

Johnson County Special Utility District

Comprehensive Annual Financial Report Year Ended December 31, 2019



740 FM 3048 • Joshua, TX 76058

(817) 760-5200

www.jcsud.com

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended
December 31, 2019

***JOHNSON COUNTY
SPECIAL UTILITY DISTRICT***

Issued By
Accounting Department
Kathy Rice, Comptroller
Joshua, Texas

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JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Comprehensive Annual Financial Report
December 31, 2019

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INTRODUCTORY SECTION

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Johnson County Special Utility District

"Quality and Service since 1965"

President Tommy Webb & Board of Directors

April 21, 2020

Johnson County Special Utility District

40 FM 3048

Joshua, TX 76058

Dear Reader:

As we begin a new year to report on JCSUD's (commonly pronounced jace-sud) District finances and progress in 2019, it is always a relief in reporting once again that reservoirs in north central Texas continue to remain at or nearer to full levels. Drought is no stranger to Texans. We should be thankful for the good run over the last five years in having average to above-average rainfall in north central Texas. Year to date, rainfall in the DFW area in the first quarter of 2020 is plentiful at about 14 inches. This represents some 40% of the average annual at 37 inches.

As goes for the last few years trending, the District has done well financially in 2019 to exceed budgeted projections. In summary, total operating revenue was 8% more than budget while holding expenses 3% below the budget amount. Total water production for 2019 was 1884 million gallons, which is 12% more than the average of 1671 MG over the last five years. Over the last few years, new connections coming onto the system is trending upward. In 2019, there were 529 new connections, which is 25% more than the previous year and 75% more than in 2016.

Every year management submits its annual financial report of the Johnson County Special Utility District. This cycle documents the fiscal year ending December 31, 2019. It provides the Board of Directors and the public with a comprehensive, reliable financial report. Management has prepared the annual financial report in accordance with generally accepted accounting principles (GAAP). Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with JCSUD management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly state the financial position and highlight the major initiatives of the operations of the District.

Financial statements for the fiscal year ending in 2019 are audited by George, Morgan, and Sneed, P.C., a firm of licensed certified public accountants in Weatherford, TX. The independent auditors concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion and that the financial statements for 2019 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A. The District's MD&A can be found immediately following the Independent Auditor's Report.

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PROFILE OF THE DISTRICT – A Look Back While Moving Forward

In 1965, the Johnson County Rural Water Supply Corporation organized and chartered under state statutes as a non-profit corporation, much like many others of its kind in Texas during this era. The beginnings of these rural water suppliers arose throughout the country and were funded through loans from the Farmers Home Administration. The system began with 305 users and served a genuine need in supplying drinking water to the rural community. In 1972, the West Prairie Water Supply Corporation in the northern portion of the County was merged into the existing system. The merger of two entities into one was named the Johnson County Rural Water Supply Corporation. In 1977, the Nolan River Water Supply Corporation in the southern portion of the County also merged with the Corporation. This public water supplier with such humble beginnings is steadily evolving into much more as time and growth goes in Johnson County.

The summer of 1980 was a record year of heat with 69 days over 100 degrees. 4,500 thirsty connections strained the sole-source well water supply. The Corporation's problem to adequately supply during this severe drought prompted a moratorium on new connections pending improved facilities and acquiring additional water capacity. The Corporation drilled a few more wells but also started a search for a surface water source. They began discussions with the Brazos River Authority in the mid 80's and various studies supported a viable option to treat water from Lake Granbury and construct a 24-mile transmission line to reach the need. Partnering with the Brazos River Authority (BRA) triggered a bond issue to fund the construction of the Surface Water and Treatment System (SWATS) with an initial treatment capacity of 3.5 million gallons per day (MGD). Finally, in 1988, Johnson County began receiving treated surface water from Lake Granbury. The Corporation was the largest user (6,400 connections) of the plant. Johnson County Fresh Water District, Acton Municipal Utility District (AMUD) and the City of Granbury also contracted to receive treated water. The SWATS plant is equipped with desalinization facilities to remove the salt which naturally exists in the upper basin of the Brazos River. In 1999, the SWATS plant capacity was increased to 5 MGD. Soon after, the SWATS participants agreed to consider expanding the plant to 15 MGD. A couple of years and \$30 million later, the SWATS plant expansion project was complete.

The 90's proved to be *the* decade of growth. In this interval, an average annual 355 new connections came on to the system. It was also the most trying of times in meeting the peak season demand. The District struggled to keep up with constructing new system improvements to stay ahead of the new growth. However, from '99 to 2009, five elevated storage tanks were added, along with many miles of 24", 20", 18", 16", and 12" transmission lines.

BIG CHANGES IN THE NEW MILLENNIUM

In 2000, the system was serving 10,200 connections. The Board of Directors voted to convert Johnson County Rural Water Supply Corporation to a special utility district (SUD). Converting

to a SUD allows water supply corporations to become a political subdivision. Benefits include being sales tax-exempt and eligible to participate in the state-sponsored insurance risk pool (TML) rather than paying higher private-sector liability insurance premiums. The largest cost-savings comes for governmental entities issuing tax-exempt bonds to fund capital projects. Finally, in 2004, the Texas legislature approved the conversion and the organization began operating as the Johnson County Special Utility District (referred to as the District).

For long years the Joshua area was served by the Johnson County Fresh Water Supply District #1 (FWD for *freshwater district*). In 2005, the JCSUD staff had been approached to consult with the FWD as they were going through several years of tough economic times and mismanagement. The effort here was to help the FWD officials regain best management practices and streamline cost. It led to discussions in measuring the merit of the FWD to consolidate the two systems. The next year, the FWD approved a resolution to conjoin with JCSUD and an application was made with the State to consummate the merger. In April 2007, the District began managing the day-to-day operation of the FWD. Merging the Joshua area water system with JCSUD helped to better maintain stable rates among all the domain of ratepayers which now totaled 14,426.

Looking back today, this merger event was the first giant step which foreshadowed a major transition of ownership and management of the SWATS plant on Lake Granbury. Over the next five years, the climate of relationships grew stressful among the SWATS participants and the Brazos River Authority. It was spurred on by rising treatment costs and BRA's recent legal battle over lost treatment capacity due to major failure of SWATS desalinization equipment. Until now, Brazos basin water from the SWATS desalinization plant had been the District's only surface water source. The District's best strategy was to seek an alternative source. Dialog with the City of Mansfield began in 2005. After much discussion and engineering studies, four years later JCSUD was able to contract with Mansfield for 9 MGD over a 20-year term. The next year in 2010, another supply of 6 MGD was landed with a 40-year term water purchase agreement from the City of Grand Prairie. Securing water purchase agreements with the Cities of Mansfield and Grand Prairie for Trinity basin supplies was a milestone event to obtain a new primary source and to utilize SWATS water for peaking needs. It cleared a path to a brighter future to utilize this new source besides the Brazos River saline water supply.

ENTER THE BRAZOS REGIONAL PUA

2012 was quite a mile-marker year in the life of the District. The SWATS project which once served five municipal supplies was favorably reduced to only two. The ownership and management transferred from the Brazos River Authority to a newly created Brazos Regional Public Utility Agency (PUA). Only two owner-entities created and sustain the Brazos Regional Public Utility Agency today – JCSUD and AMUD. The five-member governing body of the PUA are also Board members of the sponsors. In this transition Granbury decided it worked best to

construct their own treatment plant. Also, the city of Keene agreed to become a direct wholesale customer to JCSUD.

The Brazos Regional PUA has proven to be a great improvement as the new organization or record which provides more favorable results to the two owners/sponsors it serves. Having sources in both the Trinity and Brazos basin to draw from affords the District an extra measure of safety if and when one supplier has to suspend service.

WHOLESALE WATER PROVIDER

In the last 20 years, the number of connections has doubled to some 15,600 households today; an estimated 43,000 in population. Besides these retail connections, the District takes on a greater role as a regional wholesale water provider. The City of Alvarado, Keene, Bethany Special Utility District, and Monarch Utilities (each serving over 1,000 connections) have wholesale water contracts with the District for long-term water supply needs. The city of Joshua and the Lillian community looks to JCSUD as their water provider. Recently the city of Grandview, Rio Vista, and Godley expresses an interest to obtain supply capacity to supplement the depleting well water source.

WATER SUPPLY AND DISTRIBUTION

The District contracts with the Brazos Regional PUA to have 7.2 MGD through the SWATS plant on Lake Granbury. In addition, the District water well supply varies from year to year; but more recently accounts for supplying around 1.5 MGD. Wholesale water contracts are in place with the City of Mansfield for 9 MGD and 6 MGD with the City of Grand Prairie. JCSUD accounts for an ample total water supply capacity of 23.7 MGD.

Johnson County is in the Region G Water Planning Area. In the 2016 Water Plan, JCSUD is projected to have surplus up to about 2060. The 2016 Plan accounts for JCSUD's projected retail supply needs combined with the projected wholesale supply demand. The 2060 projected total supply demand of 14,681-acre ft. compares to the JCSUD's total treated water supply capacity in 2060 to be 14,002 acre ft. It also lists all 25 wholesale suppliers in the Region G planning area and JCSUD is well positioned for having an abundant surplus supply through 2050.

The system has about 891 miles of distribution pipeline and 48 miles of transmission lines and is divided into 15 separate pressure planes. The District operates 7 elevated storage tanks with a combined total of 5 million gallons in the system. The water CCN (certificate of convenience and necessity) service area of the District is approximately 320 square miles; predominately in Johnson County, but also serving in Tarrant and Hill county. Only three connections are being served just inside of the Ellis county line.

WASTEWATER COLLECTION AND TREATMENT FACILITIES

The District took ownership and operation of the Joshua wastewater collection and treatment facilities (permit # WQ0014350001) in 2007 from Johnson County Freshwater Supply District #1. The collection system serves some 2000 connections in and around the City of Joshua and a small portion within the Burleson city limits. This small system is uniquely challenged as it straddles the basin divide line between the Trinity River and Brazos River water shed areas. The District operates 7 lift stations among nearly 48 miles of sewer mains in this collection system. In 2013 the District completed improvements to the treatment plant which has an average daily discharge of about 360K gallons per day. Treatment method includes influent screening for two aeration basins, four clarifiers, three on-site lift stations and a chlorine contact basin. Treated effluent discharges into the Village Creek which eventually flows into Lake Arlington. In 2017, the TCEQ approve the District's permit request to expand its average daily discharge volume to 790K gal/day.

RELEVANT FINANCIAL POLICIES

Cash Management - JCSUD maintains financial policies with regards to budget, investments and management, financial audit, debt financing, capital improvement plan, and reserve funds. None of these policies had a significant impact on the current period's financial statements.

Interest rates for investments allowed by JCSUD's Investment Policy and State Law rose early in the year before falling by year-end. Local Government Investment Pool rates have dropped since the beginning of the year. Pool rates were 2.39% at the beginning of 2019 and ending at 1.62%, a drop of 0.77% yield at the end of December 2019. Rates for Certificates of Deposit (CD) also dropped dramatically. At the end of December 2019, a one-year CD yielded between .75% and 1.70% as compared to 1.85% and 2.25% at the end of December 2018. CDs and other financial institution deposits remain significantly more attractive than alternative Treasury and Agency positions.

Additional information on the District's cash management activity can be found in Note 3 of the Notes to Financial Statements.

Budgetary Controls - The annual budget serves as the basis for the District's financial planning and control. Comparative budget-to-actual expense statements are provided to the Board of Directors on a monthly basis throughout the fiscal year.

Internal Accounting Controls - Internal accounting controls are designed to provide reasonable assurance regarding safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining

accountability for assets. We believe the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As part of the District's audit, tests were performed of its internal controls and compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a material effect on the District's financial statements. Although it was not an objective of the audit to provide an opinion on the compliance, the results of the test disclosed no material instance of noncompliance related to the audit for the year ended December 31, 2019.

2019 MAJOR ACHIEVEMENTS

High Service Pump Station 2019 Rehab (\$647K) this facility at the SWATS treatment plant on Lake Granbury was constructed in 1988. It serves a very important purpose to transport treated water through the 24" transmission line to the TST (Transmission Storage Tank) at Brushy Knob hill near Joshua. The rehabilitation of this pump station at the SWATS treatment plant is complete along with replacing four critical air release valves on the 24" transmission line.

Relocate District Office Ph. 2 (\$3.7M) construction which includes the administrative facility, parking, etc. was Board approved (unanimously in July '17) and the project began January 2018. In June 2019, the exodus from the old location finally took place to occupy the new facility. Now begins a new era as the total business and operations finally emanate from a central location relative to the District's area of service. A noteworthy item comes as 40% of Phase 2 construction cost (\$3.7 million) is covered by non-operating revenue (sources other than ratepayer collections). The other 60% is derived mainly from SWATS plant cost reductions as budget surplus returns came back to JCSUD over the last five years. This milestone project to relocate and construct the new office/service center complex did not burden the ratepayer to make any water rate adjustments.

In 2020, the District marks its 55-year anniversary. The new complex now exists to serve as a source of pride among conscientious employees, Board members, and long-time customers having a vested interest in the history of this once little rural water coop which has developed into an up-and-coming regional water provider.

Redline Projects Over the last six years, redline projects funded through 2019 totals some \$2.2 million for about 10.5 miles (driving distance from Cleburne courthouse to I-35) of 6, 8, and 12-inch waterline. This is a year-over-year process to generally address new connections which tend to come onto older areas of the system. Adding new meters where smaller water lines have existed for decades eventually becomes problematic as it relates to volume and/or pressure. One-third of the system consists of 3-inch and smaller diameter lines. JCSUD models distribution system hydraulics to best plan for improvements as stimulated by new connections in areas more vulnerable to being impacted are monitored. Certain waterline segments are ranked in accordance

with the need to be upsized or replaced. Priority waterlines are designated as “redlines”. The District’s strategy is to replace or supplement existing lines with larger ones as soon as practical coupled with available funding. The staff generally manages the prelim work prior to construction while the actual installation is outsourced to a selected contractor based on competitive quantity pricing. Future projects are identified, ranked, and scheduled to implement as the system Master Plan stipulates.

