</i>	<u>4,792,497</u>
TOTAL LIABILITIES	<u>7,715,234</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Pension Related Inflows	<u>17,858</u>
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NET POSITION

Net Investment in Capital Assets	8,930,203
Restricted, Expendable:	
Debt Service	583,004
Impact Fees	8,202,880
Water Acquisition Fees	2,589,800
Unrestricted	7,081,036
TOTAL NET POSITION	<u><u>\$ 27,386,923</u></u>

See accompanying notes to basic financial statements.

EAST CENTRAL SPECIAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

Operating Revenues:

Water Sales	\$ 9,776,142
Wastewater Billing Fees	98,159
Other Charges	292,424
Total Operating Revenues	<u>10,166,725</u>

Operating Expenses:

Water Purchases	3,972,337
Personnel	1,771,534
Plant and Line Maintenance and Operations	603,871
Depreciation and Amortization	567,610
Administrative and Office Expenses	418,284
Vehicles and Equipment	223,387
Professional Fees	154,709
Utilities	95,656
Total Operating Expenses	<u>7,807,388</u>

Operating Income (Loss)	2,359,337
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Non-Operating Revenues (Expenses):

Impact, Acquisition and Installation Fees	4,819,448
Interest Income	123,094
Gain on Sale of Vehicles	21,000
Interest Expense	(92,157)
Total Non-Operating Revenues (Expenses)	<u>4,871,385</u>

Change in Net Position	7,230,722
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Net Position at Beginning of Year	20,035,845
Prior Period Adjustment	120,356
Net Position at End of Year	<u><u>\$ 27,386,923</u></u>

See accompanying notes to basic financial statements.

EAST CENTRAL SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flows from Operating Activities

Cash Received from Customers	\$ 10,380,729
Cash Payments to Suppliers for Goods and Services	(5,517,946)
Cash Payments to Employees for Services	<u>(1,750,169)</u>
Net Cash Provided (Used) by Operating Activities	<u>3,112,614</u>

Cash Flows from Capital and Related Financing Activities

Bond Principal Payments	(403,518)
Interest Paid	(95,138)
Impact, Acquisition and Installation Fees	4,819,448
Proceeds from the Sale of Vehicles	21,000
Purchase of Property, Plant and Equipment	<u>(4,571,223)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(229,431)</u>

Cash Flows from Investing Activities

Interest and Investment Income	<u>123,094</u>
Net Cash Provided (Used) by Investing Activities	<u>123,094</u>

Net Increase (Decrease) in Cash and Cash Equivalents	3,006,277
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Beginning Cash

Cash and Cash Equivalents	\$ 15,603,164	
Restricted Cash	<u>440,459</u>	
		<u>16,043,623</u>

Ending Cash

Cash and Cash Equivalents	18,461,299	
Restricted Cash	<u>588,601</u>	
		<u>\$ 19,049,900</u>

See accompanying notes to basic financial statements.

EAST CENTRAL SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2022

**Reconciliation of Operating Income to Net Cash Provided (Used)
by Operating Activities**

Operating Income (Loss)	\$ 2,359,337
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	567,610
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(18,752)
(Increase) Decrease in Deferred Pension Outflows	(59,097)
(Increase) Decrease in Inventory	(165,252)
(Increase) Decrease in Prepaid Expenses	(65,861)
Increase (Decrease) in Accounts Payable	181,411
Increase (Decrease) in Accrued Wages	54,954
Increase (Decrease) in Accrued Leave	9,105
Increase (Decrease) in Customer Deposits	232,756
Increase (Decrease) in Net Pension Liability	(1,455)
Increase (Decrease) in Deferred Pension Inflows	17,858
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 3,112,614</u></u>

See accompanying notes to basic financial statements.

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

East Central Special Utility District (the “District”) was created pursuant to the provisions of the Texas Water Code, Chapters 49 and 65 in 2005. The District 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 this state; and to protect, preserve and restore the purity and sanitary condition of water in the area.

The District is governed by a board of directors composed of nine members elected by the public. The directors have the authority to make decisions, appoint managers and significantly influence operations. The directors have primary accountability for fiscal matters.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below:

1. REPORTING ENTITY

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, “The Financial Reporting Entity” and GASB Statement 39 “Determining Whether Certain Organizations are Component Units”. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The District has no component units.

