



JCSUD

JOHNSON COUNTY
SPECIAL UTILITY DISTRICT

2021



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the year ended December 31, 2021

740 FM 3048 • Joshua, TX 76058 • www.JCSUD.com • (817) 760-5200



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
December 31, 2021

Prepared by:

JCSUD Administration and Finance Department

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Annual Comprehensive Financial Report
December 31, 2021

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INTRODUCTORY SECTION



2021 ANNUAL FINANCIAL REPORT

May 11, 2022

Glen Walden, President,
Members of the Board of Directors, and
Johnson County Special Utility District
740 FM 3048
Joshua, TX 76058



Peter Kampfer, GM

Dear Reader:

We are pleased to present the JCSUD Annual Comprehensive Financial Report for the fiscal year ended December 31, 2021. State law and debt covenants require that JCSUD publish a complete set of audited financial statements at the close of each fiscal year. This report is published to fulfill that requirement and provide the Board of Directors (Board), the public, and other interested parties with these basic financial statements.

The past year continued where 2020 left off, bringing unprecedented challenges to JCSUD and the Texas economy. The COVID-19 pandemic continued from 2020 through much of the year. Winter Storm Uri, a severe weather event of February 2021, brought significant snow accumulation and power blackouts, leaving customers without water and electricity for extended periods of time. Disruption and delays were experienced from supply chain issues through the last quarter of 2021 and continued into 2022. Regardless of all the challenges of 2021, we remained focused on serving a reliable supply of high-quality water. We embraced innovative approaches to get the job done and strategically planned several months in advance to minimize disruptions or delays.

JCSUD adapted through the challenges and continually found opportunities to improve our relationship and services for our customers and make every drop count. This year, JCSUD took on a new brand, which includes a fresh new look and established core values to unify our team around the purpose and vision of JCSUD. This brand can be seen across our new website, implemented to provide superior service, communication, transparency, and customer interactions.

We continue to strive to enhance our customer service. Over the past two years, we added three additional departments and 17 additional employees. The focus is on faster response times to maintaining water service and rapidly resolving District service orders.

Along with the additional employees and resources, we continue to deploy additional tools for customers to manage their water service. Advanced Metering Infrastructure (AMI) meters have been installed to provide hourly water consumption, WaterSmart customer portal has been established for customers to view and manage water consumption on an hourly basis, and a new accounting system and bill payment site has been released to improve services of the District and ease of paying bills. The District will continue to find solutions to enhance our customer's experience.

2021 FINANCIAL SUMMARY

2021 was a financial success for the District. Total revenues exceeded budget expectations by 18.2%, while expenses exceeded budget by 15.2% due to additional staff, repairs to the water system, water purchases,

and professional fees. Total water production for 2021 was 2,163 million gallons, a 6% increase from 2020 at 2,050 million gallons. The rise in production is attributable to the significant increase in wholesale water sales and growth onto the system. The District added 984 new connections to the system in 2021, which is 26% more than the previous year of 778. Capital Improvement Projects were initiated to expand system capacity to provide reliable service to current, and new customers, including a new 1-million-gallon elevated storage tank in the Godley area.

Every year management submits its annual financial report of the Johnson County Special Utility District. This cycle documents the fiscal year ending December 31, 2021. 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 2021 are audited by George, Morgan, and Sneed, P.C., a firm of licensed, certified public accountants in Weatherford, TX. Based on the audit, the independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion and that the financial statements for 2021 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.

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 for the fiscal year ended December 31, 2020. This was the 8th consecutive year that JCSUD had achieved this prestigious award. The Certificate of Achievement is a national award recognizing conformance with the highest standards for state and local government financial reports preparations.

CONCLUSION

Significant events, historical and current, are worth noting each reporting cycle. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all departments for their assistance in providing the data necessary to prepare this report. We would also like to thank the Board of Directors for their unflinching support for maintaining the highest standards of professionalism in the management of the District's finances.

Thank you for reading.

Respectfully Submitted,



Peter Kampfer
General Manager



Joshua Howard
Deputy General Manager

ABOUT JCSUD

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 Directors 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.

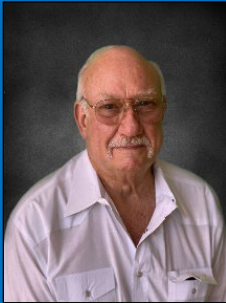
OUR MISSION STATEMENT

At Johnson County Special Utility District, our goal is to provide safe, reliable water to the residents of Johnson County and surrounding communities.

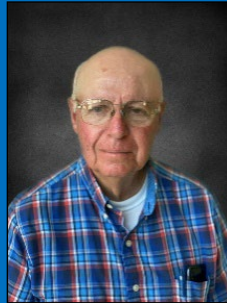
OUR BOARD VISION:

JCSUD will become Texas' preeminent Special Utility District by consistently fulfilling mandates to supply potable water in a safe, timely, and environmentally compliant manner. Dedicated to innovation, stewardship, collaboration, and excellent customer service.

THE BOARD OF DIRECTORS



Glen Walden
President



Harry Shaffer
Vice President



Ronnie Nichols
Secretary /Treasurer



Mike Bowles
Director



Gary Giesen
Director



Eric Baze
Director



Gene Petross
Director

JCSUD DEPARTMENT MANAGERS



Joshua Howard
Deputy GM
Finance & Service



Dana Collier
Deputy GM
Development & Operations



Jeremiah Bihl
District Engineer



Elisabeth Mefford
Human Resources



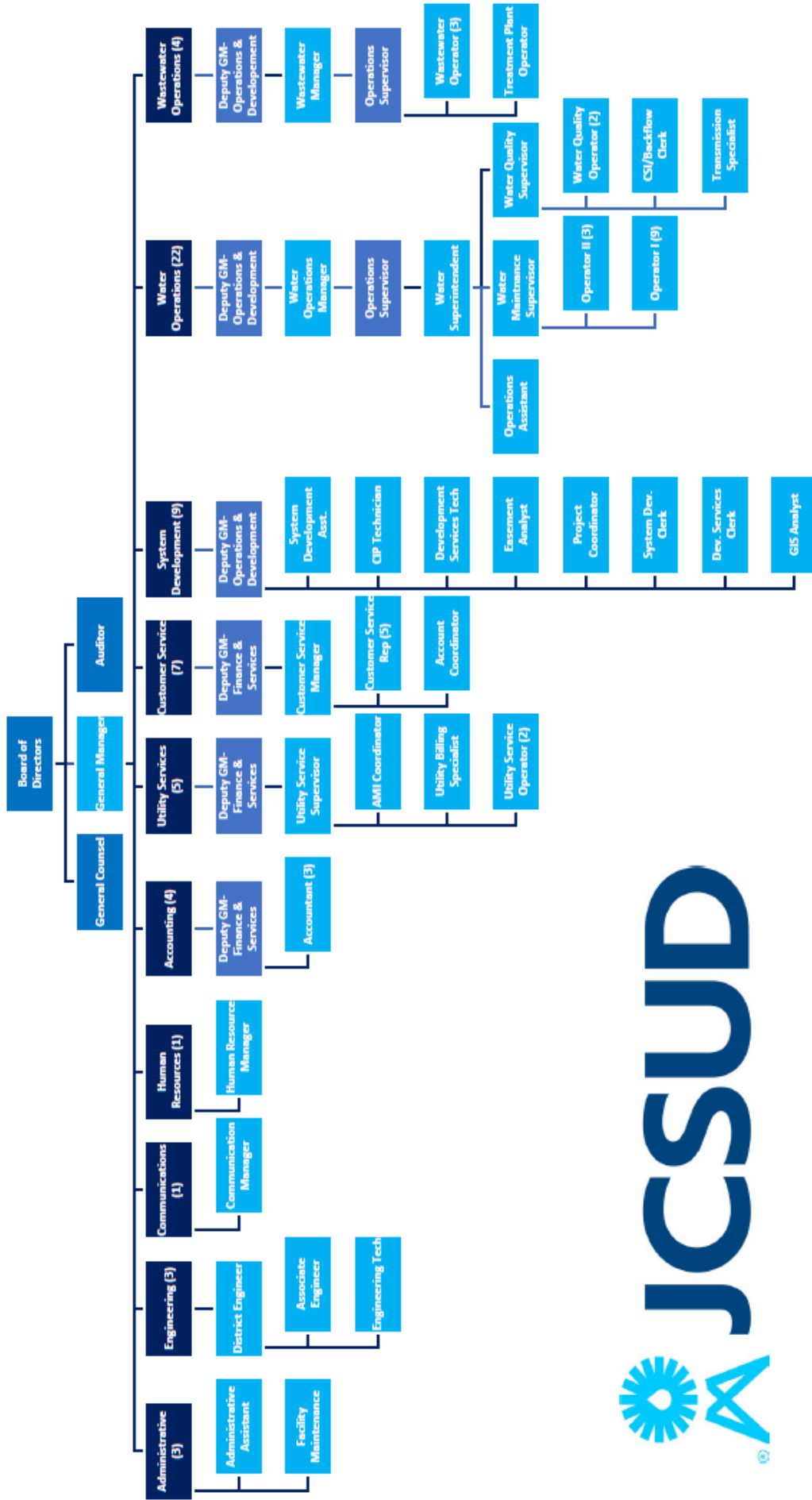
Carrie LaFountain
Customer Service



Tyler Lyles
Water Operations



James Lyles
Wastewater Operations



PROFILE OF THE DISTRICT

In 1965, the Johnson County Rural Water Supply Corporation was organized and chartered under state statutes as a non-profit corporation, much like many others in Texas during this era. The beginnings of these rural water suppliers arose throughout the country and were funded through loans from the Farmer's 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 county's northern portion 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 county's southern portion also merged with the Corporation. This public water supplier with such humble beginnings is steadily evolving into much more as time and growth continue in Johnson County.

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. The most considerable cost savings accumulate 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.