In 2019:

- CR 205 (ph. 1) - replace 2” line with 2,450 LF of 4”
- 1,171 LF of 12” waterline along FM 2331- (partial master plan proj.# 18-13-05) \$54K
- 1,922 LF of 16” waterline along FM 913 - (partial master plan proj.# 28-13-01) \$147K
- CR 310 & FM 2135 Ring valve connection/pressure plane adjustment – (master plan proj.# 18-19-02)
- JCSUD released to the City of Grand Prairie approximately 6,530 LF of 3” and 4” waterline in Ellis County (and only 2 residential meters) at no cost.

Contributed Property – subdivision development/commercial ventures (\$2.6 million) Since the national economy rebound a few years ago, development projects abound in the general area. As new subdivision development continues, 2018 was a record year in recording contributed property. However, this year is nearer to half the amount that was booked in 2018. This annual accounting to “book” contributed property memorializes the District’s final approval of the development. The water utility infrastructure within the subdivision has been properly installed and it is formally accepted as JCSUD’s property to perennially operate and maintain.

CURRENT INITIATIVES

\$22 million TWDB Loan – Bundled CIP Line Extension Projects (to date \$1.3M) In terms of distribution system projects taken on in a consolidated, relatively short interval, this TWDB loan project represents the largest undertaking for the District in its 54-year history. About \$17 million of this project goes toward the construction of distribution system improvements. About \$5.2 million, towards the AMI (Automated Metering Infrastructure) system project (smart-meter replacement) while JCSUD reserves are ample to cover the remainder which is designated for soft cost including engineering, project management, etc. Roughly half of this undertaking is dedicated towards replacing smaller lines and some system maintenance. The other half is committed to addressing new growth and related distribution improvements. Completion is expected in 2021.

AMI and Smart-meter conversion (to date \$4.3M) Deployment of this project began in 2019. AMI (Automated Metering Infrastructure) is rapidly the up and coming new standard among public

water systems and other utilities around the country for the same good reasons. AMI platforms from a specialized data management software system which integrates with new “smart meters”. Converting JCSUD over to the AMI system will enhance customer service and improve the overall efficiency in the meter reading and billing process. To date the project is about 55% complete. Final completion is expected to be the summer of 2020.

Community Development Grant Project This waterline extension project is 6- inch pipe for 11,260 feet. The District submitted for this grant application in February 2017. The grant consultant indicates that JCSUD qualifies for funding, but the final confirmation is not yet complete. This \$275,000 grant through the Community Development Block program is administered by the Texas Department of Agriculture as federal HUD dollars are distributed throughout the states. The grant calls for JCSUD to participate with fractional matching funds depending on total construction cost. Estimated completion is late 2020.

Water/Wastewater Master Plan Update Since the District’s last Master Plan update in 2014, the District has implemented more water system improvements in such a short interval than ever before at \$24 million. The water system Master Plan was updated to best plan for capital projects need in 5-year increments for the next 15 years. Changes in growth patterns and growth rates impact the timing of implementing projects. Likewise, the District maintains a sewer system Master Plan for the Joshua area of the system. Some \$2 million has been spent making sewer system improvements since 2013. Master planning enables the District to plan best for needed collection system improvements and evaluate the timing of treatment plant improvements for better efficiency and accommodating growth. Completion estimated in 2020.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Johnson County Special Utility District for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2018. This was the 6th consecutive year that JCSUD has achieved this prestigious award. The Certificate of Achievement is a national award recognizing conformance with the highest standards for preparations of state and local government financial reports.

CONCLUSION

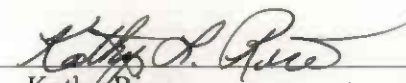
JCSUD is the second largest special utility district in Texas. The District’s Board of Directors consists of seven members elected at-large by the voting public within the District. Board of Director have 3-year terms with a staggered term election process. The General Manager serves as the District’s authorized administrator to manage and oversee all business and personnel activities in accordance with District policies. All of these significant events, historical and current, are worth noting each reporting cycle. Today, more than ever before, the managing staff

takes on a teamwork spirit to demonstrate our aboveboard efforts daily. Likewise, in presenting annually the Consumer Confidence Report and this Annual Financial Report.

As always, a sincere word of "Thanks" is due the Board of Directors for the vital role to serve collectively as the governing element. All of us working together to act and plan best, comes by balancing discernment with a teamwork spirit; it gets us farther along to timely advance the mission. On behalf of the managing staff of the District, we are committed and *...united in providing quality drinking water with quality service, to plan best to accommodate growth, and apply the fairest, reasonable cost all while conserving resources. (JCSUD Mission Statement)*

Respectfully submitted,


Terry D. Kelley
General Manager


Kathy Rice
Comptroller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Johnson County
Special Utility District
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morrill

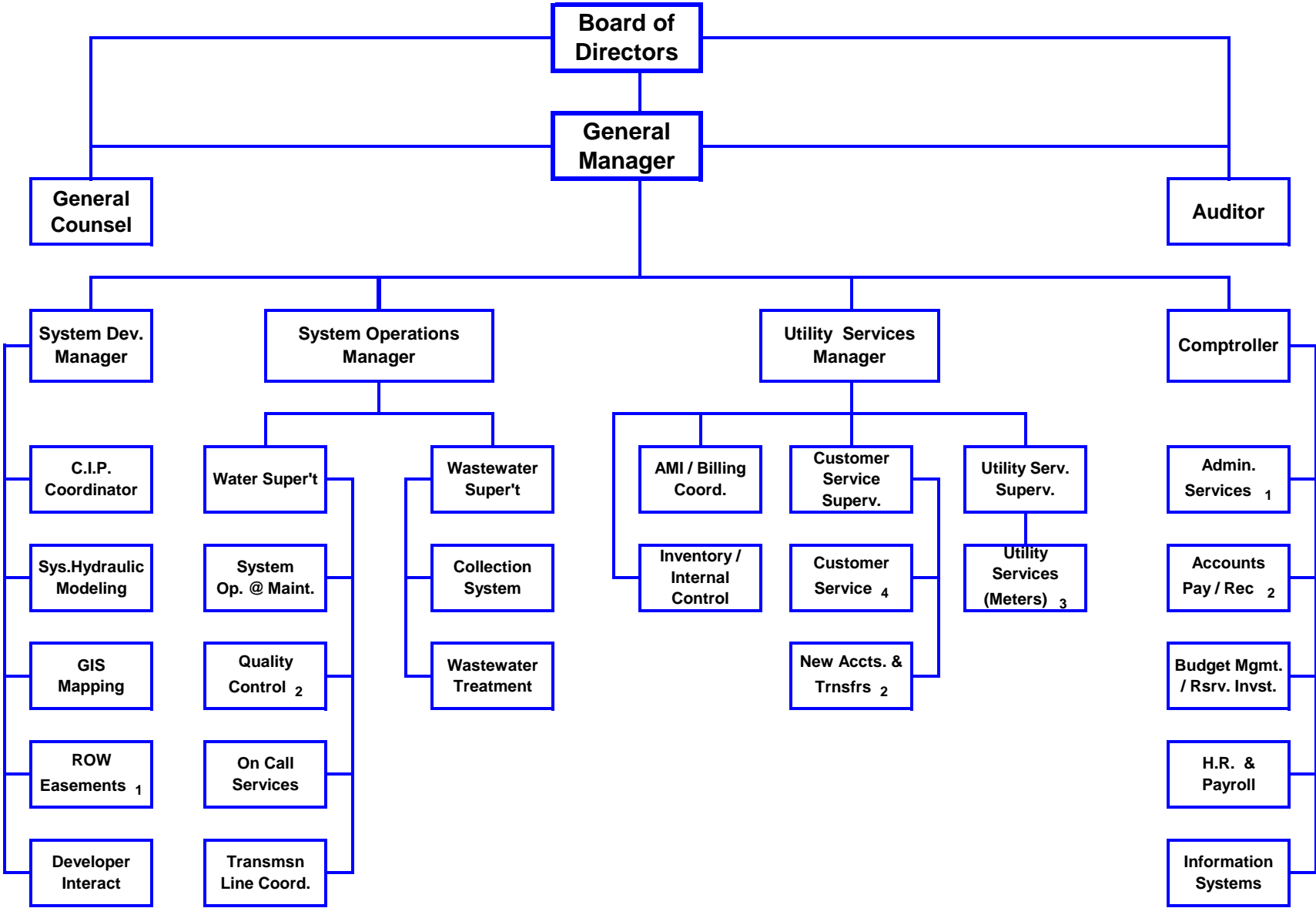
Executive Director/CEO

JOHNSON COUNTY SPECIAL UTILITY DISTRICT ORGANIZATIONAL CHART



CONSTITUENCY / CUSTOMERS OF JCSUD

12.2019



JOHNSON COUNTY SPECIAL UTILITY DISTRICT
BOARD OF DIRECTORS AND MANAGEMENT TEAM
December 31, 2019

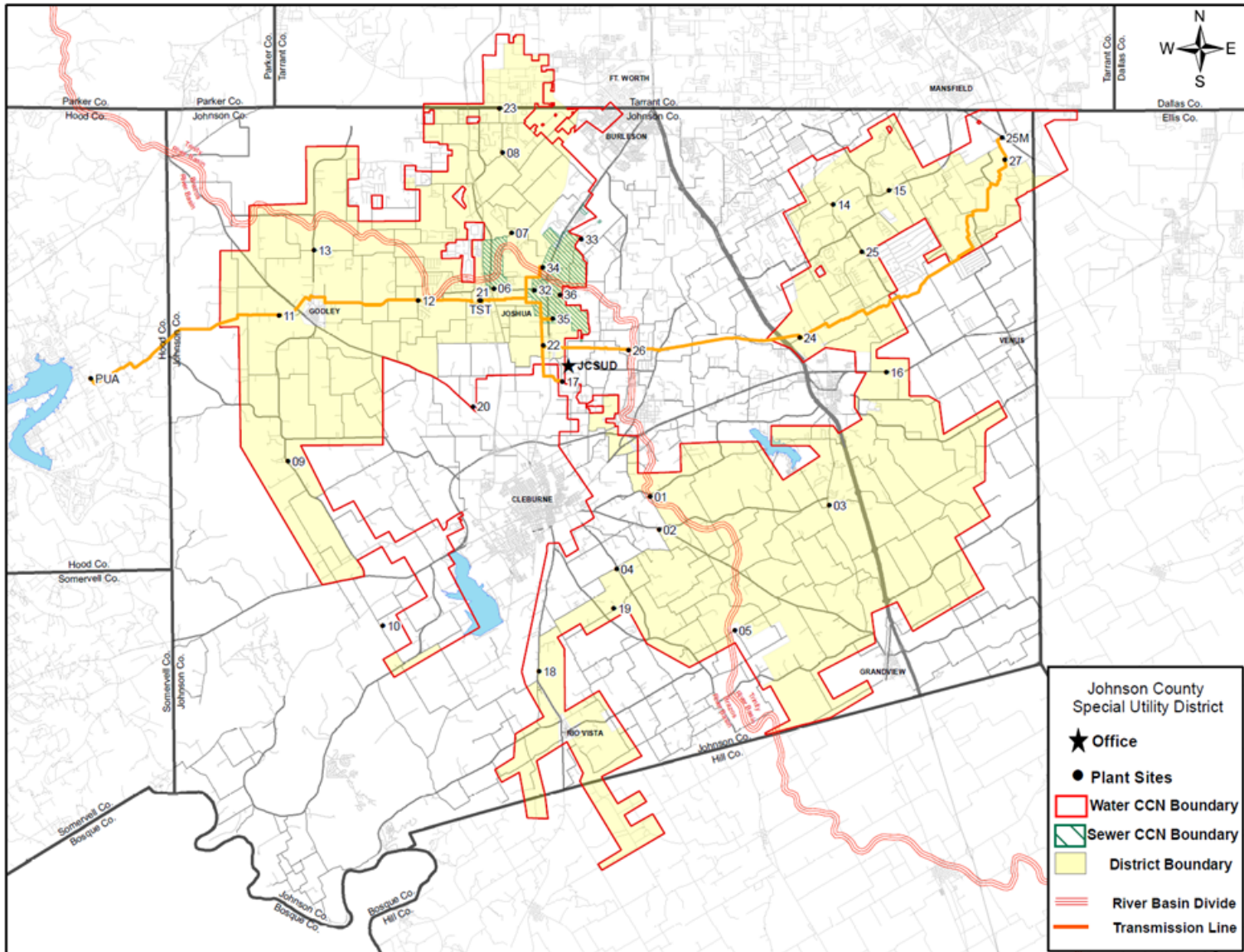
BOARD OF DIRECTORS

Tommy Webb	President
Gene Petross	Vice-President
Jack Beavers	Secretary / Treasurer
Harry Shaffer	Director
Eric Baze	Director
Richard Connally	Director
Ronald Nichols	Director

MANAGEMENT TEAM

Terry Kelley	General Manager
Kathy Rice	Comptroller
Danny Armstrong	System Operations Manager
Dana Collier	System Development Manager
Josh Howard	Utility Services Manager

CCN and District Boundary Map



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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Johnson County Special Utility District
Joshua, Texas

Report on the Financial Statements

We have audited the accompanying basic financial statements of Johnson County Special Utility District (the "District"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Johnson County Special Utility District, as of December 31, 2019, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 8 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 with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

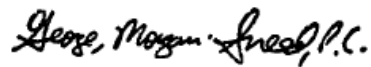
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary financial data and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This introductory section, supplementary financial data and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Weatherford, Texas
April 13, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Johnson County Special Utility District, we offer readers of the Johnson County Special Utility District's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2019. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets of the Johnson County Special Utility District exceeded its liabilities at the close of the current year by \$91,470,419 (net position) compared to \$84,011,056 for the prior year. Of this amount, \$25,396,390 (unrestricted net position) may be used to meet the District's obligations to creditors.
- The District's total net position increased by \$7,459,363 for the current year reported. Net position in the previous year increased by \$8,720,168.
- Total capital assets (net of depreciation) were \$76,364,276 for the current year reported compared to \$68,757,605 in the previous year.
- Bonds payable were \$33,955,566 at year-end compared to \$35,594,175 at the previous year-end.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Johnson County Special Utility District's basic financial statements. The Johnson County Special Utility District's basic financial statements comprise two components: 1) proprietary fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information and statistical information in addition to the basic financial statements themselves.

Proprietary fund financial statements. The District maintains one proprietary fund. The District uses an enterprise fund to account for its water and sewer operations. The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases to net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

The basic financial statements can be found on pages 9 through 11.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 12 - 21 of this report.

Other information. In addition to the basic financial and accompanying notes, this report also presents certain supplementary information that further explains and supports the information in the financial statements.