2. ENTERPRISE FUND

The District is an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public or other governmental entities. The activities are financed by charges to member entities and the measurement of financial activity focuses on net income similar to the private sector. Revenues are recognized when earned, and expenses are recognized when incurred.

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Revenues are classified as *operating* and *non-operating*. Operating revenues include charges to customers for water pumpage. Non-operating revenues are primarily connection charges for new customers to cover capital improvements to the system.

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.

4. CASH AND INVESTMENTS

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 investments 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 reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District considers cash and cash equivalents to be amounts in checking accounts, savings accounts, money market accounts, local government investment pools and certificates of deposit with a maturity date within three months or less from the date of purchase.

5. ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from customers. Receivables are reported net of an allowance for uncollectible accounts in the amount of \$118,634. Receivables also include an unbilled component for water consumed by customers but not billed until subsequent periods.

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. INVENTORY

The District maintains parts and supplies on hand to detail with customer connections and repairs. The inventory is valued at the lower of cost or market based on the first in first out method.

7. PREPAID EXPENSES

Expenses paid during the year that have a benefit beyond the current fiscal year are recorded on the balance sheet as prepaid expenses.

8. 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. 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	20 years
Equipment	5 to 10 years
Water Plants and Distribution Systems	10 to 50 years

9. DEFERRED INFLOWS AND OUTFLOWS

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Losses on debt refundings arise when advance payments are made to refund outstanding obligations exceed the carrying amount of those obligations. These losses are deferred and amortized over the life of the bond.

10. COMPENSATED ABSENCES

Employees of the District earn vacation and sick leave each pay period. The leave accumulates up to a maximum of seventeen days of vacation and twenty dates of sick leave. The employee forfeits time over these caps at year end for vacation and is paid out amounts over the sick leave cap at year end. Upon termination, employees are paid for both vacation and sick leave up to the maximum accruals. Thus, the District records a liability on these financial statements for accrued but unused time as of the end of the fiscal year.

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. LONG-TERM OBLIGATIONS

Bonds and notes are recorded as liabilities on the statement of net position. Bond issue costs are expensed in the period they are incurred and premiums are amortized of the life of the obligation. Bonds payable are reported net of the applicable bond premium or discount.

12. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When expenses qualify for restricted and unrestricted resources, the District's policy is to use restricted resources first.

13. PENSIONS

The net pension liability, deferred inflows, and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County District Retirement System (TCDRS), and additions to and deductions from TCDRS' fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. BUDGET

An operating budget is adopted each fiscal year for the District. Additional budgetary information is provided in the required supplementary information.

15. 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

16. RECLASSIFICATIONS

Certain transactions are classified differently on the December 31, 2022 financial statements than previous fiscal years. These reclassifications had no effect on net income.

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

NOTE B -- CASH AND INVESTMENTS

1. Cash and Cash Equivalents

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. At December 31, 2022, the District's bank deposits were fully covered by a combination of federal deposit insurance and pledged securities.

2. Investments

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that the District's investment practices, management reports and establishment of appropriate policies adhered to the requirements of the Act.

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

As of December 31, 2022, the District had \$9,062,031 in LOGIC, a AAA rated local government investment pool. The pool strives to maintain a \$1 per share net asset value and is included in cash and cash equivalents.

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

NOTE C -- CAPITAL ASSETS

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

	Balances at 1/1/2022*	Additions	Transfers/ Disposals	Balances at 12/31/2022
Land	\$ 772,728	\$ -	\$ -	\$ 772,728
Building and Improvements	96,505	-	-	96,505
Plant and Distribution System	16,248,724	393,856	203,232	16,845,812
Machinery and Equipment	1,263,604	351,791	(318,650)	1,296,745
Construction in Progress	2,105,738	3,825,576	(203,232)	5,728,082
	<u>20,487,299</u>	<u>4,571,223</u>	<u>(318,650)</u>	<u>24,739,872</u>
<i>Less Accumulated Depreciation</i>				
Building and Improvements	(96,505)	-	-	(96,505)
Plant and Distribution System	(9,593,397)	(438,471)	-	(10,031,868)
Machinery and Equipment	(854,671)	(123,119)	318,650	(659,140)
	<u>(10,544,573)</u>	<u>(561,590)</u>	<u>318,650</u>	<u>(10,787,513)</u>
Capital Assets, Net	<u>\$ 9,942,726</u>	<u>\$ 4,009,633</u>	<u>\$ -</u>	<u>\$ 13,952,359</u>

*Beginning balances have been restated to reflect the results of a prior period adjustment.