For several years, the Joshua area was served by the Johnson County Fresh Water Supply District #1 (FWD for the 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 the best management practices and streamline costs. It led to discussions in measuring the merit of the FWD to consolidate the two systems. The following 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 of our ratepayers, which now totaled 14,426.

2012 was quite a mile-marker year in the life of the District. The Brazos River Authority - Surface Water Advanced Treatment System (SWATS), which once served five municipal suppliers, 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). Today, only two owner-entities created and sustain the Brazos Regional Public Utility Agency – JCSUD and AMUD. The five-member governing body of the PUA is also Board members of the sponsors.

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

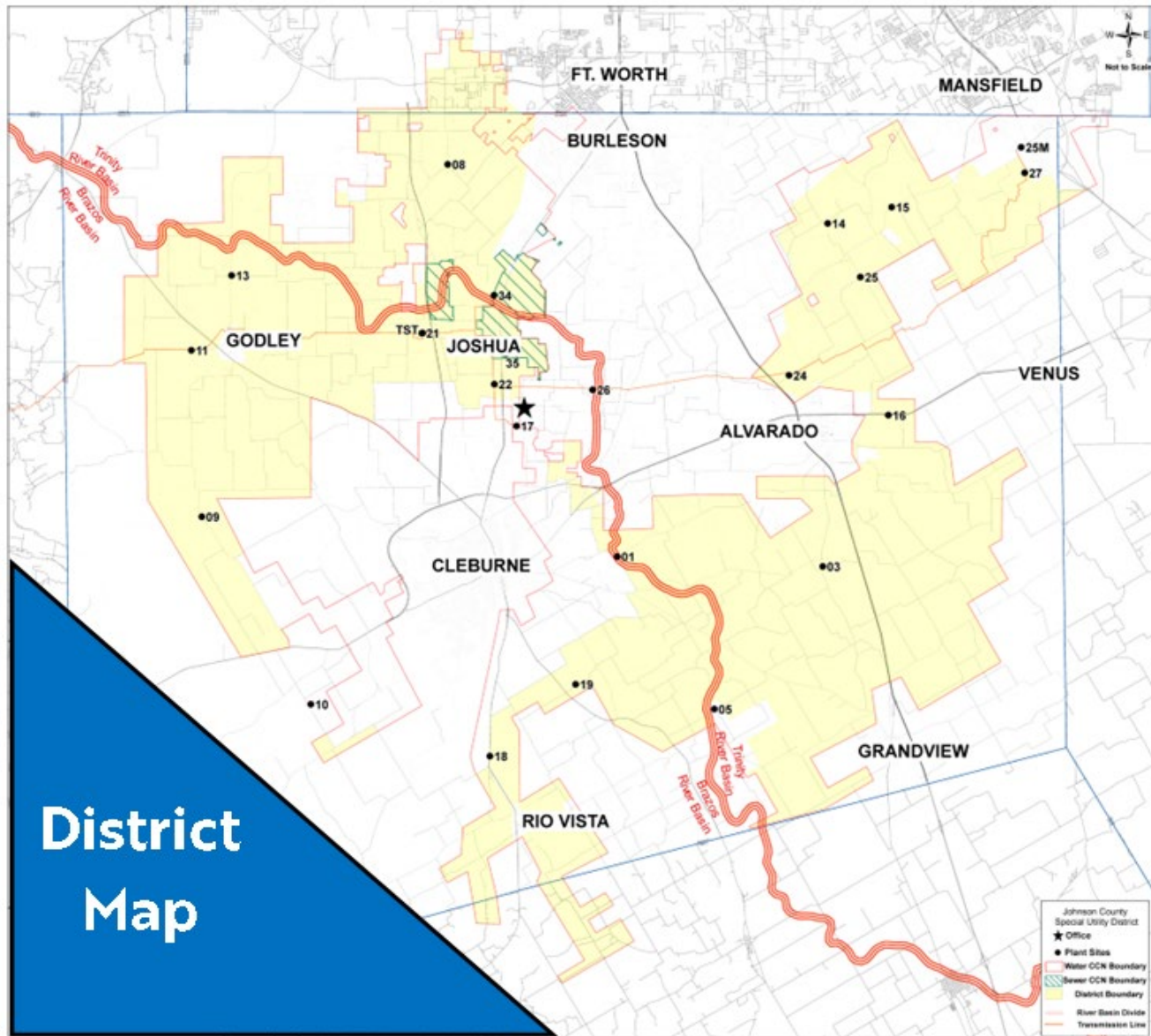
In June 2019, JCSUD moved its business operation from Cleburne, Texas, to occupy its new facility on FM 3048 in Joshua, Texas. Now begins a new era as the entire business and operations finally originate from a central location relative to the District's service area.

In the last 20 years, connections have doubled to over 20,000 households today, an estimated 60,000 in population. Besides these retail connections, the District takes on a more significant role as a regional wholesale water provider. The City of Alvarado, City of 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 look to JCSUD as their water provider.

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.

The system has about 897 miles of distribution pipeline and 48 miles of transmission lines divided into 15 separate pressure planes. The District operates seven elevated storage tanks with a combined 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 and 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 3,000 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 between the Trinity River and Brazos River watershed areas.

The District operates seven lift stations among nearly 49 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. The 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, eventually flowing into Lake Arlington. In 2017, the TCEQ approved 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 regarding budget, investments and management, financial audit, debt financing, capital improvement plan, and reserve funds. None of these policies significantly impacted the current period's financial statements.

Interest rates for investments allowed by JCSUD's Investment Policy and State Law continued to decrease through 2021. Pool rates were 0.10% at the beginning of 2021 and ended at .05%. Rates for Certificates of Deposit (CD) increased slightly during the year. At the end of December 2021, a one-year CD yielded between .40% and .60% compared to .15% and 0.30% at the end of December 2020. 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 monthly throughout the fiscal year.

Internal Accounting Controls - Internal accounting controls are designed to provide reasonable assurance regarding safeguarding 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 on its internal controls and compliance with specific 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 test results disclosed no material instance of noncompliance related to the audit for the year ended December 31, 2021.

2021 MAJOR ACCOMPLISHMENTS

CONTINUING OUR IMPORTANT ROLE IN COVID-19

Safe and reliable water service is a cornerstone of public health. Clean water is used for drinking and washing, food production, and firefighting. Indeed, water providers are essential services, and our water systems are critical infrastructure that supports life, business, and public health.

We knew—and regulatory agencies confirmed—that the same disinfectants that make water safe to drink effectively kill the COVID-19 virus. In 2020, and throughout 2021, we took action to ensure our ability to continue providing our customers with safe water throughout this crisis. When possible, staff were instructed to work from home, highly trained employees were isolated, and our emergency operations team was activated to map out our response.

CONTINUED ACTION TO FIGHT THE SPREAD of COVID-19:

Cleaned and disinfected. We maintained our increased cleaning and sanitizing efforts focusing on high contact surfaces. We cleaned and sanitized our fleet of vehicles and required social distancing when around others.

Office and Field staff remained at work. We initially scaled back staff to critical activities while adjusting work schedules and practices to ensure continued customer service, safe maintenance, and leak repairs.

As new information was learned about the spread of the virus, we developed our business continuity plans and updated our procedures to optimize the service we provide and to protect the public and our employees.

NEW JCSUD BRAND



JCSUD rolled out a new brand to help uncover our purpose, unify our team, and energize our brand. The process is the foundation of a complete brand experience applied across all communication touchpoints; branding, marketing, content, website, integrations, recruiting, and onboarding. It provides essential communication elements to set the tone for presenting our brand story by establishing the voice of JCSUD, identifying key differentiators, and developing strategies to connect with key audiences.



CORE VALUES

JCSUD completed a discovery process to establish core values and implemented an internal communication strategy to unify our team around the purpose and vision of JCSUD. The JCSUD Management team began with a value discovery process that allowed us to identify and define the character traits required of all JCSUD staff to succeed in their roles. We created five core values to help our team find unity as we work to complete company goals: Adaptable, Dedicated, Genuine, Helpful, and Excellent. These values are integrated into the interviewing process, onboarding, company culture, employee evaluations, and company meetings.

NEW JCSUD WEBSITE

JCSUD partnered with CivicPlus, an integrated technology platform for local government that connects employees and Board members with the citizens they represent and serve with the simplicity, versatility, and power of an integrated portfolio of local government solutions. The website launched on March 9, 2022. The new website helps meet several of the District's goals of improved service, communication, and interaction with our customers.

As part of the new website, CivicClerk was implemented to allow staff to streamline the agenda management process online. Easy-to-use item entry allows JCSUD Managers to save time by entering agenda items, uploading attachments, and sending them through the approval workflow with a few clicks. We can email follow-up tasks directly to content contributors to request documents and application deadlines. The software expands to external communication by allowing us to publish agendas and minutes directly to our new website. Live streaming and on-demand video of Board meetings are also available for citizens.

The new website comes with a friendly chatbot named Hydro. The new Chatbot software provides quality intelligent customer service automation to customers. A chatbot is designed to simulate how a human behaves during a customer service interaction. The advanced technology combines the power of site search and artificial intelligence (AI) to deliver exceptional customer experiences using the new CivicPlus website. A chatbot is designed to crawl the website and other linked databases to create a continually updated AI-powered knowledge base. Chatbot reports can identify content gaps on the website and add the information, tools, and resources that citizens search for most frequently.

TYLER TECHNOLOGIES – INCODE 10 ACCOUNTING SOFTWARE

The District completed the conversion and implementation of Incode 10, an all-in-one solution, Enterprise Resource Planning (ERP), for accounting, customer management, utility billing, accounts receivable, employee management and payroll, and reporting. The District previously relied on multiple integrations between various software systems to consolidate information between departments accurately. The District can now financially track the revenues and expenses departmentally for enhanced financial management. Incode 10 consolidates and streamlines these processes into a single software, improving reporting capabilities and accuracy across various roles, and creating less manual work.