Proprietary Fund Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Johnson County Special Utility District, assets exceeded liabilities by \$91,470,419 as of December 31, 2019.

A significant portion of the District’s net position (68%) reflects its investment in capital assets (e.g. land, construction in progress, buildings, water systems, sewer systems, and equipment), net of any related debt used to acquire those asset that is still outstanding. Johnson County Special Utility District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. The use of constructed assets (pumps, storage tanks, distribution system, metering equip, transmission line, etc.) coupled with the workforce actually provide the foundation which generates some \$16 million annually in collections from retail and wholesale customers. JCSUD reports that about 16% of every dollar collected goes towards debt service and CIP spending. Seemingly assets have a significant role as a source which in part helps to retire debt.

An additional portion of the District’s net position (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$25,396,390 represents resources that may be used to meet the District’s ongoing obligations to creditors. As of December 31, 2019, the District is able to report a positive balance in all the categories of net position.

Below are summaries of the Johnson County Special Utility District’s Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position-Proprietary Fund.

Condensed Statement of Net Position

	2019	2018
Current assets and other assets	\$ 51,998,984	\$ 54,017,641
Capital assets	76,364,276	68,757,605
Total assets	<u>128,363,260</u>	<u>122,775,246</u>
Liabilities		
Current liabilities	5,479,692	5,303,859
Long-term liabilities	31,413,149	33,460,331
	<u>36,892,841</u>	<u>38,764,190</u>
Net position		
Invested in capital assets, net of related debt	62,168,882	54,689,237
Restricted for debt service	3,905,147	3,752,849
Unrestricted	25,396,390	25,568,970
	<u>\$ 91,470,419</u>	<u>\$ 84,011,056</u>

Changes in Net Position

	2019	2018
Revenues		
Operating revenues:		
Water sales	\$ 15,369,001	\$ 15,437,363
Sewer revenue	1,423,371	1,305,050
Penalties	262,359	254,690
Installation fees	321,770	339,539
Miscellaneous fees	220,540	225,301
Nonoperating revenues:		
Gain on sale of assets	411,309	2,527
Investment earnings	895,101	572,396
Other income	143,911	182,128
System development fees	1,311,480	1,282,345
Total revenues	20,358,842	19,601,339
Expenses:		
Water purchases	6,729,864	6,388,057
Other operating	5,429,379	5,312,722
Depreciation	2,770,288	3,171,978
Nonoperating	587,012	1,087,781
Total expenses	15,516,543	15,960,538
 Income before capital contributions	 4,842,299	 3,640,801
 Capital contributions	 2,617,064	 5,079,367
 Change in net position	 7,459,363	 8,720,168
Net position - beginning	84,011,056	75,290,888
Net position - ending	91,470,419	84,011,056

The District's net position increased \$7,459,363 in the current year compared with a \$8,720,168 increase in the prior year. \$2,617,064 of the increase is due to developer contributions of water and sewer system improvements compared to \$5,079,367 in the previous year.

Total operating revenues increased \$35,098 (.2%). Water sales decreased \$68,362 due to a 44 million gallon decrease of water sold. Sewer revenues increased \$118,321 because of a sewer rate increase effective January 1, 2019. Nonoperating revenues increased \$722,405 primarily because of the gain on the sale of the old office property and an increase in investment earnings. Total expenses decreased \$443,995. Water purchases increased \$341,807 because more water was purchased from Mansfield in current year. Depreciation expense decreased \$401,690 due to fully depreciated assets. Nonoperating

expenses decreased \$500,769 because of previous year bond issuance costs for the 2018 revenue bonds. The increase in expenses before nonoperating expenses is less than 1%.

Capital Assets

The Johnson County Special Utility District’s investment in capital assets as of December 31, 2019, amounts to \$76,364,276 (net of accumulated depreciation).

Major capital asset events during the current year included the following:

- \$2,617,064 water and sewer system improvement contributed by developers.
- \$5,149,594 for engineering on bond projects and for the smart meter system change out portion of the project.
- \$1,425,966 construction costs for the new building.

Johnson County Special Utility District’s Capital Assets (Net of Depreciation)

	2019	2018
Land	\$ 875,358	\$ 875,358
Construction in progress	6,364,334	5,405,889
Buildings and building improve	6,205,033	186,842
Water distribution systems	55,844,690	55,473,119
Sewer distribution systems	6,378,888	6,284,695
Equipment, furniture and fixtures	695,973	530,069
Master Plan	-	1,633
	\$ 76,364,276	\$ 68,757,605

Additional information on the District’s capital assets can be found on Note 4 in the notes to the financial statements.

Long-Term Debt

The following is the District’s Outstanding Debt at December 31, 2019:

Description	2019	2018
Revenue Bonds	\$ 33,331,449	\$ 35,594,175

More detailed information about the District’s debt is presented on Note 5 in the notes to financial statements.

Economic Factors and the Next Year's Budgets and Rates

Operating income is budgeted to increase to \$16,851,890 in the 2020 budget. The 2020 budget conservatively projects water sales to be slightly higher due to the growing housing market in the Godley/Joshua area.

Request for Information

The District's financial statements are designed to provide a general overview of Johnson County Special Utility District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Comptroller of Johnson County Special Utility District, P.O. Box 1390, Joshua, Texas 76058.

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JOHNSON COUNTY SPECIAL UTILITY DISTRICT

Statement of Net Position

Proprietary Fund

December 31, 2019

ASSETS

Current Assets	
Cash and cash equivalents	\$ 8,998,489
Certificates of deposit	3,310,000
Accounts receivable (net of allowance for uncollectibles)	1,870,879
Inventory	362,552
Prepaid items	236,067
Restricted assets	
Cash and cash equivalents	25,348,778
Total current assets	40,126,765
Noncurrent Assets	
Other assets:	
Equity interest in joint venture	11,872,219
Capital assets (net of accumulated depreciation)	
Nondepreciable	7,239,692
Depreciable assets	69,124,584
Capital assets, net	76,364,276
Total noncurrent assets	88,236,495
Total assets	\$ 128,363,260

LIABILITIES

Current liabilities	
Accounts payable	\$ 647,519
Accrued expenses	520,606
Accrued payroll liabilities	30,462
Compensated absences payable	52,953
Current liabilities payable from restricted assets	
Interest payable	216,327
Customer deposits payable	1,949,100
Current portion of bonds payable	2,062,725
Total current liabilities	5,479,692
Noncurrent liabilities	
Compensated absences payable	144,425
Bonds payable	31,268,724
Total noncurrent liabilities	31,413,149
Total liabilities	\$ 36,892,841

NET POSITION

Net investment in capital assets	\$ 62,168,882
Restricted for debt service	3,905,147
Unrestricted net position	25,396,390
Total net position	\$ 91,470,419

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

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2019

OPERATING REVENUES

Water sales	\$ 15,369,001
Sewer revenue	1,423,371
Penalties	262,359
Installation fees	321,770
Miscellaneous fees	220,540
Total operating revenues	17,597,041

OPERATING EXPENSES

Water purchases	6,729,864
Personnel	2,574,177
Repair, maintenance and supplies	990,004
Utilities and communication	790,444
Other	1,074,754
Depreciation	2,770,288
Total operating expenses	14,929,531
Operating income (loss)	2,667,510

NONOPERATING REVENUES (EXPENSES)

Gain on sale of assets	411,309
Investment earnings	895,101
Other income	143,911
System development fees	1,311,480
Interest expense	(587,012)
Total nonoperating revenue (expenses)	2,174,789
Income (loss) before contributions	4,842,299

CAPITAL CONTRIBUTIONS

Capital contributions	2,617,064
Change in net position	7,459,363
Net position - beginning	84,011,056
Net position - ending	\$ 91,470,419

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

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2019

Cash flows from operating activities:	
Cash received from customers	\$ 17,595,675
Cash paid to suppliers and service providers	(10,358,234)
Cash paid to employees for salaries and benefits	(2,521,960)
Net cash provided (used) by operating activities	<u>4,715,481</u>
Cash flow from capital and related financing activities:	
Capital outlay	(7,759,894)
Proceeds from sale of capital assets	411,309
System development fees	1,311,480
Principal payments on long-term debt	(2,250,000)
Interest paid on bonds	(651,406)
Net cash (used) by capital and related financing activities	<u>(8,938,511)</u>
Cash flow from investing activities:	
Interest received	895,101
Other income	143,911
Redemption of certificates of deposit	200,000
Net cash provided by investing activities	<u>1,239,012</u>
Net increase (decrease) in cash and cash equivalents	(2,984,018)
Cash and cash equivalents, January 1, 2019	<u>37,331,285</u>
Cash and cash equivalents, December 31, 2019	<u>\$ 34,347,267</u>
Reconciliation of Operating Income to	
Net Cash Provided (Used) by Operating Activities	
Operating income	\$ <u>2,667,510</u>
Adjustments to reconcile operating income to	
net cash provided (used) by operating activities:	
Depreciation expense	2,770,288
(Increase) decrease in accounts receivable	(540,735)
(Increase) decrease in supplies inventory	(18,790)
(Increase) decrease in prepaid items	93,196
(Increase) decrease in equity interest in joint venture	(699,032)
Increase (decrease) in accounts payable	230,046
Increase (decrease) in accrued expenses	68,761
Increase (decrease) in accrued payroll liabilities	4,341
Increase (decrease) in compensated absences payable	47,876
Increase (decrease) in customer deposits payable	92,020
Total adjustments	<u>2,047,971</u>
Net cash provided by operating activities	<u>\$ 4,715,481</u>
Noncash Investing, Capital and Financial Activities	
Contribution of capital assets by developers	\$ <u>2,617,064</u>
	<u>\$ 2,617,064</u>

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

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Johnson County Special Utility District (the District) is a governmental entity created by the 78th Texas Legislature in Senate Bill 5 on June 20, 2003, subject to a confirmation election which was held November 4, 2003. The District operates under Texas Water Code Chapter 65, as amended. The District is a conversion of the former Johnson County Water Supply Corporation and succeeded to all of its assets, liabilities, and operations, on November 4, 2003. The Corporation was dissolved January 1, 2004. The District supplies retail and wholesale water and sewer services to customers in rural North Central Texas, primarily in Johnson County.

B. Basic Financial Statements – Fund Financial Statements

The financial statements of the District are reported in the proprietary fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, net position, revenues and expenses.

Proprietary Fund

The focus of proprietary fund measurement is on the determination of operating income, changes in net position, financial position, and cash flows. The generally accounting principles applicable are those similar to businesses in the private sector. The following briefly describes the purpose of proprietary fund.

Proprietary fund is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues.

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

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the grantor have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

2. Receivables

All trade receivables are shown net of an allowance for uncollectibles of \$25,150. Trade accounts receivable in excess of ninety days comprise the allowance for uncollectible trade accounts receivable.

3. Inventory

Inventories of parts and supplies are stated at cost using the first-in-first out method. These inventories are used for repairs and maintenance of the water and sewer systems.

4. Prepaid Items

Payments made to vendors for goods and services that will benefit future periods are recorded as prepaid items in the financial statements.

5. Capital Assets

Capital assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation. Furniture and fixture assets with a cost of \$1,000 or more and a useful life greater than three years will be capitalized. All other assets with a cost of \$10,000 or more and a useful life greater than three years will be capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of proprietary fund is included as part of the capitalized value of the assets constructed. There was no interest capitalized during the year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and building improvements	5 – 40	years
Water system	5 – 40	years
Sewer system	5 – 40	years
Equipment, furniture and fixtures	3 – 20	years
Master plan	5	years

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Compensated absences

The District offers employees a leave benefit program known as Paid Time Off (PTO). Under this policy, all employees may draw upon their accrued PTO days for vacation, sick leave, medical appointments, family illnesses or personal leave issues. PTO is accrued when earned.

Participating employees have the option to rollover PTO time to the Personal Illness Bank (PIB) for the sake of having leave time available in the case of long-term illness. Employees are encouraged to rollover accrued PTO as a form of insurance to help during such unavoidable events. At termination employees are eligible to receive PIB time if the termination is not a result of a violation of District policy.

7. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as expenses in the current period.

8. Net Position

Net position represents the difference between assets and liabilities. Proprietary fund net position are divided into three components:

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

9. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of estimates by management that affect reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2019

NOTE 2: DEPOSITS AND INVESTMENTS

1. Deposits

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a fair value of not less than the principal amount of the deposits. At December 31, 2019, the District's deposits were fully insured or collateralized as required by the District's investment policy.

2. Investments

The Texas Public Funds Investment Act requires a governmental entity 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.

Per the District's investment policy, public funds of the District may be invested in (1) obligations of the United States Government, its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities; (5) certificates of deposit which are fully FDIC insured or collateralized from a depositor institution doing business in the State of Texas; (6) no-load Money Market Mutual Funds; (7) Texas Local Government Investment Pools. During the year ended December 31, 2019, the District did not own any types of securities other than those permitted by its investment policy.

The District invests idle funds in the Logic Local Government Investment Pool, Texstar Local Government Investment Pool, Texas Local Government Investment Pool (Tex-Pool) and Texas Term Local Investment Pool. The City's pools are local government investment pools organized under the authority of the Interlocal Cooperation Act Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. Each pool is governed by an advisory board composed of participants and other persons who do not have a business relationship with the pool. All investments of the pools are stated at amortized cost, which in most cases approximates the market value of the securities. The objective of the pools is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas.

Credit Risk-Investments

The District controls risk by limiting its investments to those instruments described above.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2019

NOTE 2: DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk-Investments

The District manages interest rate risk by spreading the fair value of its investments over varying maturities. The District's policy sets a maximum of five years on its investments, with no more than 20% of the portfolio extending beyond three years. The District's investments at December 31, 2019, included the following:

Description	Rating	Maturities	Investment	Cost	Market
Logic Pool	AAAm	35 days	67.87%	\$ 25,368,058	\$ 25,368,058
TexStar Pool	AAAm	36 days	13.83%	5,171,368	5,171,368
Tex-Pool	AAAm	35 days	8.52%	3,182,931	3,182,931
Texas TERM Pool	AAAf	32 days	0.93%	346,846	346,846
Certificates of Deposit	n/a	n/a	8.86%	3,310,000	3,310,000
Total			100.00%	<u>\$ 37,379,203</u>	<u>\$ 37,379,203</u>

The maturities reflected above for the pools are the weighted average maturities of the underlying securities held by the pools.