Land and Construction in Progress are not depreciated.

NOTE D -- LONG-TERM DEBT

The District's long-term debt consists of bonds and notes payable as follows:

Series Name	Original Issue		Interest Rate	Maturity Date
	Amount	Date		
<i>Private Placement Debts:</i>				
Revenue Bonds, 2016	1,345,000	12/1/2016	2.08%	2027
Note Payable	1,000,000	10/12/2017	3.80%	2027
<i>Bonds Offered to Public:</i>				
Revenue Bonds, 2021	4,200,000	2/1/2021	1-1.75%	2041

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

NOTE D -- LONG-TERM DEBT (Continued)

The District's long-term debt activity as of and for the year ending December 31, 2022 is as follows:

Bonds Payable, Series	Balance Outstanding 1/1/2022*	Additions	Retirements	Balance Outstanding 12/31/2022	Due Within One Year
<i>Private Placement Debts:</i>					
Revenue Bonds, 2016	\$ 755,000	\$ -	\$ (120,000)	\$ 635,000	\$ 125,000
Note Payable	633,153	-	(93,518)	539,635	102,205
<i>Bonds Offered to Public:</i>					
Revenue Bonds, 2021	4,200,000	-	(190,000)	4,010,000	190,000
Total	<u>\$ 5,588,153</u>	<u>\$ -</u>	<u>\$ (403,518)</u>	<u>\$ 5,184,635</u>	<u>\$ 417,205</u>

*Beginning balances have been restated for the effects of a prior period adjustment.

The District's 2016 bond series and notes payable were directly placed at local banking and other institutions. The bond documents do not contain subjective acceleration clauses, events of default with finance related consequences or termination events with finance-related consequences. The annual requirements to amortize outstanding debts as of December 31, 2022, including interest payments, are as follows:

Year End December 31,	Public Offerings		Private Placements		Total
	Principal Payments	Interest Payments	Principal Payments	Interest Payments	
2023	\$ 190,000	\$ 50,390	\$ 227,205	\$ 30,646	\$ 498,241
2024	195,000	48,465	231,846	24,126	499,437
2025	195,000	46,515	236,808	17,336	495,659
2026	195,000	44,565	246,845	10,346	496,756
2027	200,000	42,590	231,931	3,136	477,657
2028-2032	1,020,000	182,569	-	-	1,202,569
2033-2037	1,085,000	118,707	-	-	1,203,707
2038-2041	930,000	32,181	-	-	962,181
Total	<u>\$ 4,010,000</u>	<u>\$ 565,982</u>	<u>\$ 1,174,635</u>	<u>\$ 85,590</u>	<u>\$ 5,836,207</u>

The District's bonds and notes require cash to be set aside for debt service and reserves to which the District has complied.

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

NOTE E – TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Plan Description

The District participates as one of 830 plans in the nontraditional, defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the state of Texas and administered in accordance with the TCDRS Act as an agent multiple-employer retirement system for County and District employees in the State of Texas. The Board of Trustees of TCDRS is responsible for the administration and management of the system. TCDRS in the aggregate issues a annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS. Members can retire at age 60 and above with 8 or more years of service or with 20 years regardless of age or when the sum of their age and years of service equals 75 or more. A member is vested after 8 years but must leave his accumulated contributions in the plan. Members who withdraw their personal contributions in a partial lump sum are entitled to any amounts contributed by the employer.

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 District within the actuarial constraints imposed by the TCDRS Act so the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Contributions

The District has elected the annually determined contribution rate 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 District is actuarially determined annually. The District contributed using the actuarially determined rate of 10.88% for 2022

The contribution rate payable by the employee members is 6% and the District matches 250% as adopted by the governing body of the District. The employee deposit 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

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the District-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

NOTE E – TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)

Benefits Provided (Continued)

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

	12/31/21
Inactive Employees Receiving Benefits	0
Inactive Employees	7
Active Employees	20
	<u>27</u>

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Real rate of return	5.00%
Inflation	2.50%
Long-term Investment return	7.50%

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The long-term expected rate of return on pension plan investments is 7.50%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board 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.