WHOLESALE AND RETAIL WATER AND WASTEWATER RATE STUDY

NewGen Strategies & Solutions completed the Wholesale and Retail Water and Wastewater Rate Study for the District. The study revealed a slight increase to ensure sufficient funds for debt funding, the general impact of inflation, customer growth, and estimated changes in customer demand. The revised rates encourage water conservation through an escalating tiered rate structure to ensure efficient water consumption.

ENHANCED COMPENSATION AND BENEFIT PLAN

Each year, the District reviews our compensation structure and benefits package to remain a preferred employer in the area. The District adopted an improved health benefit plan that is 100% employer-paid. Our competitive compensation and retirement plan make JCSUD a highly desired employer.

2nd ANNUAL CUSTOMER SURVEY

JCSUD distributed an Annual Customer Survey for the second year. This input is an integral part of JCSUD's ongoing efforts to identify and respond to our customers. The survey results are compiled and utilized to assist the District during our annual budget planning process.

CYBER SECURITY

The most significant threat to an organization is a cyber-attack in today's world. JCSUD enhanced our cyber security by providing extra layers of internal controls to prevent cyber-attacks and protect our data. Along with the increased layers of protection, employees were given training on identifying and minimizing risks of exposure to potential attacks.

PLANT 8 - 1 MILLION GALLON (MG) ELEVATED STORAGE TANK – JOSHUA

Continued growth on the Plant 8 pressure plane, the area surrounding the Chisolm Trail Parkway, has led to the demand for an additional elevated storage infrastructure to keep pace with the growth and maintain TCEQ compliance. The existing system is at the limit of available connections to be served, and several large developments are proposed for the service area. The improvements allow the system to continue to grow while maintaining superior service to the existing customers. This project is Phase 1A of the necessary improvements for this area. The next phase, Phase 1B, would include an additional elevated storage tank between Godley and Joshua. Phase 1B is planned to begin in 3-5 years.

The District approved a \$6.8 million bond issuance to fund Phase 1A Plant 8 - 1 million gallons elevated storage tank. Developers who require service from Plant 8 must pay a Contribution in Aid of Construction Cost (CIAOC). The CIAOC ensures that developers coming on to the system pay the cost to provide service to the additional connections instead of burdening the existing customers.

EMERGENCY RESPONSE PLAN

In correlation with the risk and resilience assessment, the EPA requires water systems to prepare an emergency response plan that incorporates the findings of the assessment. The emergency response plan includes:

- strategies and resources to improve the resilience of the system, including the physical security and cybersecurity of the system;
- plans and procedures that can be implemented, and identification of equipment that can be utilized in the event of a malevolent act or natural hazard that threatens the ability of the water system to deliver safe drinking water;
- actions, procedures, and equipment that can prevent or significantly lessen the impact of a malevolent act or natural hazard on the public health and the safety and supply of drinking water provided to communities and individuals;
- strategies that can be used to aid in the detection of malevolent acts or natural hazards that threaten the security or resilience of the system.

TEXAS SENATE BILL 3

Senate Bill 3 was passed on June 6, 2021. It requires all affected utilities across Texas to prepare and implement an Emergency Preparedness Plan (EPP). The EPP demonstrates how the utility will provide water during an extended power outage greater than 24 hours. Water pressure must be maintained at or above 20 psi (pounds per square inch) throughout the distribution. The JCSUD staff prepared an Emergency Preparedness Plan that includes the installation of electrical generators throughout the system at critical infrastructure sites. District staff submitted the plan to the Texas Commission on Environmental Quality for plan approval.

WATER MASTER PLAN AND WASTEWATER REGIONAL MASTER PLAN

The District completed the 2021 Water Master Plan and 2021 Wastewater Regional Master Plan. The 2021 Water Master Plan provides the District with necessary maintenance and capital improvements to maintain sufficient water service through rapid growth and changes in water demand. Due to unprecedented growth and changing conditions, an updated Master Plan is expected in 2022.

A Wastewater Master Plan was developed to assist the District with a regional plan to improve and expand the existing infrastructure to support projected growth in the Godley and Joshua area. The developments in these areas need wastewater services, and the master plan provides a plan to expand the District's wastewater services to service these developments.

"RED-LINE" PROJECTS

Red-lines are a year-over-year process that generally addresses new connections that tend to come onto older system areas, adding 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. Specific waterline segments are ranked in accordance with the need to be upsized or replaced. Priority waterlines are designated as "red-lines." 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 before 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 2021, Johnson County Special Utility District oversized a 2-inch waterline extension project with a 4-inch waterline on County Road 314 and County Road 415 in Alvarado. The upsized consisted of 2900 LF of 4-inch pipe, eliminating three red line projects.

- CR 312 – Move customers off 1 ½-inch waterline and move to new 2-inch; abandoned 1 ½-inch waterline
- CR 312 – installed 460 LF of 2-inch to tie dead-end into CR 415
- CR 415- Tie dead-end 3-inch waterline into CR 312 190 LF of 12" water line along Caracal Drive

CONTRIBUTED PROPERTY/CAPITAL – SUBDIVISION DEVELOPMENT AND COMMERCIAL VENTURES

As new subdivision development continues, 2021 recorded a contributed property value of \$2.37 million. This annual accounting to "book" contributed property memorializes the District's final development approval. The water utility infrastructure within the subdivision has been properly installed, and it is formally accepted as JCSUD's capital to operate and maintain.

JCSUD SYSTEM DEVELOPMENT UPDATES

The JCSUD System Development Department had an exceptionally busy year with new developments and new connections set onto the system. In 2021, System Development worked with several developers and engineering firms to complete 26 developments, adding 984 connections to the water system and 88 connections to the wastewater system, adding approximately \$2.37M in contributed capital to the District.

Several projects were completed or began from the 2021 Capital Improvement Program Budget. These projects include the Rehabilitation of Manholes in Joshua, construction on the Mountain Valley Country Club - Phase 1 AC Pipe Replacement, and County Road 206 (25-24-02).



The District participated in one (1) of the developments with oversizing pipes. These lines consisted of oversizing approximately 1,549 feet of 8-inch waterline to a 12-inch waterline.

Current Initiatives

\$22 MILLION TWDB LOAN – BUNDLED CIP WATER LINE EXTENSION PROJECTS

In terms of distribution system projects taken on in a consolidated, relatively short interval, this Texas Water Development (TWDB) loan project represents the District's most immense undertaking in its 56-year history. About \$17 million of this project goes to construct distribution system improvements. About \$5.2 million towards the Advanced Metering Infrastructure (AMI) system project, while JCSUD reserves are ample to cover the remainder designated for soft costs, including engineering, project management, etc. Roughly half of the undertaking is dedicated to replacing smaller lines and system maintenance. The other half is committed to addressing new growth and related distribution improvements. Completion is expected in 2022.

COMMUNITY DEVELOPMENT GRANT PROJECT

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

CITY OF MANSFIELD WATER CAPACITY EXPANSION

The rapid growth and increasing wholesale commitments throughout the District create the need to acquire additional water supply capacity. The District is working with the City of Mansfield to expand the current delivery capacity to increase purchase water.

MT PEAK SPECIAL UTILITY DISTRICT WHOLESALE WATER PURCHASE

In 2021, JCSUD and Mountain Peak Special Utility District reached an agreement for the District to supply Mt Peak with treated surface water. The District reviews construction plans to install necessary waterlines and a take point to deliver treated surface water as committed in the wholesale water purchase contract.

WATER AND WASTEWATER MASTER PLAN UPDATE

Since the District's last Water Master Plan update in 2021 and the last Wastewater Master Plan update in 2014, the District has implemented more water system improvements in such a short interval than ever before. The water system Master Plans were updated to best plan for capital project needs 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 Wastewater Master Plan for the Joshua area of the system. Master planning enables the District to plan best for needed collection system improvements for better efficiency and accommodating growth.

HYDRAULIC MODEL

Historically, the District has relied on outside consultants to maintain and operate the District's hydraulic model. While that has benefited the District in the past, the current size and growth rate the District has seen have led the District to consider migrating the hydraulic model away from outside consultants and utilizing internal departments within the District. Previously, the District did not have a way to simultaneously monitor system growth against system capacity in a quick fashion. All questions about system growth and capacity were sent to a consultant, and answers were provided around the consultant's timeline. The District could be more effective and efficient if those questions could be answered in-house and more timely. Any opportunity to bring District information in-house allows the District to be more dynamic in decisions and ensure the information being considered is up to date.

The District acquired the necessary software to hold and operate the hydraulic model and participated in the necessary training to migrate the hydraulic model in-house. The District's systems have been uploaded into the in-house hydraulic model. The District is expected to have the hydraulic modeling migrated in-house at the beginning of 2022.

WATER LOSS REDUCTION/CONTROL

The evaluation of short to medium-term water loss reduction opportunities will reduce the current real-loss water volume. Implementation of intervention strategies continues.

- Failure location tracking and repair times.
- Intervention frequency for proactive leak detection.
- Districted Metered Areas (DMAs) were established to isolate leak detection.
- Pressure management via Pressure Reduction Valves (PRVs).
- The collection of historical data on waterline failures.
- Implementing new emerging technologies to better locate leaks with greater accuracy.