The pools listed above totaling \$34,069,203 are reporting with cash and cash equivalents in the statement of net position.

NOTE 3: RESTRICTED ASSETS

Certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or other legal restrictions. Also included are customer deposits which are considered refundable.

Construction funds	\$ 19,278,204
P&I sinking funds	1,541,746
Revenue bond reserves	2,579,728
Customer deposits	1,949,100
	<u>\$ 25,348,778</u>

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2019

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non Depreciable Assets:				
Land	\$ 875,358	\$ -	\$ -	\$ 875,358
Construction in progress	5,405,889	7,652,642	(6,694,197)	6,364,334
Total non-depreciable assets	6,281,247	7,652,642	(6,694,197)	7,239,692
Depreciable Assets:				
Buildings and building improvements	417,351	6,033,904		6,451,255
Water distribution systems	78,926,276	2,611,075		81,537,351
Sewer distribution systems	8,902,152	383,808		9,285,960
Equipment, furniture and fixtures	1,882,852	389,727	(80,145)	2,192,434
Master Plan	33,202	-	-	33,202
Total capital assets being depreciated	90,161,833	9,418,514	(80,145)	99,500,202
Accumulated Depreciation:				
Buildings and building improvements	(230,509)	(15,713)		(246,222)
Water distribution systems	(23,453,157)	(2,239,504)		(25,692,661)
Sewer distribution systems	(2,617,457)	(289,615)		(2,907,072)
Equipment, furniture and fixtures	(1,352,783)	(223,823)	80,145	(1,496,461)
Master Plan	(31,569)	(1,633)		(33,202)
Total accumulated depreciation	(27,685,475)	(2,770,288)	80,145	(30,375,618)
Business-type activities capital assets, net	\$ 68,757,605	\$ 14,300,868	\$ (6,694,197)	\$ 76,364,276

NOTE 5: LONG-TERM LIABILITIES

Revenue Bonds

The District issues bonds where the District pledges income derived from the acquired or constructed assets to pay debt service. The bonds were issued to finance the acquisition and construction of major capital facilities and to provide funds for the refunding of prior revenue bonds. The issuance of the refunding bonds did not result in a difference between the reacquisition price of the old debt and the net carrying amount of the old debt. Therefore, there is no deferred charge on refunding reflected in the statement of net position. Revenue bonds outstanding at year end are as follows:

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2019

NOTE 5: LONG-TERM LIABILITIES (continued)

Series	Issue Amount	Maturity Date	Interest Rates	Amount Outstanding
2005 Revenue Refunding Bonds	\$ 6,245,000	8/15/2021	3.00% - 4.30%	\$ 190,000
2012 Revenue Refunding Bonds	9,500,000	8/15/2031	.30% - 3.00%	6,465,000
2013 Revenue Refunding and Improvement Bonds	8,510,000	8/15/2031	1.00% - 2.65%	5,415,000
2018 Revenue Bonds (TWDB)	22,000,000	8/15/2038	.38% - 1.82%	21,080,000
Total				<u>\$ 33,150,000</u>

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2020	\$ 2,050,000	\$ 576,871	\$ 2,626,871
2021	2,055,000	550,029	2,605,029
2022	2,000,000	521,579	2,521,579
2023	1,920,000	494,368	2,414,368
2024	1,950,000	467,471	2,417,471
2025-2029	10,310,000	1,823,614	12,133,614
2030-2034	7,930,000	818,184	8,748,184
2035-2038	4,935,000	223,567	5,158,567
	<u>\$ 33,150,000</u>	<u>\$ 5,475,683</u>	<u>\$ 38,625,683</u>

The provisions of the bonds require the District to maintain an interest and sinking account and make monthly transfers from the system account equal to 1/6 of the next maturing interest plus 1/12 of the next maturing principal for debt service payments. The required balance in the interest and sinking account at December 31, 2019, was \$985,076 and the actual balance was \$1,541,746.

The provisions of the bonds require the District to maintain reserve accounts with a minimum balance of \$2,470,753. The actual balance in the reserve accounts was \$2,579,728 at December 31, 2019.

The provisions of the bonds require the District to maintain net revenues available for debt service of 1.25 times the average annual debt service. The District is in compliance with this requirement.

In the event of default, in addition to all rights and remedies provided by the laws of the State of Texas, the holders of any of the bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the District and other officers of the District to observe and perform any covenant, condition, or obligation prescribed in the bond order.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2019

NOTE 5: LONG-TERM LIABILITIES (continued)

The following is a summary of long-term liability transactions of the District for the year ended December 31, 2019:

Description	Beginning Balance	Additions	Retirements	December 31, 2019	Due within one year
Revenue Bonds	\$ 35,400,000	\$ -	\$ (2,250,000)	\$ 33,150,000	\$ 2,050,000
Bonds Discounts	(7,413)	-	3,294	(4,119)	(3,295)
Bond Premiums	201,588	-	(16,020)	185,568	16,020
Total Bonds Payable	35,594,175	-	(2,262,726)	33,331,449	2,062,725
Compensated absences	149,502	197,378	(149,502)	197,378	52,953
Total Long Term Debt	<u>\$ 35,743,677</u>	<u>\$ 197,378</u>	<u>\$ (2,412,228)</u>	<u>\$ 33,528,827</u>	<u>\$ 2,115,678</u>

NOTE 6: BRAZOS REGIONAL PUBLIC UTILITY AGENCY (BRPUA)

In January 2012, Johnson County Special Utility District and Acton Municipal Utility District formed BRPUA, a joint venture entity that purchased and operates the Lake Granbury Surface Water and Treatment Center System (SWATS) plant. BRPUA issues audited annual financial statements for its fiscal year, which ends on September 30. Upon dissolution, BRPUA's assets would be distributed proportionally in accordance with the allocated production capacity of the SWATS plant that each participant has contracted to take at that time. The District's investment in the joint venture of \$11,872,219 is based on the District's current 55.308% allocated production capacity.

The District is obligated to BRPUA to make monthly payments sufficient to pay for its allocated portion of operation and maintenance, capital improvements and debt service costs regarding the SWATS plant. The maturities of BRPUA's Contract Revenue Bond Series 2012 (JCSUD), for which the District is responsible for paying through the debt service payments were as follows as of December 31, 2019:

Year Ending December 31	BRPUA Bonds		
	Principal	Interest	Total
2020	880,000	85,900	965,900
2021	900,000	63,900	963,900
2022	910,000	36,900	946,900
2023	320,000	9,600	329,600
Total	<u>\$ 3,010,000</u>	<u>\$ 196,300</u>	<u>\$ 3,206,300</u>

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2019

NOTE 7: RETIREMENT PLAN

The Johnson County 457 Plan was established under Internal Revenue Services (IRS) Code Section 457(b). Eligible employees may defer the lesser of 100% of their includible compensation or \$19,000 for 2019. In addition to these deferrals, employees at least age fifty may make catch-up contributions of \$6,000 for 2019.

The Johnson County Profit Sharing Plan was established under IRS Code Section 401. The District contributes to this plan each year an amount equal to 11.0% of the compensation of eligible employees. The contributions were \$143,729 for 2019.

Both plans are sole employer, defined contribution plans and have the same participation requirements: employees must be at least 21 and complete one year of service in which they complete 1,000 hours of continuous service. Additionally, a minimum 4.0% employee deferral contribution to the 457 Plan is required in order to participate in the Profit Sharing Plan.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not materially exceeded this commercial coverage in any of the past three years.

NOTE 9: CONTRACTS AND COMMITMENTS

1. City of Mansfield

In May 2009, the District and the City of Mansfield entered into a 20-year water purchase contract whereby the District has a total available volume of 9 million gallons per day (MGD) from the City.

2. City of Grand Prairie

In March 2010, the District and City of Grand Prairie entered into a 40-year water purchase contract whereby the District has a total available volume of 6 million gallons per day (MGD) from the City.

3. Brazos River Authority

The District reserves raw water from BRA to make treated water available for its future needs. Under the agreement dated December 1, 2012, the District had a total of 9,210 acre-feet of water secured each year. In turn, the District is obligated to unconditionally pay the system rate as determined each year by BRA. The agreement ends in 2048.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2019

4. Texas Water Development Board (TWDB) Projects

June 2018 the District issued \$22,000,000 Johnson County Special Utility District Revenue Bonds, Series 2018 that were purchased by the Texas Water Development Board with Drinking Water State Revolving Funds. The bonds were issued for smart meter upgrade, pump station and water distribution lines improvements. \$5,126,681 has been spent as of December 31, 2019, for loan origination, engineering and the AMI (Advanced Metering Infrastructure) smart meter system change out. In October 2018 the District awarded a contract for construction-manager-at-risk to administer the bundled projects. The bundled construction projects expect to begin in 2020.

NOTE 10: EVALUATION OF SUBSEQUENT EVENTS

Subsequent events were evaluated through April 13, 2020, which is the date the financial statements were available to be issued.

NOTE 11: FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*. The objective of the Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for reporting periods beginning after December 15, 2019. The District has not yet determined the effect this Statement will have on its financial reporting.

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STATISTICAL SECTION (UNAUDITED)

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SUPPLEMENTARY INFORMATION

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
 Budgetary Comparison Schedule
 Proprietary Fund
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance with Budget
OPERATING REVENUES			
Water sales	\$ 14,367,450	\$ 15,369,001	\$ 1,001,551
Sewer revenue	1,267,566	1,423,371	155,805
Penalties	238,500	262,359	23,859
Installation fees	200,000	321,770	121,770
Miscellaneous fees	200,000	220,540	20,540
Total operating revenues	<u>16,273,516</u>	<u>17,597,041</u>	<u>1,323,525</u>
OPERATING EXPENSES			
Water purchases	7,772,031	6,729,864	(1,042,167)
Personnel	2,862,342	2,574,177	(288,165)
Repair, maintenance and supplies	1,000,000	990,004	(9,996)
Utilities and communication	780,000	790,444	10,444
Other	955,455	1,074,754	119,299
Depreciation	3,151,904	2,770,288	(381,616)
Total operating expenses	<u>16,521,732</u>	<u>14,929,531</u>	<u>(1,592,201)</u>
Operating income (loss)	<u>(248,216)</u>	<u>2,667,510</u>	<u>2,915,726</u>
NONOPERATING REVENUES (EXPENSES)			
Gain on sale of assets	25,000	411,309	386,309
Investment earnings	697,500	895,101	197,601
Other income	119,120	143,911	24,791
System development fees	1,012,000	1,311,480	299,480
Interest expense	(722,882)	(587,012)	135,870
Total nonoperating revenue (expenses)	<u>1,130,738</u>	<u>2,174,789</u>	<u>1,044,051</u>
Income (loss) before contributions	882,522	4,842,299	3,959,777
CAPITAL CONTRIBUTIONS			
Capital contributions	<u>-</u>	<u>2,617,064</u>	<u>2,617,064</u>
Change in net position	<u>\$ 882,522</u>	<u>\$ 7,459,363</u>	<u>\$ 6,576,841</u>

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF INSURANCE IN FORCE
December 31, 2019

INSURER	RISK COVERED	POLICY AMOUNT	EXPIRATION
Texas Municipal League	Worker's compensation	2,150,332	December 1, 2020
	General liability	\$2,000,000 / \$4,000,000	December 1, 2020
	Errors and omissions	5,000,000 / 10,000,000	December 1, 2020
	Automobile liability	1,000,000	December 1, 2020
	Auto physical damage	varies per vehicle	December 1, 2020
	Supplemental sewage backup	25,000 / 50,000	December 1, 2020
	Cyber Liability & Data Breach	1,000,000	December 1, 2020
	Real and personal property	53,202,900	December 1, 2020
	Boiler and machinery	100,000	December 1, 2020
	Mobile equipment	367,588	December 1, 2020
	Public employee dishonesty	1,000,000	December 1, 2020
	Forgery or alteration	100,000	December 1, 2020
	Theft, disappearance, and destruction	30,000	December 1, 2020
	Ambac Assurance Corporation	Surety bond - Series 2005 Bonds	623,371

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
For the Year Ended December 31, 2019
(Unaudited)

1. Services provided by the District: Retail and Wholesale water; retail sewer
2. Retail rates based on 5/8" meter
Most prevalent type of meter: 5/8"

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 gallons over minimum</u>	<u>Usage Levels</u>
Water (*)	\$33	N/A	N	\$4.25 5.25 6.25	0-5,000 5,001-10,000 10,001 plus
Sewer (*)	\$22	N/A	N	\$4.50	0-10,000

District employs winter averaging for sewer usage? No

Total water charges per 10,000 gallons usage: water \$80.50; sewer \$67.00 (maximum)

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into system:	1,954,170
Gallons billed and unbilled:	1,613,290
Water accountability ratio:	82.6%
4. Retail water connections within the District as of the fiscal year end.

<u>Meter Size</u>	<u>Total Meters</u>	<u>Active Meters</u>	<u>SUE Factor</u>	<u>Active SUE's</u>
<=5/8"	17,120	15,717	x 1.0	15,717
3/4"	96	95	x 1.3	124
1"	183	170	x 2.2	374
1 1/2"	21	20	x 4.0	80
2"	55	50	x 10.0	500
3"	10	9	x 20.0	180
4"	8	6	x 40.0	240
6"	2	2	x 64.0	128
Total Water	17,495	16,069		17,343
Total Sewer	2,631	2,014	x 1.0	2,014

(*) Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12 (Table 3)

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF TEMPORARY INVESTMENTS
December 31, 2019

	<u>Identification Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>% of Total</u>
LOGIC	No. 001 - 2018 L1000790	Market	Escrow	\$ 19,136,056	
	No. 001	Market	On demand	145,896	
	No. 002	Market	On demand	4,652,779	
	No. 004	Market	On demand	106,068	
	No. 006	Market	On demand	1,327,259	
			<u>25,368,058</u>	<u>67.9%</u>	
TexSTAR	No. 110	Market	On demand	5,599	
	No. 330	Market	On demand	4,239,418	
	No. 550	Market	On demand	926,351	
			<u>5,171,368</u>	<u>13.8%</u>	
Texas DAILY		Market	On demand	<u>346,846</u>	<u>0.9%</u>
TexPool	No. 002	Market	On demand	1,541,746	
	No. 005	Market	On demand	388,716	
	No. 008	Market	On demand	681,979	
	No. 009	Market	On demand	570,490	
			<u>3,182,931</u>	<u>8.5%</u>	
Certificates of Deposit	Multi Bk Securities - 19 CD's	2.42%	1/16/2018	<u>3,310,000</u>	<u>8.9%</u>
Total				<u>\$ 37,379,203</u>	<u>100.0%</u>

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12 (Table 8)

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
FUTURE DEBT SERVICE OBLIGATIONS
 December 31, 2019

Fiscal Year Ended December 31	2005 Revenue Refunding Bonds ⁽¹⁾			2012 Revenue Bonds ⁽¹⁾		
	Principal	Interest	Total	Principal	Interest	Total
2020	105,000	8,170	113,170	465,000	158,550	623,550
2021	85,000	3,655	88,655	475,000	149,250	624,250
2022	-	-	-	485,000	139,750	624,750
2023	-	-	-	500,000	130,050	630,050
2024	-	-	-	515,000	120,050	635,050
2025	-	-	-	525,000	108,463	633,463
2026	-	-	-	540,000	96,650	636,650
2027	-	-	-	555,000	83,150	638,150
2028	-	-	-	575,000	69,275	644,275
2029	-	-	-	590,000	54,900	644,900
2030	-	-	-	610,000	37,200	647,200
2031	-	-	-	630,000	18,900	648,900
2032						
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 190,000</u>	<u>\$ 11,825</u>	<u>\$ 201,825</u>	<u>\$6,465,000</u>	<u>\$1,166,188</u>	<u>\$ 7,631,188</u>

⁽¹⁾ Parity Lien Obligations secured solely from and secured by a lien on and pledge of the Pledged Revenues and shall be superior to the lien on and pledge of the Pledged Revenues securing payment of any Subordinate Lien Obligation.