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

NOTE E – TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return (Geometric)</u>
US Equities	11.50%	3.80%
Global Equities	2.50%	4.10%
International Equities - Developed	5.00%	3.80%
International Equities - Emerging	6.00%	4.30%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	1.77%
Direct Lending	16.00%	6.25%
Distressed Debt	4.00%	4.50%
REIT Equities	2.00%	3.10%
Master Limited Partnerships (MLPs)	2.00%	3.85%
Private Real Estate Partnerships	6.00%	5.10%
Private Equity	25.00%	6.80%
Hedge Funds	6.00%	1.55%
Cash Equivalents	2.00%	-1.05%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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

	<u>Discount Rate 6.60%</u>	<u>Discount Rate 7.60%</u>	<u>Discount Rate 8.60%</u>
Net Pension Liability (Asset)	\$ 82,596	\$ 25,067	\$ (20,776)

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

NOTE E – TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)

Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2021:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 115,190	\$ 88,668	\$ 26,522
Changes for the year:			
Service Cost	112,068	-	112,068
Interest on total pension liability	17,245	-	17,245
Effect of Plan Changes	40,162	-	40,162
Economic/Demographic gains or losses	5,431	-	5,431
Changes of Assumptions	(1,574)	-	(1,574)
Refund of Contributions	-	-	-
Benefit Payments	(720)	(720)	-
Administrative Expense	-	(142)	142
Member Contributions	-	50,660	(50,660)
Net Investment Income	-	35,030	(35,030)
Employer Contributions	-	85,381	(85,381)
Other	-	3,858	(3,858)
Net Changes	172,612	174,067	(1,455)
Balance at December 31, 2021	\$ 287,802	\$ 262,735	\$ 25,067

Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCERS financial report. That report may be obtained at www.tcds.com.

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

NOTE E -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)

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

For the year ended December 31, 2022, the District recognized pension expense of \$100,830. Also as of December 31, 2022, 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	\$ 4,808	\$ -
Changes in Actuarial Assumptions	6,712	1,377
Net Difference between Projected and Actual Earnings	-	16,481
Contributions Subsequent to the Measurement Date	143,524	-
	<u>\$ 155,044</u>	<u>\$ 17,858</u>

Deferred outflows of resources in the amount of \$143,524 result from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,	
2023	\$ (2,343)
2024	(2,343)
2025	(2,345)
2026	(3,010)
2027	1,610
Therafter	2,093
	<u>\$ (6,338)</u>

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

NOTE F -- WATER CONTRACT

The District has contracted to purchase water from San Antonio Water System. The contract requires a commitment to buy water for which the District is billed monthly. The contract is subject to restrictions on pumping from Edwards Aquifer during periods of drought. For the year ending December 31, 2022, the cost of water from the contract was \$1,285,664.

NOTE G -- JOINT VENTURE - CANYON REGIONAL WATER AUTHORITY

The District is a member entity of Canyon Regional Water Authority (CRWA) through a regional water supply contract. 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 13, are contractually obligated to purchase water from CRWA's in an amount sufficient to cover the operating expenses, debt service and project costs. The District has pledged its system revenues to fund its share of CRWA costs and debts (approximately 9%). For the fiscal year ended September 30, 2022, CRWA reported assets of \$183 million and liabilities of \$124 million, including bonds payable of \$117 million. Annual required funding payments are recorded as water purchases on the District's financial statements. For the year ending December 31, 2022, the cost of CRWA water was \$2,686,673.

NOTE H -- WASTEWATER BILLING AGREEMENTS

The District does not currently have a wastewater CCN and allows two entities (San Antonio River Authority and Western Trails Water Supply Corporation) to serve certain customers in the District. The District has contracted with these entities to charge for wastewater service on District water bills. The District remits payments to the two providers based on actual collections less a 3% administrative fee.

NOTE I -- PROFIT SHARING PLAN

The District participates in a defined contribution profit sharing plan for eligible employees. The District no longer contributes to the plan, but employees may contribute at their discretion. The plan is administered by Nova 401(k) Associates as a 401K profit sharing plan. Employees who have attained the age of 21 years, have completed one year of service, and have been credited 1,000 hours of service may participate in the plan. No employer contributions were made for the years ending December 31, 2022, 2021, and 2020, respectively.