IMPACT FEES

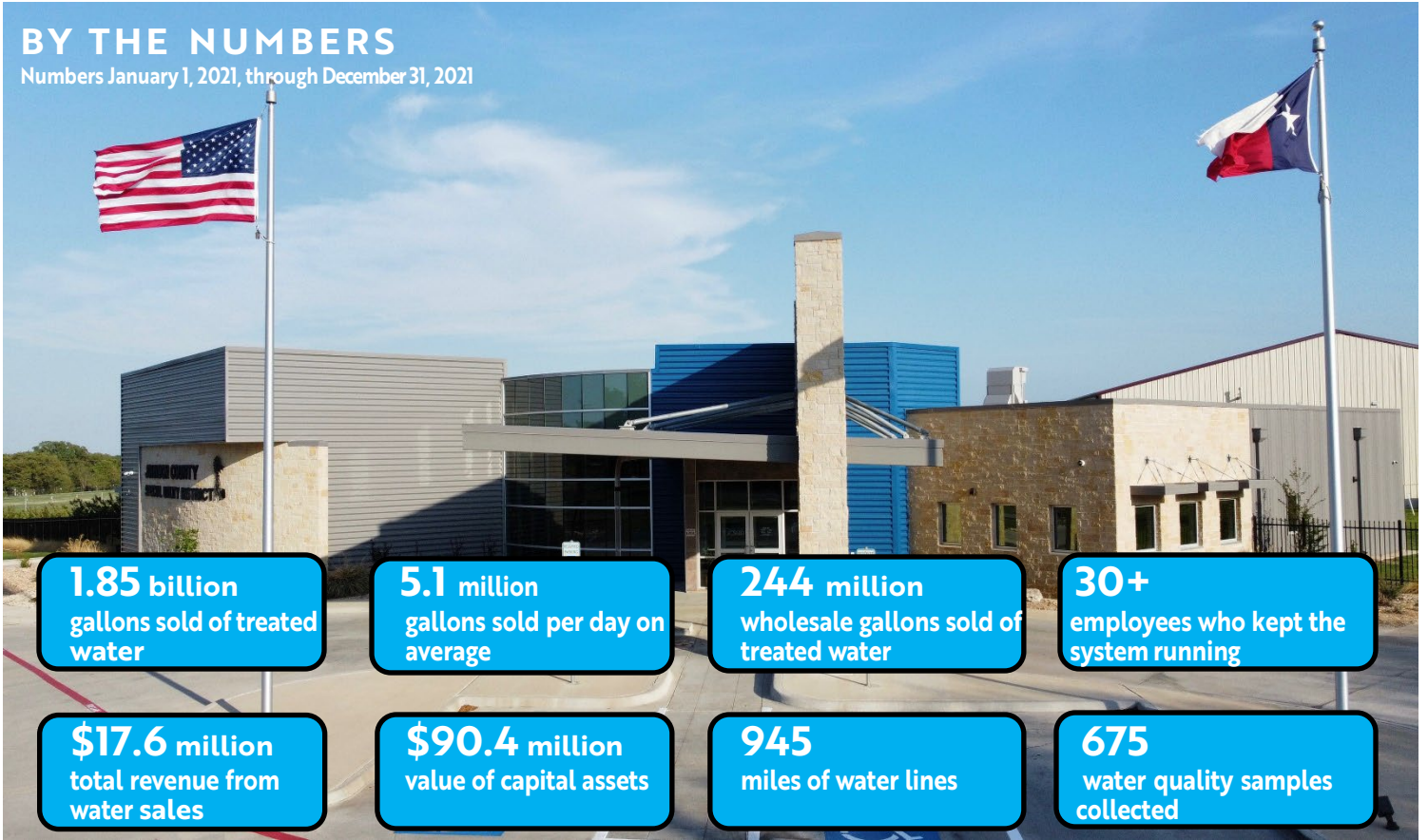
As defined by Chapter 395 of the Texas Local Government Code, Impact fees are a one-time charge or assessment imposed by an entity against new development to generate revenue for funding the cost of capital improvements (waterlines, sewer lines, etc.) related to the new development. Impact Fees would replace System Development Fees currently imposed on new development. The District has engaged Kimley-Horn and Associates to calculate an impact fee to ensure that new development onto the system will pay the necessary cost to cover the necessary infrastructure to provide water service. The calculation and development of impact fees are expected to be completed in 2023.

REVISED AND IMPROVED EMPLOYEE SAFETY PROGRAM

The District has partnered with Omega Safety Training to assist in developing a District Safety Plan. The District safety plan will provide training and Standard Operating Practices for field crews to ensure that our employees are safe while maintaining reliable water service for our customers.

BY THE NUMBERS

Numbers January 1, 2021, through December 31, 2021



1.85 billion
gallons sold of treated water

5.1 million
gallons sold per day on average

244 million
wholesale gallons sold of treated water

30+
employees who kept the system running

\$17.6 million
total revenue from water sales

\$90.4 million
value of capital assets

945
miles of water lines

675
water quality samples collected

FISCAL YEAR 2021 FINANCES IN BRIEF

Revenues, Expenses, and Changes in Net Position

Source	Total	Program	Total
Water Sales	\$ 17,564,000	Water Purchases	\$ 7,220,000
System Development Fees	2,373,000	Depreciation	3,086,000
Sewer Revenue	1,557,000	Personnel Services	3,603,000
Capital Contributions	2,367,000	Repair & Maintenance	1,727,000
Installation Fees	583,000	Other	2,517,000
Miscellaneous	556,000	Utilities & Communication	875,000
Investment Earnings	45,000	Interest Expense	528,000
Penalties	290,000	Debt Issuance	305,000
		Change in Net Position	5,474,000
Total	25,335,000	Total	25,335,000

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**Johnson County Special Utility District
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Johnson County Special Utility District, as of December 31, 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Johnson County Special Utility District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 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.

Supplementary Information

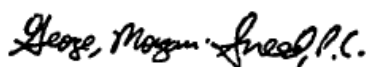
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information and the schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2022, 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
May 12, 2022

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, 2021. 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 \$103,392,220 (net position) compared to \$97,918,602 for the prior year. Of this amount, \$32,377,710 (unrestricted net position) may be used to meet the District's obligations to creditors.
- The District's total net position increased by \$5,473,618 for the current year reported. Net position in the previous year increased by \$6,488,183.
- Total capital assets (net of depreciation) were \$90,352,933 for the current year reported compared to \$82,908,018 in the previous year.
- Bonds payable were \$36,089,462 at year-end compared to \$31,268,725 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 \$103,392,220 as of December 31, 2021.

A significant portion of the District’s net position (63%) 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 \$17 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 (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$32,377,710 represents resources that may be used to meet the District’s ongoing obligations to creditors. As of December 31, 2021, 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

	2021	2020
Current assets and other assets	\$ 54,056,664	\$ 51,446,413
Capital assets	90,352,933	82,908,018
Total assets	<u>144,409,597</u>	<u>134,354,431</u>
Liabilities		
Current liabilities	7,509,623	7,139,880
Long-term liabilities	33,507,754	29,295,949
	<u>41,017,377</u>	<u>36,435,829</u>
Net position		
Net investment in capital assets	64,661,066	63,286,260
Restricted for debt service	6,353,444	4,849,532
Unrestricted	32,377,710	29,782,810
	<u>\$ 103,392,220</u>	<u>\$ 97,918,602</u>

Changes in Net Position

	2021	2020
Revenues		
Operating revenues:		
Water sales	\$ 17,563,849	\$ 16,326,905
Sewer revenue	1,556,750	1,514,523
Penalties	290,283	226,336
Installation fees	583,414	556,765
Miscellaneous fees	354,490	245,389
Nonoperating revenues:		
Gain (Loss) on disposal of assets	-	(40,193)
Investment earnings	45,337	306,552
Other income	201,358	203,055
System development fees	2,373,362	2,310,860
Total revenues	22,968,843	21,650,192
Expenses:		
Water purchases	7,220,583	6,459,069
Other operating	8,723,406	6,304,565
Depreciation	3,086,196	3,110,589
Nonoperating	832,232	554,080
Total expenses	19,862,417	16,428,303
 Income before capital contributions	 3,106,426	 5,221,889
 Capital contributions	 2,367,192	 1,226,294
 Change in net position	 5,473,618	 6,448,183
Net position - beginning	97,918,602	91,470,419
Net position - ending	\$ 103,392,220	\$ 97,918,602

The District's net position increased \$5,473,618 in the current year compared with a \$6,448,183 increase in the prior year. \$2,367,192 of the increase is due to developer contributions of water and sewer system improvements compared to \$1,226,294 in the previous year.

Total operating revenues increased \$1,478,868 (7.84%). Water sales increased \$1,236,944 due to a 171 million gallon increase of water sold. Nonoperating revenues decreased \$160,221 primarily because of the decrease in interest rates. Total expenses increased \$3,434,114. Water purchases increased \$761,514 because more water was purchased from Mansfield in current year. Other operating expenses increased \$2,418,841 due to new employees being hired, repairs and work to transmission line and water system and increase in professional, legal, and engineering. The increase in expenses before nonoperating expenses is 20%. Nonoperating expenses increased due to debt issuance costs of \$304,659.

Capital Assets

The Johnson County Special Utility District's investment in capital assets as of December 31, 2021, amounts to \$90,352,933 (net of accumulated depreciation).

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

- \$2,367,192 water and sewer system improvement contributed by developers.
- \$7,616,354 for engineering and water system improvements for 2018 bond projects
- \$418,750 engineering for 2021 bond project
- \$283,946 for a CAT Skid Steer and 6 work trucks

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

	2021	2020
Land	\$ 875,358	\$ 875,358
Construction in progress	21,783,847	14,325,744
Buildings and building improvements	5,534,855	5,845,599
Water distribution systems	55,861,470	55,417,389
Sewer distribution systems	5,543,835	5,789,003
Equipment, furniture and fixtures	753,568	654,926
	<u>\$ 90,352,933</u>	<u>\$ 82,908,019</u>

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 on December 31, 2021:

Description	2021	2020
Revenue Bonds	<u>\$ 36,089,462</u>	<u>\$ 31,268,725</u>

December 1, 2021, the District issued \$6,830,000 Revenue Bonds, Series 2021. The bonds were issued to fund water lines and an elevated storage tank.

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

In the 2022 budget, General Fund revenues were budgeted to increase by 21.8% from the 2021 budget. New development is expected to continue developing residential and commercial connections on the water and wastewater systems rapidly, continuing the significant growth trend experienced over the past five years. The 2022 budget reflects an 11.3% increase in water sales and a 6% in wastewater sales due to the significant growth experienced by the District. Wholesale water customers continue to rely on their contracted water capacity with the District to service their increased water demand, increasing wholesale water sales conservatively by 4.5%. The District will continue to pursue economic development and wholesale opportunities, keep annual recurring costs stable, evaluate organization structuring to improve efficiencies and accountability and continue investment in infrastructure, facilities, vehicles, employees, software, and equipment.