Source: Bond Resolutions
 Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12 (Table 5)

2013 Revenue and Refunding Bonds ⁽¹⁾			2018 TWDB Bonds			Total Debt Service Requirements	% of Principal Retired
Principal	Interest	Total	Principal	Interest	Total		
475,000	122,987	597,987	1,005,000	287,164	1,292,164	2,626,871	
485,000	115,388	600,388	1,010,000	281,736	1,291,736	2,605,029	12.38%
500,000	106,657	606,657	1,015,000	275,172	1,290,172	2,521,579	
395,000	96,658	491,658	1,025,000	267,660	1,292,660	2,414,368	
405,000	88,165	493,165	1,030,000	259,256	1,289,256	2,417,471	
415,000	79,052	494,052	1,040,000	249,265	1,289,265	2,416,780	36.06%
425,000	69,300	494,300	1,055,000	237,721	1,292,721	2,423,671	
435,000	59,100	494,100	1,065,000	224,744	1,289,744	2,421,994	
450,000	48,443	498,443	1,080,000	210,686	1,290,686	2,433,404	
465,000	37,192	502,192	1,095,000	195,674	1,290,673	2,437,765	
475,000	25,335	500,335	1,110,000	179,797	1,289,797	2,437,332	
490,000	12,985	502,985	1,125,000	163,036	1,288,036	2,439,921	74.59%
			1,145,000	145,598	1,290,598	1,290,598	
			1,165,000	127,278	1,292,278	1,292,278	
			1,180,000	108,055	1,288,055	1,288,055	
			1,200,000	87,996	1,287,996	1,287,996	88.73%
			1,225,000	67,116	1,292,116	1,292,116	
			1,245,000	45,433	1,290,433	1,290,433	
			1,265,000	23,022	1,288,022	1,288,022	100.00%
<u>\$5,415,000</u>	<u>\$ 861,262</u>	<u>\$6,276,262</u>	<u>\$21,080,000</u>	<u>\$3,436,409</u>	<u>\$24,516,408</u>	<u>\$38,625,683</u>	

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
Five Years Ended December 31, 2019

						Percent of Fund Total Revenues				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Operating Revenues										
Water sales	\$ 12,753,026	\$ 12,610,422	\$ 13,921,186	\$ 15,437,363	\$ 15,369,001	87.4	87.5	87.7	87.9	87.3
Sewer revenues	1,129,415	1,234,598	1,268,534	1,305,050	1,423,371	7.7	8.6	8.0	7.4	8.1
Penalties	253,601	232,984	242,888	254,690	262,359	1.7	1.6	1.5	1.5	1.5
Installation fees	135,288	164,048	232,548	339,539	321,770	0.9	1.1	1.5	1.9	1.8
Miscellaneous	326,417	175,298	201,425	225,301	220,540	2.2	1.2	1.3	1.3	1.3
Total Revenues	<u>14,597,747</u>	<u>14,417,350</u>	<u>15,866,581</u>	<u>17,561,943</u>	<u>17,597,041</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Operating Expenses:										
Water purchases	8,265,385	6,156,820	6,641,246	6,388,057	6,729,864	56.6	42.7	41.9	36.4	38.2
Personnel services	2,389,123	2,506,633	2,524,830	2,443,324	2,574,177	16.4	17.4	15.9	13.9	14.6
Repair, maintenance and supplies	734,081	659,054	870,910	1,183,265	990,004	5.0	4.6	5.5	6.7	5.6
Utilities and communication	696,930	662,079	719,035	768,760	790,444	4.8	4.6	4.5	4.4	4.5
Other	627,637	766,460	881,976	917,373	1,074,754	4.3	5.3	5.6	5.2	6.1
Operating Expenses Excluding Depreciation and amortization	<u>12,713,156</u>	<u>10,751,046</u>	<u>11,637,997</u>	<u>11,700,779</u>	<u>12,159,243</u>	<u>87.1</u>	<u>74.6</u>	<u>73.3</u>	<u>66.6</u>	<u>69.1</u>
Operating Income before Depreciation and amortization	<u>1,884,591</u>	<u>3,666,304</u>	<u>4,228,584</u>	<u>5,861,164</u>	<u>5,437,798</u>	<u>12.9</u>	<u>25.4</u>	<u>26.7</u>	<u>33.4</u>	<u>30.9</u>
Depreciation and Amortization:	<u>2,820,344</u>	<u>2,870,202</u>	<u>2,894,213</u>	<u>3,171,978</u>	<u>2,770,288</u>	<u>19.3</u>	<u>19.9</u>	<u>18.2</u>	<u>18.1</u>	<u>15.7</u>
Operating Income (Loss)	<u>(935,753)</u>	<u>796,102</u>	<u>1,334,371</u>	<u>2,689,186</u>	<u>2,667,510</u>	<u>(6.4)</u>	<u>5.5</u>	<u>8.4</u>	<u>15.3</u>	<u>15.2</u>
Nonoperating Revenues (Expenses):										
Gain (loss) on sale of assets	27,445	26,131	61,659	2,527	411,309	0.2	0.2	0.4	-	2.3
Investment earnings	19,319	59,017	129,394	572,396	895,101	0.1	0.4	0.8	3.3	5.1
Other income	300,000	180,020	674,363	182,128	143,911	2.1	1.2	4.3	1.0	0.8
System development fees	691,420	638,660	918,600	1,282,345	1,311,480	4.7	4.4	5.8	7.3	7.5
Interest expense	(427,225)	(393,260)	(361,109)	(476,872)	(587,012)	(2.9)	(2.7)	(2.3)	(2.7)	(3.3)
Bond issuance costs	-	-	-	(610,909)	-	-	-	-	(3.5)	-
Total Nonoperating Revenues (Expenses)	<u>610,959</u>	<u>510,568</u>	<u>1,422,907</u>	<u>951,615</u>	<u>2,174,789</u>	<u>4.2</u>	<u>3.5</u>	<u>9.0</u>	<u>5.4</u>	<u>12.4</u>
Income (Loss) Before Capital Contributions and Extraordinary Item	<u>(324,794)</u>	<u>1,306,670</u>	<u>2,757,278</u>	<u>3,640,801</u>	<u>4,842,299</u>	<u>(2.2)</u>	<u>9.1</u>	<u>17.4</u>	<u>20.7</u>	<u>27.5</u>
Capital contributions	274,770	2,496,019	1,010,942	5,079,367	2,617,064	1.9	17.3	6.4	28.9	14.9
Changes in Net Position	<u>\$ (50,024)</u>	<u>\$ 3,802,689</u>	<u>\$ 3,768,220</u>	<u>\$ 8,720,168</u>	<u>\$ 7,459,363</u>	<u>(0.3)</u>	<u>26.4</u>	<u>23.7</u>	<u>49.7</u>	<u>42.4</u>
Active Water Customers	14,411	14,738	15,132	15,580	16,069					
Active Sewer Customers	1,827	1,891	1,901	1,951	2,014					

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CONDENSED SUMMARY OF OPERATING RESULTS
(CALCULATION BASED ON BOND RESOLUTION REQUIREMENTS)
December 31, 2019

	Fiscal Year Ended December 31,				
	2015	2016	2017	2018	2019
<u>Gross Revenues</u>					
Water Sales	\$12,753,026	\$12,610,422	\$ 13,921,186	\$ 15,437,363	\$ 15,369,001
Sewer Services	1,129,415	1,234,598	1,268,534	1,305,050	1,423,371
Interest Income	19,319	59,017	129,394	572,396	895,101
Other Revenue	1,734,171	1,417,141	2,331,483	2,286,530	2,671,369
Total Gross Revenues	\$15,635,931	\$15,321,178	\$ 17,650,597	\$ 19,601,339	\$ 20,358,842
<u>Operating Expenses ⁽¹⁾:</u>					
Treated Water	\$ 7,613,383	\$ 5,501,863	\$ 5,970,177	\$ 5,695,275	\$ 6,010,545
Brazos River Authority Contracts	652,002	654,957	671,069	692,782	719,319
Other	4,447,771	4,594,226	4,996,751	5,312,722	5,429,379
Total Operating Expenses	\$12,713,156	\$10,751,046	\$ 11,637,997	\$ 11,700,779	\$ 12,159,243
Net Available For Debt Service	\$ 2,922,775	\$ 4,570,132	\$ 6,012,600	\$ 7,900,560	\$ 8,199,599
Active Water Customers	14,411	14,738	15,132	15,580	16,069
Active Sewer Customers	1,827	1,891	1,901	1,951	2,014

⁽¹⁾ Excludes Depreciation and Amortization

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12 (Table 6)

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
BOARD OF DIRECTORS, MANAGEMENT TEAM, AND CONSULTANTS
 December 31, 2019
 (Unaudited)

Complete District Mailing Address: PO Box 1390, Joshua, Texas 76058
 District Business Telephone Number: (817) 760-5200
 Submission Date of the Most Recent District Registration Form: 03/25/2019
 Limit on Fees of Office that a Director May Receive During a Fiscal Year: \$7,200

Board Director	Term of Office Elected and Expires	Fees and Expense Reimbursements*	Title at Year End
Tommy Webb	2019 - 2022	\$ -	President
Gene Petross	2019 - 2022	\$ 424	Vice-President
Jack Beavers	2018 - 2021	\$ -	Secretary / Treasurer
Harry Shaffer	2017 - 2020	\$ -	Director
Richard Connally	2017 - 2020	\$ -	Director
Eric Baze	2018 - 2021	\$ -	Director
Ronald Nichols	2019 - 2022	\$ 399	Director

* These expense reimbursements are for lodging, meals, transportation related to training and conferences, and miscellaneous other costs.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
 BOARD OF DIRECTORS, MANAGEMENT TEAM, AND CONSULTANTS (continued)
 December 31, 2019
 (Unaudited)

Management Team	Date Hired	Fees and Expense Reimbursements*	Title at Year End
Terry D. Kelley	11/23/92	\$ -	General Manager
Kathy L. Rice	10/21/13	-	Comptroller
Danny Armstrong	12/09/02	-	System Operations Manager
Dana Collier	11/01/11	104	System Development Manager
Josh Howard	02/01/16	375	Utility Services Manager

Consultants

Anthony Bennett		2,844	Attorney
Cain & Associates, P.C.		27,930	Attorney
Jackson Walker LLP		57,893	Attorney
Yeldell, Wilson, Wood & Reeve, P.C.		2,775	Auditor
George, Morgan & Sneed, P.C.		19,000	Auditor
Specialized Public Finance Inc.		-	Financial Advisor
Municipal Engineers & Mgmt.		59,883	Engineer
Kimley-Horn & Associates, Inc.		24,375	Engineer

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
ANNUAL MATERIAL EVENT DISCLOSURE CHECKLIST
December 31, 2019
(Unaudited)

Yes No

- X 1. Has Issuer failed to make timely payments of interest and principal or reserve fund requirements (if required on any outstanding debt obligation)?
- X 2. Has Issuer had any other defaults not related to debt payments?
- X 3. Has Issuer utilized any debt service reserves due to financial problems?
- X 4. Have there been any unscheduled draws on credit enhancements due to financial problems (bond insurance policies, liquidity agreements, etc.)?
- X 5. Has there been any change of providers of credit enhancement or liquidity facilities, or have they failed to provide funds under their contract with Issuer (if applicable)?
- X 6. Is Issuer aware of any adverse tax opinions or other events that might affect the tax-exempt status of bonds?
- X 7. Have there been any changes or amendments to outstanding documents which might affect the rights of bond investors?
- X 8. Has Issuer exercised its right or given notice to prepay or call bonds in advance of maturity?
- X 9. Has Issuer prepaid (defeased) any outstanding debt obligations?
- X 10. Has there been any release, substitution, or sale of any property securing debt service?
- X 11. Is Issuer aware of any changes in outstanding bond credit ratings?
- X 12. Have there been any other material or adverse events that might impact an investor's decision to buy or sell Issuer's outstanding debt obligations?

STATISTICAL TABLES (Unaudited)

This part of the Johnson County Special Utility District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. This information has not been audited by the independent auditor.