NOTE J -- LITIGATION

Management and legal counsel are not aware of any pending or likely litigation that could have a material impact on these financial statements.

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

NOTE L – PRIOR PERIOD ADJUSTMENT

As of January 1, 2021, the District has adopted two new accounting methods. First, the District previously reported a share of the assets and liabilities of Canyon Regional Water Authority (CRWA). While the District's water supply contract was used as collateral for debts issued by CRWA, the District is not directly responsible for the debt and has no claim to the assets of CRWA. Rather, the District has a commitment to buy water from CRWA annually at rates sufficient to cover the costs of CRWA. Thus, the assets and debts of CRWA were removed from the District's financial statements. Secondly, the District reads meters in the middle of each month, meaning at the end of each month the District is owed for half a month's consumption. This unbilled amount was not previously reflected in the District's financial statements but has been added.

In addition to the changes in accounting methods, the District has corrected a few balances from the financial statements for the year ending December 31, 2021 as follows:

Beginning Net Position, Previously Reported	\$ 20,035,845
<i>Changes in Accounting Methods:</i>	
Record Unbilled Receivable for Service Provided	336,384
Removal of Share of Canyon Regional Assets (net)	(9,765,872)
Removal of Share of Canyon Regional Liabilities	9,791,487
<i>Corrections to Prior Periods:</i>	
Understated Cash and Cash Equivalents	31,355
Understated Deferred Pension Outflows	55,146
Understated Accounts Payable	(228,525)
Overstated Payroll Liabilities	2,084
Understated Accrued Compensated Absences	(41,834)
Understated Customer Deposits	(140,412)
Overstated Other Long-term Liabilities	83,213
Understated Net Pension Liability	(2,670)
Ending Net Position, Restated	<u><u>\$ 20,156,201</u></u>

NOTE M – COMMITMENT

The District signed a contract to construct a new office for an estimate total of \$5.4 million. As of December 31, 2022, \$4.1 million had been incurred, leaving a remaining commitment of \$1.3 million.

REQUIRED SUPPLEMENTARY INFORMATION

EAST CENTRAL SPECIAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Results (Budgetary Basis)	Variance With Final Budget- Positive (Negative)
	Original	Final		
Operating Revenues:				
Water Sales	\$ 7,926,884	\$ 8,676,884	\$ 9,776,142	\$ 1,099,258
Wastewater Billing Fees	-	-	98,159	98,159
Other Charges	186,223	217,473	292,424	74,951
Total Operating Revenues	<u>8,113,107</u>	<u>8,894,357</u>	<u>10,166,725</u>	<u>1,272,368</u>
Operating Expenses:				
Water Purchases	4,337,971	4,337,971	3,972,337	365,634
Personnel	1,592,240	1,651,740	1,771,534	(119,794)
Plant and Line Maintenance and Operations	1,179,734	1,211,734	997,727	214,007
Depreciation and Amortization	665,000	665,000	567,610	97,390
Administrative and Office Expenses	359,700	392,200	418,284	(26,084)
Vehicles and Equipment	402,900	524,900	575,178	(50,278)
Professional Fees	75,000	95,000	154,709	(59,709)
Utilities	83,000	86,500	95,656	(9,156)
Total Operating Expenses	<u>8,695,545</u>	<u>8,965,045</u>	<u>8,553,035</u>	<u>412,010</u>
Operating Income (Loss)	<u>(582,438)</u>	<u>(70,688)</u>	<u>1,613,690</u>	<u>1,684,378</u>
Non-Operating Revenues (Expenses)				
Impact, Acquisition and Installation Fees	3,637,500	4,832,500	4,819,448	(13,052)
Interest Income	25,000	25,000	123,094	98,094
Gain on Sale of Vehicles	-	-	21,000	21,000
Interest Expense	(560,000)	(560,000)	(92,157)	467,843
Total Non-Operating	<u>3,102,500</u>	<u>4,297,500</u>	<u>4,871,385</u>	<u>573,885</u>
Net Income (Budgetary Basis)	<u>\$ 2,520,062</u>	<u>\$ 4,226,812</u>	<u>\$ 6,485,075</u>	<u>\$ 2,258,263</u>

EAST CENTRAL SPECIAL UTILITY DISTRICT
NOTES TO SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
BUDGET AND ACTUAL (BUDGETARY BASIS)
DECEMBER 31, 2022

Budgetary Information – The budget is prepared on a modified accrual basis of accounting in which capital purchases are typically paid for from current revenue. The District maintains strict budgetary controls. The annually adopted budget is not a legally binding document, but is used as a planning tool. The District does not use encumbrance accounting.