In the fiscal year 2022, Water and Wastewater rates have increased to cover the increased costs in operation and maintenance, while System Development fees have increased to cover the cost of required infrastructure to service new development. The District improves the focus and priority of water loss issues that impact revenues and expenses.

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.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

Statement of Net Position

Proprietary Fund

December 31, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 18,043,642
Certificates of deposit	2,080,000
Accounts receivable (net of allowance for uncollectibles)	1,611,535
Inventory	502,536
Prepaid items	229,767

Restricted assets

Cash and cash equivalents	19,237,597
---------------------------	------------

Total current assets	41,705,077
----------------------	------------

Noncurrent Assets

Other assets:

Equity interest in joint venture	12,351,587
----------------------------------	------------

Capital assets (net of accumulated depreciation)

Nondepreciable	22,659,205
----------------	------------

Depreciable assets	67,693,728
--------------------	------------

Capital assets, net	90,352,933
---------------------	------------

Total noncurrent assets	102,704,520
-------------------------	-------------

Total assets	\$ 144,409,597
--------------	----------------

LIABILITIES

Current liabilities

Accounts payable	\$ 2,121,990
------------------	--------------

Accrued expenses	24,669
------------------	--------

Accrued payroll liabilities	119,926
-----------------------------	---------

Compensated absences payable	62,467
------------------------------	--------

Interest payable	199,528
------------------	---------

Customer deposits payable	2,287,030
---------------------------	-----------

Current portion of bonds payable	2,694,013
----------------------------------	-----------

Total current liabilities	7,509,623
---------------------------	-----------

Noncurrent liabilities

Compensated absences payable	112,305
------------------------------	---------

Bonds payable	33,395,449
---------------	------------

Total noncurrent liabilities	33,507,754
------------------------------	------------

Total liabilities	\$ 41,017,377
-------------------	---------------

NET POSITION

Net investment in capital assets	\$ 64,661,066
----------------------------------	---------------

Restricted for debt service	6,353,444
-----------------------------	-----------

Unrestricted net position	32,377,710
---------------------------	------------

Total net position	\$ 103,392,220
--------------------	----------------

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, 2021

OPERATING REVENUES

Water sales	\$ 17,563,849
Sewer revenue	1,556,750
Penalties	290,283
Installation fees	583,414
Miscellaneous fees	354,490
Total operating revenues	20,348,786

OPERATING EXPENSES

Water purchases	7,220,583
Personnel	3,603,688
Repair, maintenance and supplies	1,726,743
Utilities and communication	875,804
Other	2,517,171
Depreciation	3,086,196
Total operating expenses	19,030,185
Operating income (loss)	1,318,601

NONOPERATING REVENUES (EXPENSES)

Investment earnings	45,337
Other income	201,358
System development fees	2,373,362
Interest expense	(527,573)
Debt issuance costs	(304,659)
Total nonoperating revenue (expenses)	1,787,825
Income (loss) before contributions	3,106,426

CAPITAL CONTRIBUTIONS

Capital contributions	2,367,192
Change in net position	5,473,618
Net position - beginning	97,918,602
Net position - ending	\$ 103,392,220

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, 2021

Cash flows from operating activities:	
Cash received from customers	\$ 20,571,231
Cash paid to suppliers and service providers	(12,023,590)
Cash paid to employees for salaries and benefits	<u>(3,517,905)</u>
Net cash provided (used) by operating activities	<u>5,029,736</u>
 Cash flow from capital and related financing activities:	
Capital outlay	(8,933,048)
System development fees	2,373,362
Proceeds from issuance of bonds	6,586,802
Principal payments on long-term debt	(2,055,000)
Interest paid on bonds	<u>(550,028)</u>
Net cash (used) by capital and related financing activities	<u>(2,577,912)</u>
 Cash flow from investing activities:	
Interest received	45,337
Redemption of certificates of deposit	<u>1,230,000</u>
Net cash provided by investing activities	<u>1,275,337</u>
Net increase (decrease) in cash and cash equivalents	3,727,161
Cash and cash equivalents, January 1, 2021	<u>33,554,078</u>
Cash and cash equivalents, December 31, 2021	<u>\$ 37,281,239</u>
 Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income	\$ <u>1,318,601</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Other income	201,358
Depreciation expense	3,086,196
(Increase) decrease in accounts receivable	(190,243)
(Increase) decrease in supplies inventory	14,989
(Increase) decrease in prepaid items	76,753
(Increase) decrease in equity interest in joint venture	(14,589)
Increase (decrease) in accounts payable	223,960
Increase (decrease) in accrued expenses	15,598
Increase (decrease) in accrued payroll liabilities	57,034
Increase (decrease) in compensated absences payable	28,749
Increase (decrease) in customer deposits payable	<u>211,330</u>
Total adjustments	<u>3,711,135</u>
Net cash provided by operating activities	<u>\$ 5,029,736</u>
 Noncash Investing, Capital and Financial Activities	
Contribution of capital assets by developers	\$ <u>2,367,192</u>
	<u>\$ 2,367,192</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, 2021

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, 2021

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 \$0. 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, 2021

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, 2021

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, 2021, 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, 2021, 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, 2021

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, 2021, included the following:

Description	Rating	Maturities	Investment	Cost	Market
Logic Pool	AAAm	46 days	47.25%	\$17,911,720	\$17,911,720
TexStar Pool	AAAm	31 days	31.56%	11,962,339	11,962,339
Tex-Pool	AAAm	39 days	14.79%	5,605,635	5,605,635
Texas TERM Pool	AAAf	32 days	0.92%	348,887	348,887
Certificates of Deposit	n/a	n/a	5.49%	2,080,000	2,080,000
Total			100.00%	<u>\$37,908,581</u>	<u>\$37,908,581</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 \$35,828,581 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	\$ 10,397,595
P&I sinking funds	3,955,756
Revenue bond reserves	2,597,216
Customer deposits	2,287,030
	<u>\$ 19,237,597</u>

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2021

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning				Ending
	Balance	Increases	Decreases	Reclassification	Balance
Non Depreciable Assets:					
Land	\$ 875,358	\$ -	\$ -	\$ -	\$ 875,358
Construction in progress	14,325,744	8,745,146	(217,904)	(1,069,139)	21,783,847
Total non-depreciable assets	15,201,102	8,745,146	(217,904)	(1,069,139)	22,659,205
Depreciable Assets:					
Buildings and building improvements	6,281,870	-	-	-	6,281,870
Water distribution systems	83,690,218	1,607,250	-	1,040,475	86,337,943
Sewer distribution systems	8,648,865	-	-	28,664	8,677,529
Equipment, furniture and fixtures	2,395,940	396,618	-	-	2,792,558
Total capital assets being depreciated	101,016,893	2,003,868	-	1,069,139	104,089,900
Accumulated Depreciation:					
Buildings and building improvements	(436,271)	(310,744)	-	-	(747,015)
Water distribution systems	(28,272,829)	(2,203,644)	-	-	(30,476,473)
Sewer distribution systems	(2,859,862)	(273,832)	-	-	(3,133,694)
Equipment, furniture and fixtures	(1,741,014)	(297,976)	-	-	(2,038,990)
Total accumulated depreciation	(33,309,976)	(3,086,196)	-	-	(36,396,172)
Business-type activities capital assets, net	\$ 82,908,019	\$ 7,662,818	\$ (217,904)	\$ -	\$ 90,352,933

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, 2021

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%	\$ -
2012 Revenue Refunding Bonds	9,500,000	8/15/2031	.30% - 2.00%	5,525,000
2013 Revenue Refunding and Improvement Bonds	8,510,000	8/15/2031	1.25% - 2.65%	4,455,000
2018 Revenue Bonds (TWDB)	22,000,000	8/15/2038	.38% - 1.82%	19,065,000
2021 Revenue Bonds	6,830,000	8/15/2031	1.00% - 2.00%	6,830,000
Total				<u>\$35,875,000</u>

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2022	\$ 2,670,000	\$ 583,350	\$ 3,253,350
2023	2,570,000	574,012	3,144,012
2024	2,615,000	534,114	3,149,114
2025	2,650,000	496,773	3,146,773
2026	2,700,000	456,964	3,156,964
2027-2031	14,245,000	1,577,591	15,822,591
2032-2036	5,915,000	536,043	6,451,043
2037-2041	2,510,000	68,456	2,578,456
	<u>\$ 35,875,000</u>	<u>\$ 4,827,303</u>	<u>\$ 40,702,303</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, 2021, was \$1,220,006 and the actual balance was \$3,955,595.

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 \$2,597,216 at December 31, 2021.

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, 2021

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, 2021:

Description	Beginning Balance	Additions	Retirements	December 31, 12/31/2021	Due within one year
Revenue Bonds	\$ 31,100,000	\$ 6,830,000	\$ (2,055,000)	\$ 35,875,000	\$ 2,670,000
Bonds Discounts	(823)	-	823	-	-
Bond Premiums	169,548	61,460	(16,546)	214,462	24,013
Total Bonds Payable	31,268,725	6,891,460	(2,070,723)	36,089,462	2,694,013
Compensated absences	146,023	174,772	(146,023)	174,772	62,467
Total Long Term Debt	<u>\$ 31,414,748</u>	<u>\$ 7,066,232</u>	<u>\$ (2,216,746)</u>	<u>\$ 36,264,234</u>	<u>\$ 2,756,480</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 \$12,351,587 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, 2021:

Year Ending December 31	BRPUA Bonds		
	Principal	Interest	Total
2022	910,000	36,900	946,900
2023	320,000	9,600	329,600
Total	<u>\$ 1,230,000</u>	<u>\$ 46,500</u>	<u>\$ 1,276,500</u>

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2021

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 \$19,500 for 2021. In addition to these deferrals, employees at least age fifty may make catch-up contributions of \$6,500 for 2021.