<u>Contents</u>	<u>Page</u>	<u>Tables</u>
<p><i>Financial Trends</i> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	35 - 37	1-2
<p><i>Revenue Capacity</i> These schedules contain information to help the reader assess the District's most significant revenue sources, charges for services.</p>	38 - 42	3-4
<p><i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	43 - 44	5-6
<p><i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</p>	45 - 46	7-8
<p><i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</p>	47 - 50	9-11

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
NET POSITION BY COMPONENT
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Position:										
Net investment in capital assets	\$ 30,441,483 ^a	\$ 31,580,199 ^c	\$ 37,337,910 ^e	\$ 41,235,467 ^h	\$ 43,088,093	\$ 43,883,656	\$ 48,120,547 ⁱ	\$ 49,081,903 ^k	\$ 54,689,237 ^l	\$ 62,168,882 ^o
Restricted for debt service	550,809	515,815	703,727 ^f	1,071,716 ⁱ	1,283,535	1,501,144	1,729,039	2,003,790	3,752,849 ^m	3,905,147
Unrestricted	6,225,232 ^b	10,073,892 ^d	14,776,114 ^g	14,693,631	13,890,939	12,827,743	12,165,646	14,697,759	25,568,970 ⁿ	25,396,390
Total Net Position	<u>\$ 37,217,524</u>	<u>\$ 42,169,906</u>	<u>\$ 52,817,751</u>	<u>\$ 57,000,814</u>	<u>\$ 58,262,567</u>	<u>\$ 58,212,543</u>	<u>\$ 62,015,232</u>	<u>\$ 65,783,452</u>	<u>\$ 84,011,056</u>	<u>\$ 91,470,419</u>

^a During fiscal year 2010, capital assets increased due to improvements to the water distribution system.

^b During fiscal year 2010, the District recorded a reduction in purchase water expense due to the receipt of \$1,620,330 from the Brazos River Authority for fiscal years 2009 and 2010 expense adjustments. Contributed property increased due to the completion and receipt of a \$350,000 Community Development Block Grant for a water system project and an increase of \$527,000 in TxDOT reimbursements.

^c During fiscal year 2011, capital assets increased due to improvements to the water and sewer distribution system.

^d During fiscal year 2011, the District recorded a reduction in purchase water expense due to the receipt of \$333,976 from the Brazos River Authority for fiscal years 2010 and 2011 expense adjustments. Contributed property increased due to the completion of a \$816K commercial development project in the Joshua area. Operating revenues increased approximately \$1.6M due to the implementation of a rate increase and increased volume due to drought conditions and \$550K due to the temporary assignment sale of 8,000 acre feet of raw water.

^e During fiscal year 2012, construction in progress for the TBTF project increased \$3.37M, construction in progress for the Highway 121 project increased \$2.3M, added \$1.35M in assets which included a 3MG transmission storage tank, high service pumps, and transmission line as part of the SWATS transfer to the Brazos River Public Utility Agency (BRPUA). These costs were offset by an increase in payables of \$2.3M for capital related projects.

^f During fiscal year 2012, debt reserve and sinking fund requirements increased due to the issuance of \$9.8M in bonds to fund the Trinity Basin Transmission Facilities (TBTF).

^g During fiscal year 2012, the District received \$6M for a settlement of lost capacity at the SWATS plant. This was partially offset by cash paid for capital projects.

^h During fiscal year 2013, construction in progress for the TBTF project increased \$13.1M, final payments of the Highway 121 project of \$1.3M, and various other capital projects offset by the TBTF debt issuance of \$8.5M and a reduction in capital liabilities of \$2.3M recorded in prior year payables.

ⁱ During fiscal year 2013, debt reserve and sinking fund requirements increased due to the issuance of \$8.5M in bonds to fund the TBTF and cumulative funding for the 2012 bond debt reserve.

^j During fiscal year 2016, increase in improvements to the water distribution systems and capital contributed by developers.

^k During fiscal year 2017, increase in improvements to the water distribution systems and capital contributed by developers.

^l During fiscal year 2018, increase in improvements to the water distribution systems, construct new facility and capital contributed by developers.

^m During fiscal year 2018, issued new revenue bonds and increased the bond reserve.

ⁿ During fiscal year 2018, adjusted the equity interest in joint venture asset for equity method of accounting.

^o During fiscal year 2019, completed new facility, capital contributed by developers and engineering on bond projects and started smart meter system change out.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CHANGE IN NET POSITION
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenues:										
Water sales	\$ 11,477,284 ^g	\$ 14,024,137 ⁱ	\$ 12,532,895 ⁿ	\$ 12,801,892 ^k	\$ 12,548,132	\$ 12,753,026	\$ 12,610,422	\$ 13,921,186	\$ 15,437,363	\$ 15,369,001
Fire hydrant meter water sales	965,536	627,149 ^d	291,365 ^d	177,865	165,258	-	-	-	-	-
Sewer revenues	987,601	1,064,181 ⁱ	1,033,085 ⁿ	1,038,053	1,075,121	1,129,415	1,234,598	1,268,534	1,305,050	1,423,371
Penalties	232,097	272,137	240,374	249,861	245,456	253,601	232,984	242,888	254,690	262,359
Installation fees	91,179	106,732	108,099	96,917	133,020	135,288	164,048	232,548	339,539	321,770
Miscellaneous	300,605	243,257	209,376	224,415	299,554	326,417	175,298	201,425	225,301	220,540
Total Operating Revenues	14,054,302	16,337,593	14,415,194	14,589,003	14,466,541	14,597,747	14,417,350	15,866,581	17,561,943	17,597,041
Operating Expenses:										
Water purchases	5,813,784 ^h	7,032,436 ^l	6,810,261	5,845,474 ^q	7,898,411	8,265,385	6,156,820 ^v	6,641,246	6,388,057 ^u	6,729,864
Personnel services	1,903,487	1,880,702	2,017,039	2,079,327	2,163,209	2,389,123	2,506,633	2,524,830	2,443,324	2,574,177
Repair, maintenance and supplies	532,778	587,843	672,861	646,738	807,274	734,081	659,054	870,910	1,183,265	990,004
Utilities and communication	620,988	615,459	523,349	541,600	711,131	696,930	662,079	719,035	768,760	790,444
Other expenses	526,065	588,489	604,639	577,731	628,873	627,637	766,460	881,976	917,373	1,074,754
Depreciation and amortization	199,379	1,956,682	2,095,588	2,096,605	2,395,717	2,820,344	2,870,202	2,894,213	3,171,978	2,770,288
Total Operating Expenses	9,596,481	12,661,611	12,723,737	11,787,475	14,604,615	15,533,500	13,621,248	14,532,210	14,872,757	14,929,531
Operating Income (Loss)	4,457,821	3,675,982	1,691,457	2,801,528	(138,074)	(935,753)	796,102	1,334,371	2,689,186	2,667,510
Nonoperating Revenues (Expenses):										
Gain (loss) on sale of assets	38,400	23,361	(1,555)	46,518	39,452	27,445	26,131	61,659	2,527	411,309
Investment earnings	54,494	35,703	36,746	48,823	29,518	19,319	59,017	129,394	572,396 ^v	895,101
Other income	-	-	-	-	243,968 ^t	300,000 ^u	180,020	674,363	182,128	143,911
System development fees	345,966	392,375	513,405	473,701	420,759	691,420	638,660	918,600	1,282,345	1,311,480
Interest expense	(303,363)	(262,985)	(239,032)	(149,203) ^r	(224,993)	(427,225)	(393,260)	(361,109)	(476,872)	(587,012)
Bond issuance costs	-	(57,538)	(135,666)	(106,168)	-	-	-	-	(610,909)	-
Total Nonoperating Revenues (Expenses)	135,497	130,916	173,898	313,671	508,704	610,959	510,568	1,422,907	951,615	2,174,789
Income (Loss) Before Capital Contributed and Extraordinary Item	4,593,318	3,806,898	1,865,355	3,115,199	370,630	(324,794)	1,306,670	2,757,278	3,640,801	4,842,299
Capital Contributed Extraordinary Item	1,260,735 ⁱ	1,145,484 ^m	2,782,488 ^o	1,067,864 ^s	51,990	274,770	2,496,019	1,010,942	5,079,367	2,617,064
	-	-	6,000,000 ^p	-	-	-	-	-	-	-
Change in Net Position	\$ 5,854,053	\$ 4,952,382	\$ 10,647,843	\$ 4,183,063	\$ 422,620	\$ (50,024)	\$ 3,802,689	\$ 3,768,220	\$ 8,720,168	\$ 7,459,363

- ^a Decline in gas drilling activity in the area.
- ^b Increases in employee benefit costs, pay increases and two key personnel positions added in the last quarter of fiscal year 2008.
- ^c Late in the 4th quarter of 2008, the U.S. economy experienced the most deterioration of value since the Great Depression resulting in a dramatic reduction in interest rates.
- ^d The District signed a wholesale water contract with the City of Alvarado in October 2009, which resulted in a revenue increase of \$225,684 in fiscal year 2010. During fiscal year 2010, the District signed wholesale contracts with Bethany Special Utility District and Monarch Utilities, resulting in a revenue increase of approximately \$138,000 and \$46,200, respectively.
- ^e During fiscal year 2010, the District received \$1,620,330 from the Brazos River Authority for fiscal year 2009-2010 expense adjustments.
- ^f During fiscal year 2010, the District received a \$350,000 Community Development Block Grant for a water system project and an increase of \$527,000 in TxDOT reimbursements.
- ^g Water and Sewer sales increased due to a rate increase implemented January 2011 and increased volume due to drought conditions.
- ^h Purchase water expense increased \$1.2M due to the variance in refunds received from Brazos River Authority for fiscal years 2010-2011 and fiscal years 2009-2010 of \$334K, \$1.6M, respectively.
- ⁱ Capital contributed increased due the completion of a \$816K commercial development project.
- ^j Water and Sewer sales decreased due to a decline in drought conditions.
- ^k \$2.3M for partial completion of the NTTA/TxDOT 121 project.
- 37 ^l Settlement received for lost capacity at the Lake Granbury Surface Water Treatment Plant.
- ^m Temporary assignment sale of 8,000 acre feet of raw water in 2011 and 4,000 acre feet of raw water in 2013.
- ⁿ Decrease in purchase water expense of \$945K due to recognizing a full year of costs savings from the Brazos Regional Public Utility Agency taking ownership of SWATS in May 2012, which eliminated management fees, BRA overhead costs and higher debt costs (refinanced with favorable rates) and turning back 4,000 acre feet of raw water to the Brazos River Authority in December 2012.
- ^o Decrease due to the capitalization of interest of \$372K to the bond construction projects, partially offset by an increase due to the 2013 bond issue of \$8.5M for the Trinity Basin Transmission Facilities (TBTF).
- ^p \$703K for remaining costs of the completed NTTA/TxDOT 121 project.
- ^q In 2014, the District received \$244K for the sale of CCN to the City of Ft. Worth.
- ^r In 2015, the District received \$300K for the sale of CCN to the City of Mansfield.
- ^s In 2016, the District received a refund in the amount of \$864K from the PUA for over payment to O & M and Capital improvements.
- ^t In 2017, the District received a refund in the amount of \$534K from the PUA for over payment to O & M and Capital improvements.
- ^u In 2018, the District received a refund in the amount of \$567K from the PUA for over payment to O & M and Capital improvements.
- ^v Increase in Interest Income is due to the U.S. economy experiencing the best hike in savings & CD rates since 2008.

Table 3

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
AVERAGE REVENUE RATES
 Last Ten Fiscal Years

Fiscal Year	Monthly Revenue/Customer	
	Water	Wastewater
2010	\$ 70.00	\$ 55.00
2011	84.00	56.00
2012	75.00	56.00
2013	76.00	56.00
2014	73.00	56.00
2015	72.00	54.00
2016	66.00	49.00
2017	76.00	54.00
2018	74.00	54.00
2019	72.00	59.00

Source: District Annual Financial Audits

Table 4

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)
 Last Ten Years (unaudited)

FISCAL YEAR 2010					
<u>Customer</u>	<u>Type of Industry</u>	<u>Water Usage</u>	<u>% of Total Unaudited Water Usage</u>	<u>Water Revenue</u>	<u>% of Total Unaudited Water Revenue</u>
EOG Resources	Energy Exploration & Production	99,132,130	6.89%	\$ 623,549	4.26%
Chesapeake Operating Company	Energy Exploration & Production	38,073,850	2.65%	240,103	1.64%
Bridgeport Tank Trucks	Energy Exploration & Production	19,249,570	1.34%	119,936	0.82%
Joshua ISD	School ISD	9,813,320	0.68%	125,385	0.86%
Godley ISD	School ISD	9,227,890	0.64%	55,496	0.38%
CT & Sallie Chien	Mobile Home Park	6,419,500	0.45%	39,636	0.27%
Sabre Communications	Industrial Manufacturing	5,063,590	0.35%	34,661	0.24%
Monarch Utilities	Investor-owned Utility Provider	4,880,420	0.34%	74,303	0.51%
Kodiak Constructors	Construction	4,851,400	0.34%	30,605	0.21%
Devon Energy	Energy Exploration & Production	4,680,260	0.33%	29,844	0.20%
		201,391,930	14.01%	\$ 1,373,518	9.39%
	Total Usage	1,439,073,000			
	Total Water Sales			\$ 14,651,286	

FISCAL YEAR 2011					
<u>Customer</u>	<u>Type of Industry</u>	<u>Water Usage</u>	<u>% of Total Unaudited Water Usage</u>	<u>Water Revenue</u>	<u>% of Total Unaudited Water Revenue</u>
Chesapeake Operating Company	Energy Exploration & Production	36,342,110	2.18%	\$ 238,606	1.86%
EOG Resources	Energy Exploration & Production	33,428,160	2.00%	222,734	1.74%
Monarch Utilities	Investor-owned Utility Provider	15,947,390	0.95%	162,924	1.27%
Bridgeport Tank Trucks	Energy Exploration & Production	12,745,810	0.76%	83,127	0.65%
City of Alvarado	Municipality	12,168,700	0.73%	346,545	2.70%
City of Joshua	Municipality	9,145,900	0.55%	62,252	0.49%
Joshua ISD	School ISD	8,491,180	0.51%	104,397	0.81%
CT & Sallie Chien	Mobile Home Park	7,064,100	0.42%	43,535	0.34%
Godley ISD	School ISD	5,969,540	0.36%	40,616	0.32%
Norwood Land Services	Energy Exploration & Production	5,286,100	0.32%	34,470	0.27%
		146,588,990	8.78%	\$ 1,339,206	9.14%
	Total Usage	1,670,652,000			
	Total Water Sales			\$ 12,824,260	