The following schedule reconciles the budgetary basis to generally accepted accounting principles.

Net Income (Budgetary Basis)	\$ 6,485,075
Plant Improvements	393,856
Equipment Purchases	<u>351,791</u>
Change in Net Position (GAAP Basis)	<u><u>\$ 7,230,722</u></u>

EAST CENTRAL SPECIAL UTILITY DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TWO PLAN YEARS

Total Pension Liability		
	2020	2021
Service Cost	\$ (65,852)	\$ 112,068
Interest (on the Total Pension Liability)	(5,334)	17,245
Changes of Benefit Terms	177,352	40,162
Change of Assumptions	8,950	(1,574)
Difference between Expected and Actual Experience	74	5,431
Benefit Payments, Including Refunds of Employee Contributions	-	(720)
Net Change in Total Pension Liability	115,190	172,612
Total Pension Liability - Beginning	-	115,190
Total Pension Liability - Ending	<u>\$ 115,190</u>	<u>\$ 287,802</u>
Plan Fiduciary Net Position		
	2020	2021
Contributions - Employer	\$ 52,674	\$ 85,381
Contributions - Employee	33,338	50,660
Net Investment Income	176	35,030
Benefit Payments, Including Refunds of Employee Contributions	-	(720)
Administrative Expense	(65)	(142)
Other	2,545	3,858
Net Change	88,668	174,067
Beginning Plan Fiduciary Net Position	-	88,668
Ending Plan Fiduciary Net Position	<u>\$ 88,668</u>	<u>\$ 262,735</u>
Net Pension Liability - Ending	\$ 26,522	\$ 25,067
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.98%	91.29%
Covered Payroll	\$ 666,757	\$1,013,199
Net Pension Liability as a Percentage of Covered Payroll	3.98%	2.47%

Information in this schedule is being accumulated until ten years are presented.
See Independent Auditor's Report.

EAST CENTRAL SPECIAL UTILITY DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS- PENSION PLAN
LAST THREE YEARS

Year Ending December 31,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions As Percent of Payroll
2022	\$ 143,524	\$ 143,524	\$ -	\$ 1,313,873	10.92%
2021	\$ 79,941	\$ 85,381	\$ (5,440)	\$ 1,013,199	8.43%
2020	\$ 42,139	\$ 52,674	\$ (10,535)	\$ 666,757	7.90%

Valuation Timing:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	18.0 years (based on contribution rate calculated in 12/31/21 valuation)
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
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.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate Scale after 2010.
Changes in Assumptions	None
Changes in Plan Provisions	None

Information in this schedule is being accumulated until ten years are presented.
See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

The following Supplementary Information is required to be included as additional information by the Texas Commission on Environmental Quality (TCEQ).

EAST CENTRAL SPECIAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
FISCAL YEAR ENDING DECEMBER 31, 2022

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

- | | | |
|---|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input 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"/> Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other (specify): _____ | | |

2. Retail Service Providers

	Minimum Charge	Minimum Usage	Flat Rate	Rate per 1,000 Gallons Over Minimum	Usage Level
Water					
Palm Park Service Area	\$ 33.00	N/A	No	\$ 7.19	0-6,999
				\$ 7.49	7,000-9,999
				\$ 7.89	10,000-15,999
				\$ 8.45	16,000-20,999
				\$ 9.51	21000+
All other service areas	\$ 38.00	N/A	No	\$ 7.75	0-8,228
				\$ 8.92	8,229-17,204
				\$ 9.87	17,205-25,432
				\$ 10.45	25,433-33,661
				\$ 11.76	33,662+
Total Charges per 10,000 gallons				\$ 105.80	
		Palm Park		\$ 117.57	
		Others			