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 \$177,523 for 2021.

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, 2021

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. \$19,639,814 has been spent as of December 31, 2021, for loan origination, engineering, the AMI (Advanced Metering Infrastructure) smart meter system change out, and the bundled water system improvements.

NOTE 10: EVALUATION OF SUBSEQUENT EVENTS

Subsequent events were evaluated through May 12, 2022, 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 June 15, 2021. The District has not yet determined the effect this Statement will have on its financial reporting.

SUPPLEMENTARY INFORMATION

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
 Budgetary Comparison Schedule
 Proprietary Fund
 For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Budget
OPERATING REVENUES				
Water sales	\$ 15,389,807	\$ 16,213,400	\$ 17,563,849	\$ 1,350,449
Sewer revenue	1,450,000	1,450,000	1,556,750	106,750
Penalties	245,000	245,000	290,283	45,283
Installation fees	400,000	400,000	583,414	183,414
Miscellaneous fees	213,000	213,000	354,490	141,490
Total operating revenues	<u>17,697,807</u>	<u>18,521,400</u>	<u>20,348,786</u>	<u>1,827,386</u>
OPERATING EXPENSES				
Water purchases	6,200,000	6,200,000	7,220,583	(1,020,583)
Personnel	3,526,177	3,533,744	3,603,688	(69,944)
Repair, maintenance and supplies	1,229,000	1,499,800	1,726,743	(226,943)
Utilities and communication	805,000	799,700	875,804	(76,104)
Other	1,394,179	2,014,775	2,517,171	(502,396)
Capital outlay	359,000	385,930	-	385,930
Depreciation	3,000,000	3,000,000	3,086,196	(86,196)
Total operating expenses	<u>16,513,356</u>	<u>17,433,949</u>	<u>19,030,185</u>	<u>(1,596,236)</u>
Operating income (loss)	<u>1,184,451</u>	<u>1,087,451</u>	<u>1,318,601</u>	<u>231,150</u>
NONOPERATING REVENUES (EXPENSES)				
Gain on sale of assets	25,000	25,000	-	(25,000)
Investment earnings	150,000	150,000	45,337	(104,663)
Other income	128,000	128,000	201,358	73,358
System development fees	1,277,600	1,277,600	2,373,362	1,095,762
Interest expense	(557,029)	(557,029)	(527,573)	29,456
Debt issuance costs	-	-	(304,659)	(304,659)
Total nonoperating revenue (expenses)	<u>1,023,571</u>	<u>1,023,571</u>	<u>1,787,825</u>	<u>764,254</u>
Income (loss) before contributions	2,208,022	2,111,022	3,106,426	995,404
CAPITAL CONTRIBUTIONS				
Capital contributions	-	-	2,367,192	2,367,192
Change in net position	<u>\$ 2,208,022</u>	<u>\$ 2,111,022</u>	<u>\$ 5,473,618</u>	<u>\$ 3,362,596</u>

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF INSURANCE IN FORCE
December 31, 2021

INSURER	RISK COVERED	POLICY AMOUNT	EXPIRATION
Texas Municipal League	Worker's compensation	2,571,136	December 1, 2022
	General liability	\$2,000,000 / \$4,000,000	December 1, 2022
	Errors and omissions	5,000,000 / 10,000,000	December 1, 2022
	Automobile liability	1,000,000	December 1, 2022
	Auto physical damage	varies per vehicle	December 1, 2022
	Supplemental sewage backup	25,000 / 50,000	December 1, 2022
	Cyber Liability & Data Breach	2,000,000	December 1, 2022
	Flood and earthquake	5,000,000 / 10,000,000	December 1, 2022
	Real and personal property	56,313,646	December 1, 2022
	Boiler and machinery	100,000	December 1, 2022
	Mobile equipment	367,588	December 1, 2022
	Public employee dishonesty	1,000,000	December 1, 2022
	Forgery or alteration	100,000	December 1, 2022
	Theft, disappearance, and destruction	30,000	December 1, 2022
Build America Mutual Assurance Company	Surety bond - Series 2021 Bonds	733,294	August 15, 2031

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
For the Year Ended December 31, 2021
(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"

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 gallons over minimum	Usage Levels
Water	\$33	N/A	N	\$4.25	0-5,000
				5.25	5,001-10,000
				6.25	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:

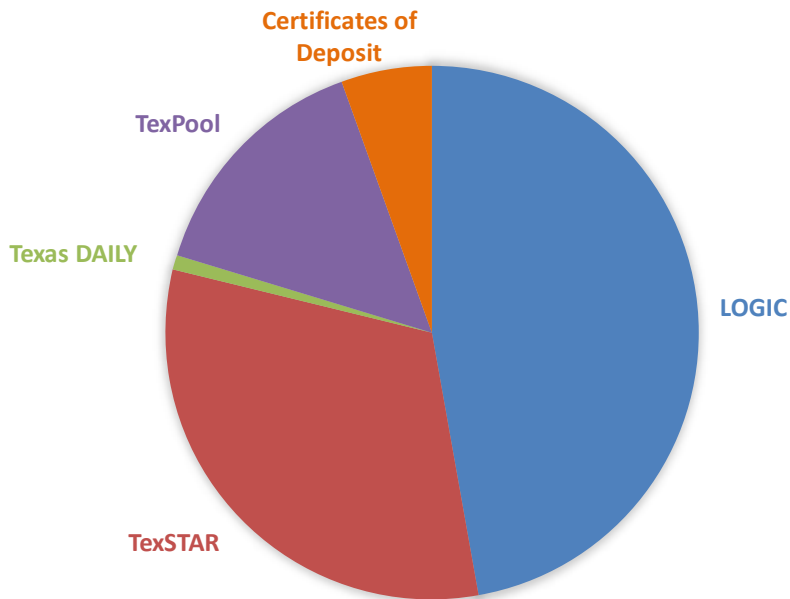
Gallons pumped into system:	2,182,920
Gallons billed and unbilled:	1,837,070
Water accountability ratio:	84.2%
4. Retail water connections within the District as of the fiscal year end.

Meter Size	Total Meters	Active Meters		SUE Factor	Active SUE's
<=5/8"	18,970	17,402	x	1.0	17,402
3/4"	121	121	x	1.3	157
1"	220	205	x	2.2	451
2"	73	61	x	10.0	610
3"	10	9	x	20.0	180
4"	7	4	x	40.0	160
6"	3	3	x	64.0	192
Total Water	19,404	17,805			19,152
Total Sewer	2,288	2,229	x	1.0	2,229

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF TEMPORARY INVESTMENTS
December 31, 2021

	Identification Number	Interest Rate	Maturity Date	Year End Balance	% of Total
LOGIC	No. 001 - 2018 L1000790	Market	Escrow	\$ 3,810,258	
	No. 001	Market	On demand	727,601	
	No. 002	Market	On demand	11,162,061	
	No. 003	Market	On demand	106,935	
	No. 006	Market	On demand	1,338,112	
	No. 007	Market	On demand	766,753	
				<u>17,911,720</u>	<u>47.2%</u>
TexSTAR	No. 110	Market	On demand	530,959	
	No. 210	Market	On demand	6,587,337	
	No. 330	Market	On demand	4,260,379	
	No. 550	Market	On demand	583,664	
			<u>11,962,339</u>	<u>31.6%</u>	
Texas DAILY		Market	On demand	<u>348,887</u>	<u>0.9%</u>
TexPool	No. 002	Market	On demand	3,955,756	
	No. 005	Market	On demand	390,775	
	No. 008	Market	On demand	685,592	
	No. 009	Market	On demand	573,512	
				<u>5,605,635</u>	<u>14.8%</u>
Certificates of Deposit	Multi Bk Securities - 13 CD's	0.52%		<u>2,080,000</u>	<u>5.5%</u>
Total				<u>\$ 37,908,581</u>	<u>100.0%</u>



Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
FUTURE DEBT SERVICE OBLIGATIONS
December 31, 2021

Fiscal Year Ended December 31	2012 Revenue Bonds ⁽¹⁾			2013 Revenue and Refunding Bonds ⁽¹⁾			2018 TWDB Bonds			2021 Revenue Bonds ⁽¹⁾			Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		
2022	485,000	139,750	624,750	500,000	106,658	606,658	1,015,000	275,172	1,290,172	670,000	61,770	731,770	3,253,350	
2023	500,000	130,050	630,050	395,000	96,658	491,658	1,025,000	267,661	1,292,661	650,000	79,644	729,644	3,144,012	
2024	515,000	120,050	635,050	405,000	88,165	493,165	1,030,000	259,256	1,289,256	665,000	66,644	731,644	3,149,114	
2025	525,000	108,463	633,463	415,000	79,052	494,052	1,040,000	249,265	1,289,265	670,000	59,994	729,994	3,146,773	
2026	540,000	96,650	636,650	425,000	69,300	494,300	1,055,000	237,721	1,292,721	680,000	53,294	733,294	3,156,964	36.81%
2027	555,000	83,150	638,150	435,000	59,100	494,100	1,065,000	224,744	1,289,744	685,000	46,494	731,494	3,153,488	
2028	575,000	69,275	644,275	450,000	48,443	498,443	1,080,000	210,686	1,290,686	690,000	39,644	729,644	3,163,048	
2029	590,000	54,900	644,900	465,000	37,192	502,192	1,095,000	195,674	1,290,674	700,000	32,744	732,744	3,170,510	
2030	610,000	37,200	647,200	475,000	25,335	500,335	1,110,000	179,797	1,289,797	705,000	23,994	728,994	3,166,325	
2031	630,000	18,900	648,900	490,000	12,985	502,985	1,125,000	163,036	1,288,036	715,000	14,300	729,300	3,169,221	76.52%
2032							1,145,000	145,598	1,290,598				1,290,598	
2033							1,165,000	127,278	1,292,278				1,292,278	
2034							1,180,000	108,056	1,288,056				1,288,056	
2035							1,200,000	87,995	1,287,995				1,287,995	89.59%
2036							1,225,000	67,116	1,292,116				1,292,116	
2037							1,245,000	45,433	1,290,433				1,290,433	
2038							1,265,000	23,023	1,288,023				1,288,023	100.00%
	<u>\$5,525,000</u>	<u>\$ 858,388</u>	<u>\$ 6,383,388</u>	<u>\$4,455,000</u>	<u>\$ 622,888</u>	<u>\$5,077,888</u>	<u>\$ 19,065,000</u>	<u>\$2,867,508</u>	<u>\$ 21,932,508</u>	<u>\$ 6,830,000</u>	<u>\$ 478,520</u>	<u>\$ 7,308,520</u>	<u>\$ 40,702,303</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