FISCAL YEAR 2012					
<u>Customer</u>	<u>Type of Industry</u>	<u>Water Usage</u>	<u>% of Total Unaudited Water Usage</u>	<u>Water Revenue</u>	<u>% of Total Unaudited Water Revenue</u>
EOG Resources	Energy Exploration & Production	24,790,320	1.76%	\$ 164,773	1.28%
City of Alvarado	Municipality	20,210,600	1.44%	376,702	2.90%
Granite Construction	Construction	14,841,030	1.06%	97,527	0.75%
Monarch Utilities	Investor-owned Utility Provider	10,715,510	0.76%	135,456	1.04%
City of Keene	Municipality	9,405,000	0.67%	145,127	1.12%
Bridgeport Tank Trucks	Energy Exploration & Production	7,963,960	0.57%	55,600	0.43%
Joshua ISD	School ISD	7,916,190	0.56%	92,356	0.71%
Sabre Communications	Industrial Manufacturing	7,696,300	0.55%	49,716	0.38%
City of Joshua	Municipality	7,017,140	0.50%	52,789	0.41%
CT & Sallie Chien	Mobile Home Park	6,709,430	0.48%	41,495	0.32%
		117,265,480	8.35%	\$ 1,211,541	9.34%
	Total Usage	1,404,835,000			
	Total Water Sales			\$ 12,979,757	

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED) (continued)
 Last Ten Years (unaudited)

FISCAL YEAR 2013					
<u>Customer</u>	<u>Type of Industry</u>	<u>Water Usage</u>	<u>% of Total Unaudited Water Usage</u>	<u>Water Revenue</u>	<u>% of Total Unaudited Water Revenue</u>
City of Keene	Municipality	29,849,000	2.12%	\$ 300,262	2.31%
Granite Construction	Construction	20,326,930	1.45%	133,956	1.03%
Monarch Utilities	Investor-owned Utility Provider	12,183,700	0.87%	143,164	1.10%
Joshua ISD	School ISD	7,823,570	0.56%	91,732	0.71%
City of Joshua	Municipality	6,664,170	0.48%	52,241	0.40%
CT & Sallie Chien	Mobile Home Park	6,678,020	0.48%	41,315	0.32%
Halliburton Energy	Energy Exploration & Production	5,694,530	0.41%	40,552	0.31%
Lattimore Materials	Ready Mix Concrete	5,154,450	0.37%	30,520	0.24%
Godley ISD	School ISD	4,795,260	0.35%	39,286	0.30%
Alvarado ISD	School ISD	3,748,470	0.27%	24,218	0.19%
		102,918,100	7.36%	\$ 897,246	7.12%
	Total Usage	1,414,626,000			
	Total Water Sales			\$ 12,979,757	

FISCAL YEAR 2014					
<u>Customer</u>	<u>Type of Industry</u>	<u>Water Usage</u>	<u>% of Total Unaudited Water Usage</u>	<u>Water Revenue</u>	<u>% of Total Unaudited Water Revenue</u>
City of Keene	Municipality	49,014,000	3.55%	\$ 379,483	2.98%
Granite Construction	Construction	12,663,140	0.92%	83,451	0.66%
Monarch Utilities	Investor-owned Utility Provider	17,383,040	1.26%	167,571	1.32%
Joshua ISD	School ISD	7,820,120	0.57%	90,213	0.71%
City of Joshua	Municipality	4,464,930	0.32%	39,399	0.31%
CT & Sallie Chien	Mobile Home Park	2,541,460	0.18%	15,635	0.12%
Halliburton Energy	Energy Exploration & Production	5,631,570	0.41%	40,238	0.32%
Lattimore Materials	Ready Mix Concrete	10,474,310	0.76%	61,161	0.48%
Godley ISD	School ISD	1,982,130	0.14%	23,202	0.18%
Alvarado ISD	School ISD	590,230	0.04%	6,245	0.05%
		112,564,930	8.15%	\$ 906,597	7.13%
	Total Usage	1,380,044,000			
	Total Water Sales			\$ 12,713,390	

FISCAL YEAR 2015					
<u>Customer</u>	<u>Type of Industry</u>	<u>Water Usage</u>	<u>% of Total Unaudited Water Usage</u>	<u>Water Revenue</u>	<u>% of Total Unaudited Water Revenue</u>
City of Keene	Municipality	40,201,000	2.98%	\$ 368,959	2.89%
City of Alvarado	Municipality	26,700,400	1.98%	410,085	3.22%
Monarch Utilities	Investor-owned Utility Provider	9,595,730	0.71%	101,114	0.79%
City of Joshua	Municipality	7,244,900	0.54%	46,502	0.36%
Sabre Communications Corp.	Commercial	9,221,890	0.68%	46,583	0.37%
Walnut Creek Mobile Home Park	Mobile Home Park	5,239,230	0.39%	49,329	0.39%
Halliburton Energy	Energy Exploration & Production	3,725,430	0.28%	24,009	0.19%
Joshua ISD	School ISD	3,404,500	0.25%	39,666	0.31%
David Zulejkic	Multi Family Units	3,320,220	0.25%	22,441	0.18%
Sabre Communications Corp.	Commercial	3,059,490	0.23%	20,925	0.16%
		111,712,790	8.29%	\$ 1,129,613	8.86%
	Total Usage	1,348,005,000			
	Total Water Sales			\$ 12,753,026	

Table 4 (continued)

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED) (continued)
 Last Ten Years (unaudited)

FISCAL YEAR 2016					
<u>Customer</u>	<u>Type of Industry</u>	<u>Water Usage</u>	<u>% of Total Unaudited Water Usage</u>	<u>Water Revenue</u>	<u>% of Total Unaudited Water Revenue</u>
City of Keene	Municipality	38,414,000	2.73%	\$ 381,782	3.03%
City of Alvarado	Municipality	32,833,400	2.33%	460,686	3.65%
City of Joshua	Municipality	10,619,300	0.76%	83,651	0.66%
Joshua ISD	School ISD	7,335,290	0.53%	121,638	0.96%
David A Zulejkic	Multi Family Units	5,798,380	0.42%	91,747	0.73%
Emerald Companies	Commercial	5,236,620	0.38%	36,109	0.29%
Walnut Creek Mobile Home Comm	Mobile Home Park	4,809,980	0.35%	48,115	0.38%
Monarch Utilities	Investor-owned Utility Provider	4,687,310	0.34%	107,242	0.85%
Sabre Communications Corp	Commercial	3,955,410	0.29%	33,162	0.26%
Pecan Village Mobile Park	Mobile Home Park	3,825,570	0.28%	50,714	0.40%
		117,515,260	8.41%	\$ 1,414,846	11.22%
	Total Usage	1,414,626,000			
	Total Water Sales			\$ 12,610,422	

FISCAL YEAR 2017					
<u>Customer</u>	<u>Type of Industry</u>	<u>Water Usage</u>	<u>% of Total Unaudited Water Usage</u>	<u>Water Revenue</u>	<u>% of Total Unaudited Water Revenue</u>
City of Keene	Municipality	65,842,000	4.81%	\$ 517,271	3.72%
Stonetown Ranches of Joshua	Mobile Home Park	23,592,480	1.73%	325,628	2.34%
Prairieland DC LaSalle Corrections	Corrections Facility	9,953,810	0.74%	68,897	0.49%
City of Joshua	Municipality	8,760,550	0.65%	75,930	0.55%
Monarch Utilities	Investor-owned Utility Provider	8,266,550	0.61%	114,379	0.82%
Joshua ISD	School ISD	7,276,860	0.54%	126,261	0.91%
Walnut Creek Mobile Home Comm	Mobile Home Park	6,042,240	0.45%	57,853	0.42%
Sabre Communications Corp	Commercial	4,971,360	0.37%	46,203	0.33%
Cypress Creek Joshua Station LP	Apartment Complex	4,461,380	0.34%	78,328	0.56%
Godley ISD	School ISD	3,609,420	0.27%	30,506	0.22%
		142,776,650	10.51%	\$ 1,441,256	10.35%
	Total Usage	1,371,766,000			
	Total Water Sales			\$ 13,921,186	

FISCAL YEAR 2018					
<u>Customer</u>	<u>Type of Industry</u>	<u>Water Usage</u>	<u>% of Total Unaudited Water Usage</u>	<u>Water Revenue</u>	<u>% of Total Unaudited Water Revenue</u>
City of Keene	Municipality	110,748,000	6.68%	\$ 716,846	4.64%
City of Alvarado	Municipality	17,503,000	1.06%	393,559	2.55%
Monarch Utilities	Investor-Owned Utility Provider	17,336,640	1.05%	176,004	1.14%
Stonetown Ranches of Joshua	Mobile Home Park	15,532,190	0.94%	124,183	0.80%
Prairieland DC LaSalle Corrections	Corrections Facility	15,433,210	0.94%	106,105	0.69%
Bethany Special Utility District	Municipality	10,684,000	0.65%	205,747	1.33%
Cypress Creek Joshua Station LP	Apartment Complex	9,032,680	0.55%	67,441	0.44%
City of Joshua	Municipality	8,727,670	0.54%	71,300	0.46%
Joshua ISD	School ISD	7,654,360	0.47%	93,479	0.61%
Godley ISD	School ISD	6,530,180	0.40%	49,592	0.32%
		219,181,930	13.28%	\$ 2,004,255	14.40%
	Total Usage	1,661,343,712			
	Total Water Sales			\$ 15,437,363	

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED) (continued)
 Last Ten Years (unaudited)

FISCAL YEAR 2019					
Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage	Water Revenue	% of Total Unaudited Water Revenue
City of Keene	Municipality	96,124,000	5.97%	\$ 648,395	4.22%
City of Alvarado	Municipality	44,194,000	2.75%	517,144	3.36%
Prairieland DC LaSalle Corrections	Corrections Facility	15,841,570	0.99%	108,608	0.71%
Stonetown Ranches of Joshua	Mobile Home Park	14,302,400	0.90%	116,551	0.76%
Cypress Creek Joshua Station LP	Apartment Complex	11,692,330	0.73%	84,021	0.55%
Monarch Utilities	Investor-Owned Utility Provider	9,500,190	0.60%	169,926	1.11%
Mariposa South Broadway LP	Apartment Complex	7,703,360	0.49%	69,566	0.45%
City of Joshua	Municipality	7,468,535	0.47%	63,377	0.41%
Joshua ISD	School ISD	6,907,859	0.44%	93,324	0.61%
Godley ISD	School ISD	6,143,460	0.39%	47,145	0.31%
		219,877,704	13.73%	\$ 1,918,058	13.78%
	Total Usage	1,613,289,489			
	Total Water Sales			\$ 15,369,001	

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12 (Table 2)

Source: District Billing System

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
TOTAL INDEBTEDNESS PER CUSTOMER
 Last Ten Fiscal Years

Fiscal Year						
Ended	Bonds	Note	Capital Lease	Total	Total ⁽¹⁾	Debt Per
December 31,	Payable	Payable	Payable	Indebtedness	Customers	Customer
2010	6,056,230	392,000	106,360	6,554,590	13,705	478
2011	5,771,134	-	54,489	5,825,623	13,834	421
2012	14,855,816	-	-	14,855,816	13,923	1,067 ⁽²⁾
2013	20,712,803	-	-	20,712,803	14,105	1,468 ⁽²⁾
2014	19,215,078	-	-	19,215,078	14,320	1,342
2015	17,727,353	-	-	17,727,353	14,411	1,230
2016	16,224,628	-	-	16,224,628	14,738	1,101
2017	14,926,903	-	-	14,926,903	15,132	986
2018	35,594,175	-	-	35,594,175	15,580	2,285 ⁽³⁾
2019	33,331,449	-	-	33,331,449	16,069	2,074

Sources:

District Billing System
 District Annual Financial Audits

- ⁽¹⁾ Excluded wastewater customer count since they are already reflected in the water customer count.
- ⁽²⁾ The District issued \$19 million in bonds to fund the Trinity Basin Transmission Facilities Project. Now the District has more than doubled its supply capacity availability via purchase water agreements with Mansfield and Grand Prairie. Also, new revenue is derived from several wholesale contracts which goes to offset the new debt service and avoids the need to increase retail water rates.
- ⁽³⁾ The District received proceeds of \$22 million at 1.54%, from the TWDB's DWSRF (TX. Water Development Board's Drinking Water State Revolving Fund) program for the new AMI (Automated Metering Infrastructure) and 23 improvement projects. The AMI project is for smart meters that will give the customers the ability to see their current usage on demand and in turn help in water conservation. The improvement projects will help in areas of growth in the system, maintenance issues and improving the water distribution, with the completion scheduled for 2020.

Table 6

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
REVENUE BOND COVERAGE
 Last Ten Fiscal Years

Fiscal Year Ended December 31,	Total Revenues ⁽¹⁾	Total Expenses ⁽²⁾	Net Revenues Available for Debt Service	Bond Debt Service Requirements ⁽³⁾	Coverage
2010	14,454,762	9,700,465	4,754,297	883,216	5.38
2011	16,765,671	10,969,586	5,796,085	1,483,863	3.91
2012	20,965,345	10,872,414	10,092,931	946,577	10.66
2013	15,111,527	9,946,241	5,165,286	3,047,403	1.69
2014	15,200,238	12,433,891	2,766,347	1,972,630	1.40
2015	15,635,931	13,140,381	2,495,550	1,927,917	1.29
2016	15,321,178	11,144,305	4,176,873	1,908,339	2.19
2017	17,650,597	11,999,106	5,651,491	1,670,397	3.38
2018	19,601,339	11,700,779	7,900,560	2,076,354	3.81
2019	20,358,842	12,159,243	8,199,599	2,901,405	2.83

(1) Includes interest income, system development fees, and \$6M settlement for lost capacity at SWATS received in 2012

(2) Excludes depreciation and amortization

(3) Includes principal and interest

Table 7

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
NUMBER OF CUSTOMERS BY SERVICE
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Water	Wastewater
2010	13,705	1,707
2011	13,834	1,723
2012	13,923	1,737
2013	14,105	1,746
2014	14,320	1,777
2015	14,411	1,827
2016	14,738	1,891
2017	15,132	1,901
2018	15,580	1,951
2019	16,069	2,014

Source: District Billing System

Table 8

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

Fiscal Year Ended December 31,	Estimated Population Johnson County	Personal Income Johnson County (in Thousands)	Per Capita Income Johnson County	Unemployment Rate Johnson County
2010	151,330	4,871,441	32,191	8.1%
2011	152,734	5,081,300	33,269	8.5%
2012	154,781	5,298,773	34,234	6.8%
2013	155,064	5,569,924	35,920	6.3%
2014	157,456	5,927,812	37,647	5.0%
2015	160,462	5,943,994	37,043	4.1%
2016	163,166	6,231,612	38,192	4.3%
2017	165,907	7,394,309	44,569	3.4%
2018	167,301	6,682,169	39,941	4.0%
2019	169,159	6,914,543	40,876	3.4%

Notes:

The District's service area is predominately in Johnson County, but also serves small areas in Tarrant, Hill and Ellis counties.