EAST CENTRAL SPECIAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES (CONTINUED)
FISCAL YEAR ENDING DECEMBER 31, 2022

Water and Wastewater Retail Connections

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	1.0	-
<=3/4"	8,453	8,453	1.0	8,453
1"	29	29	2.5	73
1 1/2"	8	8	5.0	40
2"	33	33	8.0	264
3"	2	2	15.0	30
4"	1	1	25.0	25
6"	1	1	50.0	50
8"	1	1	80.0	80
10"	-	-	115.0	-
Total Water	8,528	8,528		9,015
Total Wastewater	-	-	1.0	-

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

Gallons pumped into system	754,055,107		Water Accountability Ratio: (Gallons billed/Gallons pumped)
Gallons billed to customers:	707,498,268		94%

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

Does the District have Debt Service standby Fees? Yes ☐ No ☒

If yes, Date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

If yes, Date of the most recent Commission Order: _____

5. Location of District:

Counties in which the District is located: Guadalupe, Wilson and Bexar

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

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

Cities in which the District is located: San Antonio, S. Hedwig, New Berlin

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

EAST CENTRAL SPECIAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES (CONTINUED)
FISCAL YEAR ENDING DECEMBER 31, 2022

ETJs in which the District is located: San Antonio, St. Hedwig, New Berlin, Elmendorf

Are Board members appointed by an office outside the district?

Yes ☐

No ☒

If Yes, by whom? _____

EAST CENTRAL SPECIAL UTILITY DISTRICT
TSI-2. ENTERPRISE FUND EXPENSES
FISCAL YEAR ENDING DECEMBER 31, 2022

Personnel Expenditures (including benefits)	\$	1,771,534
Professional Fees:		
Legal		28,934
Engineering		105,025
Accounting and Audit		20,750
Water Purchases		3,972,337
Utilities		95,656
Repairs and Maintenance		837,057
Administrative Expenses		408,485
Depreciation and Amortization		567,610
Interest		92,157
Total Expenses	\$	7,899,545
Total number of persons employed by the District	Full-Time	22
	Part-Time	0

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
DECEMBER 31, 2022

Revenue Refunding Bonds Series 2016 (Private Placement)			
Fiscal Year Ending December 31,	Principal Due Each Year	Interest Due Each Year	Total
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>\$ 635,000</u>	<u>\$ 33,332</u>	<u>\$ 668,332</u>

EAST CENTRAL SPECIAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS (CONTINUED)
DECEMBER 31, 2022

Revenue Bonds Series 2021 (Public Offering)			
Fiscal Year Ending December 31,	Principal Due Each Year	Interest Due Each Year	Total
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	10,093	240,093
2040	235,000	6,198	241,198
2041	240,000	2,100	242,100
	<u>\$ 4,010,000</u>	<u>\$ 565,982</u>	<u>\$ 4,575,982</u>

EAST CENTRAL SPECIAL UTILITY DISTRICT
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
FISCAL YEAR ENDING DECEMBER 31, 2022

	Revenue Refunding Bonds Series 2016	Revenue Bonds Series 2021	Total
Interest Rate	2.08%	1-1.75%	
Dates Interest Payable	Feb 1, Aug 1	Feb 1, Aug 1	
Maturity Dates	2/1/2027	9/30/2041	
Beginning Bonds			
Outstanding	\$ 755,000	\$ 4,200,000	\$ 4,955,000
Bonds Sold During The Fiscal Year	-	-	-
Bonds Retired During The Fiscal Year	(120,000)	(190,000)	(310,000)
Ending Bonds			
Outstanding	<u>\$ 635,000</u>	<u>\$ 4,010,000</u>	<u>\$ 4,645,000</u>
Interest Paid During The Fiscal Year	<u>\$ 14,456</u>	<u>\$ 23,043</u>	<u>\$ 37,499</u>
Paying Agent's Name and City	Truist Charlotte, NC	UMB Bank Austin, TX	
<i>Bond Authority</i>			
Amount Authorized by The Board of Trustees	\$ 1,345,000	\$ 4,200,000	\$ 1,345,000
Amount Issued	<u>1,345,000</u>	<u>4,200,000</u>	<u>1,345,000</u>
Remaining to be Issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service Fund Cash and Investments as of Year End			<u>\$ 587,601</u>
Average Annual Debt Service Payment			<u>\$ 276,017</u>