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CHANGES IN LONG-TERM BONDED DEBT
December 31, 2021

Bond Authority:	Series 2005	Series 2012	Series 2013	Series 2018	Series 2021	Total
	Revenue Refunding Bonds	Revenue Bonds	Revenue and Refunding Bonds	TWDB Revenue Bonds	Revenue Bonds	
Interest Rates	3.00% - 4.3%	0.30% - 3%	1.00% - 2.65%	.38% - 1.82%	1.00%-2.00%	
Dates Interest Payable	2/21;8/21	2/21;8/21	2/21;8/21	2/21;8/21		
Maturity Dates	8/15/2021	8/15/2031	8/15/2031	8/15/2038	8/15/2031	
Beginning Balances January 1, 2021	\$ 85,000	\$ 6,000,000	\$ 4,940,000	\$ 20,075,000	-	\$ 31,100,000
Addition During the Fiscal Year	-	-	-	-	6,830,000	6,830,000
Retired During the Fiscal Year	(85,000)	(475,000)	(485,000)	(1,010,000)	-	(2,055,000)
Ending Balances December 31, 2021	\$ -	\$ 5,525,000	\$ 4,455,000	\$ 19,065,000	\$ 6,830,000	\$ 35,875,000
Interest Paid During the Fiscal Year	\$ 3,655	\$ 149,250	\$ 115,388	\$ 281,737	\$ -	\$ 550,029

Paying Agent's Name and City	
Revenue Refunding Bonds Series 2005	<u>U.S. Bank Corporate Trust Services, Los Angeles, CA</u>
Revenue Bonds Series 2012	<u>BOKF, N.A. dba Bank of Texas, Dallas, TX</u>
Revenue Refunding Bonds Series 2013	<u>BOKF, N.A. dba Bank of Texas, Dallas, TX</u>
TWDB Bonds Series 2018	<u>UMB Kansas City, MO.</u>
Revenue Bonds Series 2021	<u>UMB Kansas City, MO.</u>

Bond Authority:	Series 2005	Series 2012	Series 2013	Series 2018	Series 2021	Total
	Revenue Refunding Bonds	Revenue Bonds	Revenue and Refunding Bonds	TWDB Revenue Bonds	Revenue Bonds	
Amount Authorized by Voters	\$ 6,245,000	\$ 9,500,000	\$ 8,510,000	\$ 22,000,000	\$ 6,830,000	
Amount Issued	6,245,000	9,500,000	8,510,000	22,000,000	6,830,000	
Remaining to be Issued	-	-	-	-	-	
Restricted cash for debt service as of December 31, 2021:						
Interest and sinking funds	\$ -	\$ 751,594	\$ 751,594	\$ 1,582,302	\$ 870,266	3,955,756
Reserve funds	(1)	685,592	573,512	1,338,112	(2)	2,597,216
Total	-	1,437,186	1,325,106	2,920,414	870,266	6,552,972
Average Annual Principal and Interest Requirements, 2022 - 2038		\$ 2,394,253				
Coverage of Average Requirements by December 31, 2021 Net Revenues		2.93				
Maximum Principal and Interest Requirements, 2022		\$ 3,253,350				
Coverage of Maximum Requirements by December 31, 2021 Net Revenues		2.16				
Number of years remaining on longest remaining bonded debt		17				

(1) 2005 Bond reserve fund is funded by a surety policy issued by Ambac Assurance Corporation in the amount of \$621,371.42. The 2012 and 2013 Bond reserves are funded monthly for 60 months.

(2) 2021 Bond reserve fund is funded by a surety policy issued by Build America Mutual Insurance Company in the amount of \$733,294.

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
Five Years Ended December 31, 2021

						Percent of Fund Total Revenues				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Operating Revenues										
Water sales	\$ 13,921,186	\$ 15,437,363	\$ 15,369,001	\$ 16,326,905	\$ 17,563,849	87.7	87.9	87.3	86.5	86.3
Fire hydrant meter water sales	-	-	-	-	-	-	-	-	-	-
Sewer revenues	1,268,534	1,305,050	1,423,371	1,514,523	1,556,750	8.0	7.4	8.1	8.0	7.7
Penalties	242,888	254,690	262,359	226,336	290,283	1.5	1.5	1.5	1.2	1.4
Installation fees	232,548	339,539	321,770	556,765	583,414	1.5	1.9	1.8	3.0	2.9
Miscellaneous	201,425	225,301	220,540	245,389	354,490	1.3	1.3	1.3	1.3	1.7
Total Revenues	<u>15,866,581</u>	<u>17,561,943</u>	<u>17,597,041</u>	<u>18,869,918</u>	<u>20,348,786</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	6,641,246	6,388,057	6,729,864	6,459,069	7,220,583	41.9	36.4	38.2	34.2	35.5
Personnel services	2,524,830	2,443,324	2,574,177	3,109,900	3,603,688	15.9	13.9	14.6	16.5	17.7
Repair, maintenance and supplies	870,910	1,183,265	990,004	1,252,148	1,726,743	5.5	6.7	5.6	6.6	8.5
Utilities and communication	719,035	768,760	790,444	703,502	875,804	4.5	4.4	4.5	3.7	4.3
Other	881,976	917,373	1,074,754	1,239,016	2,517,171	5.6	5.2	6.1	6.6	12.4
Operating Expenses Excluding Depreciation and amortization	<u>11,637,997</u>	<u>11,700,779</u>	<u>12,159,243</u>	<u>12,763,635</u>	<u>15,943,989</u>	<u>73.3</u>	<u>66.6</u>	<u>69.1</u>	<u>67.6</u>	<u>78.4</u>
Operating Income before Depreciation and amortization	<u>4,228,584</u>	<u>5,861,164</u>	<u>5,437,798</u>	<u>6,106,283</u>	<u>4,404,797</u>	<u>26.7</u>	<u>33.4</u>	<u>30.9</u>	<u>32.4</u>	<u>21.6</u>
Depreciation and Amortization:	<u>2,894,213</u>	<u>3,171,978</u>	<u>2,770,288</u>	<u>3,110,589</u>	<u>3,086,196</u>	<u>18.2</u>	<u>18.1</u>	<u>15.7</u>	<u>16.5</u>	<u>15.2</u>
Operating Income (Loss)	<u>1,334,371</u>	<u>2,689,186</u>	<u>2,667,510</u>	<u>2,995,694</u>	<u>1,318,601</u>	<u>8.4</u>	<u>15.3</u>	<u>15.2</u>	<u>15.9</u>	<u>6.5</u>
Nonoperating Revenues (Expenses):										
Gain (loss) on sale of assets	61,659	2,527	411,309	(40,193)	-	0.4	-	2.3	(0.2)	-
Investment earnings	129,394	572,396	895,101	306,552	45,337	0.8	3.3	5.1	1.6	0.2
Other income	674,363	182,128	143,911	203,055	201,358	4.3	1.0	0.8	1.1	1.0
System development fees	918,600	1,282,345	1,311,480	2,310,860	2,373,362	5.8	7.3	7.5	12.2	11.7
Interest expense	(361,109)	(476,872)	(587,012)	(554,080)	(527,573)	(2.3)	(2.7)	(3.3)	(2.9)	(2.6)
Bond issuance costs	-	(610,909)	-	-	(304,659)	-	(3.5)	-	-	(1.5)
Total Nonoperating Revenues (Expenses)	<u>1,422,907</u>	<u>951,615</u>	<u>2,174,789</u>	<u>2,226,194</u>	<u>1,787,825</u>	<u>9.0</u>	<u>5.4</u>	<u>12.4</u>	<u>11.8</u>	<u>8.8</u>
Income (Loss) Before Capital Contributions and Extraordinary Item	<u>2,757,278</u>	<u>3,640,801</u>	<u>4,842,299</u>	<u>5,221,888</u>	<u>3,106,426</u>	<u>17.4</u>	<u>20.7</u>	<u>27.5</u>	<u>27.7</u>	<u>15.3</u>
Capital contributions	1,010,942	5,079,367	2,617,064	1,226,294	2,367,192	6.4	28.9	14.9	6.5	11.6
Changes in Net Position	<u>\$ 3,768,220</u>	<u>\$ 8,720,168</u>	<u>\$ 7,459,363</u>	<u>\$ 6,448,182</u>	<u>\$ 5,473,618</u>	<u>23.7</u>	<u>49.7</u>	<u>42.4</u>	<u>34.2</u>	<u>26.9</u>
Active Water Customers	15,132	15,580	16,069	16,851	17,805					
Active Sewer Customers	1,901	1,951	2,014	2,153	2,229					

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CONDENSED SUMMARY OF OPERATING RESULTS
(CALCULATION BASED ON BOND RESOLUTION REQUIREMENTS)
December 31, 2021