Source:

Johnson County, Texas - Comprehensive Annual Financial Reports

Table 9

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
HISTORICAL USAGE BY FUNCTION
 December 31, 2019 (unaudited)

HISTORICAL WATER USAGE (mgd)				
Fiscal Year Ended December 31,	Average Daily Usage	Peak Day Usage	Total Usage	Number of Water Customers
2010	3.94	7.98	1439.1	13,705
2011	4.58	9.66	1670.7	13,834
2012	3.85	8.19	1404.8	13,923
2013	3.88	7.85	1414.6	14,105
2014	3.78	8.99	1380.0	14,320
2015	3.69	9.04	1348.0	14,411
2016	3.48	7.48	1270.3	14,738
2017	3.76	7.00	1371.8	15,132
2018	4.55	10.09	1661.3	15,580
2019	4.42	8.57	1613.3	16,069

Source:
 District Billing System
 Monthly Operations Report

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12 (Table 1)

HISTORICAL WASTEWATER TREATMENT				
Fiscal Year Ended December 31,	Average Day (MGD)	Max Day (MGD)	Total Treated (MG)	Number of Sewer Customers
2010	0.4	0.8	147.9	1,707
2011	0.3	0.8	121.0	1,723
2012	0.4	1.1	146.6	1,737
2013	0.4	0.6	129.9	1,746
2014	0.3	0.9	125.2	1,777
2015	0.4	1.3	162.4	1,827
2016	0.4	0.9	145.9	1,891
2017	0.3	0.7	106.7	1,901
2018	0.4	1.0	159.9	1,951
2019	0.5	1.1	178.1	2,014

Source:
 District Billing System
 Monthly Operations Report

Table 10

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
FULL-TIME EMPLOYEES BY FUNCTION
 December 31, 2019 (unaudited)

Fiscal Year Ended December 31,	Administrative	Water	Wastewater	Total
2010	13	13	4	30
2011	13	15	4	32
2012	13	15	4	32
2013	13	15	3	31
2014	15	15	4	34
2015	16	18	4	38
2016	18	16	4	38
2017	19	17	4	40
2018	17	17	4	38
2019	20	17	4	41

Source: District Payroll System

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Fiscal Years

	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water										
Land	\$ 414,267	\$ 448,715	\$ 499,490	\$ 526,732	\$ 530,120	\$ 571,557	\$ 537,195	\$ 673,827	\$ 673,827	\$ 673,827
Water Wells and Distribution System	29,754,182	30,723,525	32,101,159	35,311,026	55,349,138	54,353,992	54,866,872	53,740,448	55,325,189	55,844,690
Equipment	263,972	219,956	176,315	133,539	149,665	124,118	266,772	206,263	129,591	143,759
Master plan	27,401	17,437	7,473	-	18,921	14,380	9,839	5,298	757	-
Total Water	<u>30,459,822</u>	<u>31,409,633</u>	<u>32,784,437</u>	<u>35,971,297</u>	<u>56,047,844</u>	<u>55,064,047</u>	<u>55,680,678</u>	<u>54,625,836</u>	<u>56,129,364</u>	<u>56,662,276</u>
Wastewater										
Land	14,840	14,840	14,840	14,840	14,840	14,840	14,840	14,840	14,840	14,840
Buildings and Structures	33,758	31,917	30,075	28,234	26,393	24,741	22,710	20,522	5,926	21,714
Lift Stations and Distribution System	1,764,001	2,187,280	2,912,835	2,829,389	2,797,001	2,746,162	3,624,350	3,529,759	4,767,334	4,826,379
Wastewater Treatment Plant	1,044,014	1,008,263	931,685	2,199,769	2,130,051	2,022,174	1,929,339	1,816,729	1,665,286	1,552,509
Vehicles	176,763	151,808	126,853	101,899	96,980	86,369	38,980	29,549	20,118	25,482
Equipment	235,382	207,839	295,709	256,329	266,072	221,098	117,564	90,898	163,000	88,227
Master plan	30,290	20,970	11,650	2,330	9,447	7,348	5,249	3,149	875	-
Total Wastewater	<u>3,299,048</u>	<u>3,622,917</u>	<u>4,323,647</u>	<u>5,432,790</u>	<u>5,340,784</u>	<u>5,122,732</u>	<u>5,753,032</u>	<u>5,505,446</u>	<u>6,637,378</u>	<u>6,529,151</u>
General										
Land	-	-	-	-	152,329	152,329	186,691	186,691	186,691	186,691
Buildings and Structures	291,143	273,143	263,860	251,049	237,954	223,057	201,083	182,468	180,917	6,183,319
Vehicles	144,047	140,746	183,653	202,740	162,478	144,700	145,106	109,997	157,479	202,998
Office Furniture and Equipment	138,771	126,768	112,274	69,914	81,806	104,402	89,661	59,796	59,887	235,507
Total General	<u>573,961</u>	<u>540,657</u>	<u>559,787</u>	<u>523,703</u>	<u>634,567</u>	<u>624,488</u>	<u>622,541</u>	<u>538,952</u>	<u>584,973</u>	<u>6,808,515</u>
Total Capital Assets	<u>\$34,332,831</u>	<u>\$35,573,207</u>	<u>\$37,667,871</u>	<u>\$41,927,790</u>	<u>\$62,023,195</u>	<u>\$60,811,267</u>	<u>\$62,056,251</u>	<u>\$60,670,234</u>	<u>\$63,351,715</u>	<u>\$69,999,942</u>

Note: Balances presented are net of accumulated depreciation, amortization and construction in progress

Source: District Fixed Asset System

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Fiscal Years

	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water										
Water storage capacity-Elevated (MG)	4	5	5	5	5	5	5	5	5	5
Water storage capacity-Ground (MG)	4	4	7	7	9	9	9	9	9	9
Miles of water mains	854	859	888	901	926	926	926	932	940	940
Number of active wells	20	20	20	20	21	21	21	21	21	21
Production (MG)	1,616	1,898	1,667	1,578	1,634	1,619	1,550	1,666	1,896	1,896
Billed and unbilled consumption (MG)	1,439	1,707	1,435	1,415	1,442	1,375	1,288	1,422	1,661	1,661
Water loss ratio	89.0%	89.9%	86.1%	89.7%	88.2%	84.9%	83.1%	85.3%	87.6%	87.6%
Available Supply Capacity (MG)	24.0	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8
Wastewater										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of lift stations	9	8	8	8	8	8	8	8	7	7
Miles of sewer mains	41	42	43	45	45	45	45	45	48	48
Annual engineering maximum plant capacity (MG)	256	256	256	256	256	256	256	284	284	284
Amount treated annually (MG)	148	121	132	130	125	162	146	107	160	178
Unused capacity (MG)	108	135	123	126	131	94	110	177	124	106
Percent of capacity utilized	57.9%	47.4%	51.8%	50.7%	48.8%	63.3%	57.0%	37.7%	56.3%	62.6%

Sources:
 District Financial Audits
 TWDB Water Audit Reports
 District Operational Reports

**OVERALL COMPLIANCE AND
INTERNAL CONTROL SECTION**

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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors and Management
Johnson County Special Utility District
Joshua, 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 Johnson County Special Utility District (the “District”) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated April 13, 2020.

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 the 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.

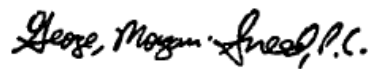
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from 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 of 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.



Weatherford, Texas
April 13, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Board of Directors and Management
Johnson County Special Utility District

Report on Compliance for Each Major Federal Program

We have audited the Johnson County Special Utility District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

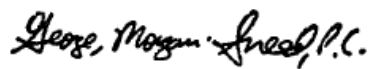
Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal controls over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be a material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Weatherford, Texas
April 13, 2020

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiency identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted Yes No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(s) identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

None.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

Contact for Corrective Action Plan:

Terry Kelley
General Manager

Financial Statement Findings

None.

Federal Award Findings and Questioned Costs

None.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Environmental Protection Agency</u>				
Pass-through from Texas Water Development Board				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	62794	-	4,544,926
Total U.S. Environmental Protection Agency			-	4,544,926
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 4,544,926

The accompanying notes are an integral part of this schedule.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Reporting Entity

Johnson County Special Utility District (the District) is a governmental entity created by the 78th Texas Legislature in Senate Bill 5 on June 20, 2003, subject to a confirmation election which was held November 4, 2003. The District operates under Texas Water Code Chapter 65, as amended.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal program activity of the Johnson County Special Utility District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Indirect Cost Rate

The District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform guidance.

Texas Water Development Board Loans

The District issued bonds that were purchased by the Texas Water Development Board with Drinking Water State Revolving Funds. The amounts of federal awards reported in the Schedule of Expenditures of Federal Awards are the amount of bond funds spent during the period.



To the Board of Directors
Johnson County Special Utility District
Joshua, Texas

In planning and performing our audit of the financial statements of the Johnson County Special Utility District (the "District") for the year ended December 31, 2019; we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of matters that are an opportunity for strengthening internal control and operating efficiency. This letter does not affect our report dated April 13, 2020, on the financial statements of the Johnson County Special Utility District. The following summarizes our comment and recommendation.

1. Federal Outlays

Observation:

We examined supporting documentation for 100% of the federal expenditures reported on outlays to the Texas Water Development Board for reimbursement. We found that check number 70514 in the amount of \$21,619 was included in both outlay requests number 6 and 7. The District is going to reduce a subsequent outlay request by the amount to correct the error.

Recommendation:

We recommend the District check that the amounts requested have not been included in a previous outlay request.

This report is intended solely for the information and use of the Board of Directors of the Johnson County Special Utility District and management and is not intended to be and should not be used by anyone other than these specified parties.

George, Morgan & Sneed, P.C.

Weatherford, Texas
April 13, 2020



April 13, 2020

To the Board of Directors
Johnson County Special Utility District
Joshua, Texas

Ladies and Gentlemen:

We have audited the financial statements of the Johnson County Special Utility District (the “District”) for the year ended December 31, 2019, and have issued our report thereon dated April 13, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated January 31, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached list of misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the District's financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 13, 2020.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis. This required supplementary information (RSI) supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance of the RSI.

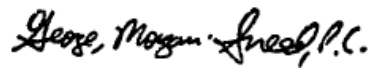
We were engagement to report on the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to

the financial statements themselves.

We were not engaged to report on the Introductory Section, Supplementary Information and Statistical Section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

This information is intended solely for the use of the Board of Directors and management of the District, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "George, Morgan & Sneed, P.C." in a cursive style.

GEORGE, MORGAN & SNEED, P.C.

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
GMS01	Adjusting	12/31/19				
		10-00-2023	Accrued Interest Payable	146,944.56		
		10-00-5945	Interest Expense		146,944.56	
			To adjust accrued interest to current year amount.			146,944.56
GMS02	Adjusting	12/31/19				
		10-00-3014	Retained Earnings	2,617,063.65		
		10-00-4590	Capital Contributions		2,617,063.65	
			To reclassify asset contributions to revenue.			2,617,063.65
GMS03	Adjusting	12/31/19				
		10-00-1509	Construction on Bond Projects	294,285.54		
		10-00-2004	Construction Acct. Payables		90,776.06	
		10-00-2004	Construction Acct. Payables		203,509.48	
		10-00-1508	Construction in Progress	3,555.75		
		10-00-2004	Construction Acct. Payables		3,555.75	
			To record AP and retainage for AMI and waterline project.			0.00
GMS04	Adjusting	12/31/19				
		10-00-1511	Buildings and Improvements	375,309.11		
		10-00-5910	(Gain) - Loss on Sale of Assets		375,309.11	
			To reclassify sale of old building.			375,309.11
GMS05	Adjusting	12/31/19				
		10-00-1521	Accum Depr - Transportation Equi	80,144.71		
		10-00-1520	Transportation Equipment		80,144.71	
			To remove trucks sold.			0.00
GMS06	Adjusting	12/31/19				
		10-00-1524	Accum Depr - Water Distribution S	55,224.83		
		10-00-1539	Accum Depr - Water & Sewer Sys		55,224.83	
			To reclassify depreciation to tie to asset report.			0.00

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
GMS07	Adjusting	12/31/19				
		10-00-2014	Accrued Payables	129,784.01		
		10-00-1059	Prepaid Insurance..Prepaid Insuran		129,784.01	
			To reclass prepaid insurance that was not paid until Jan 2020			0.00
GMS08	Adjusting	12/31/19				
		10-00-2014	Accrued Payables		447,369.58	
		10-00-1041	Accounts Receivable - Other..A/R	447,369.58		
			To reclassify amount receivable from BRPUA for true-up.			0.00
GMS09	Adjusting	12/31/19				
		10-00-5116	Salaries	47,876.02		
		10-00-3014	Retained Earnings		47,876.02	
			To correct accrual of compensated absences			(47,876.02)
GMS10	Adjusting	12/31/19				
		10-00-1039	Unbilled A/R		24,905.03	
		10-00-4008	Water Sales	24,905.03		
			Adjust unbilled AR for error in calculation.			(24,905.03)
GMS11	Adjusting	12/31/19				
		10-00-1623	Brazos Regional PUA Investment (699,032.57		
		10-00-4907	Purchased Water		699,032.57	
			To adjust for the investment in BRPUA joint venture.			699,032.57

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
GMS12	Adjusting	12/31/19				
		10-00-5104	Rep/Maint - Office Equipment	6,486.02		
		10-00-1517	Office Equipment		6,486.02	
		10-20-5122	Supplies	1,421.99		
		10-00-1514	Equipment		1,421.99	
		10-10-5107	Rep/Maint - Water System	112.30		
		10-00-1538	Water & Sewer System	5,000.00		
		10-00-1523	Water Distribution System		5,112.30	
		10-00-1514	Equipment	25,900.00		
		10-00-1520	Transportation Equipment		25,900.00	
						(8,020.31)
			To reclassify items in fixed asset accounts not capitalized.			
GMS13	Adjusting	12/31/19				
		10-00-1065	Parts Inventory..Inventory - Parts	98,574.18		
		10-10-5107	Rep/Maint - Water System		98,574.18	
						98,574.18
			To adjust inventory to year end amount.			
		TOTAL		<u>5,058,989.85</u>	<u>5,058,989.85</u>	<u>3,856,122.71</u>