EAST CENTRAL SPECIAL UTILITY DISTRICT
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
FISCAL YEAR ENDING DECEMBER 31, 2022

	Percent of Fund Total Revenues				
	2018	2019	2020	2021	2022
Operating Revenues:					
Water Sales	\$ 5,360,374	\$ 5,902,488	\$ 7,538,061	\$ 8,031,007	\$ 9,776,142
Wastewater Billing Fees	136,687	208,812	44,704	85,321	98,159
Other Charges	1,169,846	673,368	345,328	413,708	292,424
Total Operating Revenues	6,666,907	6,784,668	7,928,093	8,530,036	10,166,725
Operating Expenses:					
Water Purchases	2,410,464	2,731,093	2,820,852	3,353,592	3,972,337
Personnel	948,731	980,913	1,019,177	1,303,311	1,771,534
Plant and Line Maintenance and Operations	656,004	405,912	390,462	456,982	603,871
Depreciation and Amortization	866,491	895,745	921,097	506,386	567,610
Administrative and Office Expenses	305,379	332,355	349,931	436,869	418,284
Vehicles and Equipment	108,065	98,538	111,209	96,096	223,387
Professional Fees	69,678	51,918	78,758	65,075	154,709
Utilities	52,001	43,462	48,825	48,152	95,656
Total Operating Expenses	5,416,813	5,539,936	5,740,311	6,266,463	7,807,388
Operating Income (Loss)	1,250,094	1,244,732	2,187,782	2,263,573	2,359,337
Non-Operating Revenues (Expenses):					
Impact, Acquisition and Installation Fees	-	787,675	3,517,415	4,564,039	4,819,448
Interest Income	13,274	21,384	7,294	21,275	123,094
Gain on Sale of Assets	19,463	14,000	-	6,676	21,000
Interest Expense	(533,732)	(536,432)	(482,406)	(96,724)	(92,157)
Total Non-Operating Revenues (Expenses)	(500,995)	286,627	3,042,303	4,495,266	4,871,385
Change in Net Position	\$ 749,099	\$ 1,531,359	\$ 5,230,085	\$ 6,758,839	\$ 7,230,722

*2021 has been restated for the effects of a prior period adjustment. Years prior to 2021 have not been restated.

EAST CENTRAL SPECIAL UTILITY DISTRICT
TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
FISCAL YEAR ENDING DECEMBER 31, 2022

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

Entity Business Telephone Number: 210-649-2383

Submission Date of the most recent Registration Form: April, 2022

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

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid* 12/31/22	Expense Reimbursements 12/31/22	Title at Year End
Board of Directors:				
Melvin Strey	5/05-5/23	\$ 1,530	---	President
Paul Bricker	5/05-5/23	\$ 1,260	\$ 401	Vice President
Milton Lowak	5/10-5/23	\$ 1,170	---	Sec /Treasurer
James Pederson	5/05-5/24	\$ 1,170	\$ 232	Director
Mark Davis	5/11-5/25	\$ 1,800	---	Director
Doris Isley	5/13-5/24	\$ 1,170	---	Director
Randolph Schwenn	5/19-5/25	\$ 5,730	\$ 839	Director
David Padalecki	5/20-5/24	\$ 990	---	Director
Tom Dupnick	5/20-5/25	\$ 1,170	---	Director
Administrative Personnel:				
Brandon Rohan	03/03	\$ 131,059	\$ 866	Gen. Manager
Consultants:				
Hierholzer Engineering		\$ 52,692		Engineer
Texas Land & Right of Way Company		\$ 127,423		ROW Agent
Louis T. Rosenberg		\$ 35,772		Attorney
Utility Engineering Group, PLLC		\$ 42,455		Engineer
Quick Bookkeepers, Inc.		\$ 6,000		Accountant
Rock Engineering		\$ 13,785		Engineer
Gallegos Engineering		\$ 134,530		Engineer
Williams, Steinert, Mask, LLP		\$ 12,500		Auditor
DRG Architects, LLC		\$ 11,500		Architect
Barcom Technology Solutions		\$ 22,926		IT Provider

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