	Fiscal Year Ended December 31				
	2017	2018	2019	2020	2021
Gross Revenues					
Water Sales	\$13,921,186	\$15,437,363	\$ 15,369,001	\$ 16,326,905	\$ 17,563,849
Fire Revenue	-	-	-	-	-
Sewer Services	1,268,534	1,305,050	1,423,371	1,514,523	1,556,750
Interest Income	129,394	572,396	895,101	306,552	45,337
Other Revenue	2,331,483	2,286,530	2,671,369	3,502,212	3,802,907
Total Gross Revenues	<u>\$17,650,597</u>	<u>\$19,601,339</u>	<u>\$ 20,358,842</u>	<u>\$ 21,650,192</u>	<u>\$ 22,968,843</u>
Operating Expenses ⁽¹⁾:					
Treated Water	\$ 5,970,177	\$ 5,695,275	\$ 6,010,545	\$ 5,712,043	\$ 6,647,992
Brazos River Authority Contracts	671,069	692,782	719,319	747,026	572,591
Other	4,996,751	5,312,722	5,429,379	6,304,566	8,723,406
Total Operating Expenses	<u>\$11,637,997</u>	<u>\$11,700,779</u>	<u>\$ 12,159,243</u>	<u>\$ 12,763,635</u>	<u>\$ 15,943,989</u>
Net Available For Debt Service	<u>\$ 6,012,600</u>	<u>\$ 7,900,560</u>	<u>\$ 8,199,599</u>	<u>\$ 8,886,557</u>	<u>\$ 7,024,854</u>
Active Water Customers	15,132	15,580	16,069	16,851	17,805
Active Sewer Customers	1,901	1,951	2,014	2,153	2,229

⁽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, 2021
 (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: 03/25/19
 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
Harry Shaffer	2020 - 2023	\$ 3,450	President
Glen Walden	2020 - 2023	\$ 4,800	Vice-President
Ronald Nichols	2019 - 2022	\$ 1,165	Secretary / Treasurer
Michael Bowles	2019 - 2022	\$ 1,450	Director
Gene Petross	2019 - 2022	\$ 2,700	Director
Eric Baze	2021 - 2024	\$ -	Director
Gary Geisen	2021 - 2024	\$ 1,905	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, 2021
 (Unaudited)

Management Team	Date Hired	Fees and Expense Reimbursements	Title at Year End
Peter Kampfer	03/26/20	\$ 328	General Manager
Joshua Howard	02/01/16	\$ -	Finance Manager
Dana Collier	11/01/11	\$ -	System Development Manager
Carrie LaFountain	06/19/17	\$ -	Customer Service Manager
Jeremiah Bihl	06/01/21	\$ 2,523	District Engineer
Tyler Lyles	01/10/11	\$ -	Water Operations Manager
James Lyles	04/12/21	\$ -	Wastewater Manager

Professional & Engineering

Cain & Associates, P.C.	\$ 84,852	Attorney
McDonald Sanders	\$ 22,469	Attorney
George, Morgan & Sneed, P.C.	\$ 45,000	Auditor
NewGen Strategies & Solutions	\$ 52,759	Consulting
Enprotec/Hibbs & Todd	\$ 878,676	Engineer
Kimley-Horn & Associates, Inc.	\$ 55,371	Engineer
C3 Computer Corporation	\$ 208,961	Technology

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
ANNUAL MATERIAL EVENT DISCLOSURE CHECKLIST
December 31, 2021
(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 SECTION (UNAUDITED)

STATISTICAL SECTION (Unaudited)

This part of the Johnson County Special Utility District's Annual Comprehensive 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>
<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.	34-36	1-2
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the District's most significant revenue sources, charges for services.	37-41	3-4
<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.	42-43	5-6
<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.	44-45	7-8
<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.	46-48	9-11

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net Position:										
Net investment in capital assets	\$37,337,910	\$41,235,467	\$43,088,093	\$43,883,656	\$48,120,547	\$49,081,903	\$54,689,237	\$62,168,882	\$63,286,260	\$ 64,661,066
Restricted for debt service	703,727	1,071,716	1,283,535	1,501,144	1,729,039	2,003,790	3,752,849	3,905,147	4,849,532	6,353,444
Unrestricted	14,776,114	14,693,631	13,890,939	12,827,743	12,165,646	14,697,759	25,568,970	25,396,390	29,782,810	32,377,710
Total Net Position	<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>	<u>\$97,918,602</u>	<u>\$ 103,392,220</u>

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 project

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).

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.

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.

34 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.

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

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

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

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

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

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

During fiscal year 2020, completed \$7,763,496 for engineering and water system improvement bond project.

During fiscal year 2021, issued new bonds for water lines and elevated tank projects

Table 2

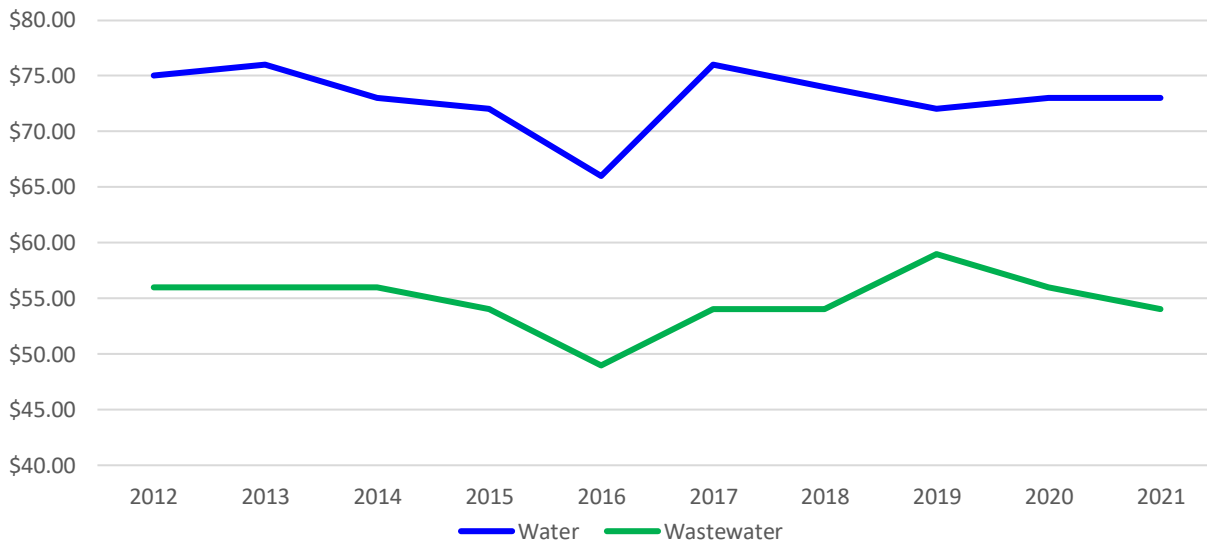
JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CHANGE IN NET POSITION
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Revenues:										
Water sales	\$ 12,532,895 ^a	\$ 12,801,892 ^d	\$ 12,548,132	\$ 12,753,026	\$ 12,610,422	\$ 13,921,186	\$ 15,437,363	\$ 15,369,001	\$ 16,326,905	\$ 17,563,849
Fire hydrant meter water sales	291,365	177,865	165,258	-	-	-	-	-	-	-
Sewer revenues	1,033,085	1,038,053	1,075,121	1,129,415	1,234,598	1,268,534	1,305,050	1,423,371	1,514,523	1,556,750
Penalties	240,374	249,861	245,456	253,601	232,984	242,888	254,690	262,359	226,336	290,283
Installation fees	108,099	96,917	133,020	135,288	164,048	232,548	339,539	321,770	556,765	583,414
Miscellaneous	209,376	224,415	299,554	326,417	175,298	201,425	225,301	220,540	245,389	354,490
Total Operating Revenues	<u>14,415,194</u>	<u>14,589,003</u>	<u>14,466,541</u>	<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>18,869,918</u>	<u>20,348,786</u>
Operating Expenses:										
Water purchases	6,810,261	5,845,474 ^e	7,898,411	8,265,385	6,156,820	6,641,246	6,388,057	6,729,864	6,459,069	7,220,583
Personnel services	2,017,039	2,079,327	2,163,209	2,389,123	2,506,633	2,524,830	2,443,324	2,574,177	3,109,900	3,603,688
Repair, maintenance and supplies	672,861	646,738	807,274	734,081	659,054	870,910	1,183,265	990,004	1,252,148	1,726,743
Utilities and communication	523,349	541,600	711,131	696,930	662,079	719,035	768,760	790,444	703,502	875,804
Other expenses	604,639	577,731	628,873	627,637	766,460	881,976	917,373	1,074,754	1,239,016	2,517,171
Depreciation and amortization	2,095,588	2,096,605	2,395,717	2,820,344	2,870,202	2,894,213	3,171,978	2,770,288	3,110,589	3,086,196
Total Operating Expenses	<u>12,723,737</u>	<u>11,787,475</u>	<u>14,604,615</u>	<u>15,533,500</u>	<u>13,621,248</u>	<u>14,532,210</u>	<u>14,872,757</u>	<u>14,929,531</u>	<u>15,874,223</u>	<u>19,030,185</u>
Operating Income (Loss)	<u>1,691,457</u>	<u>2,801,528</u>	<u>(138,074)</u>	<u>(935,753)</u>	<u>796,102</u>	<u>1,334,371</u>	<u>2,689,186</u>	<u>2,667,510</u>	<u>2,995,695</u>	<u>1,318,601</u>
Nonoperating Revenues (Expenses):										
Gain (loss) on sale of assets	(1,555)	46,518	39,452	27,445	26,131	61,659	2,527	411,309	(40,193)	-
Investment earnings	36,746	48,823	29,518	19,319	59,017	129,394	572,396 ^j	895,101 ^k	306,552	45,337
Other income	-	-	243,968 ^h	300,000 ⁱ	180,020	674,363	182,128	143,911	203,055	201,358
System development fees	513,405	473,701	420,759	691,420	638,660	918,600	1,282,345	1,311,480	2,310,860	2,373,362
Interest expense	(239,032)	(149,203) ^f	(224,993)	(427,225)	(393,260)	(361,109)	(476,872)	(587,012)	(554,080)	(527,573)
Bond issuance costs	(135,666)	(106,168)	-	-	-	-	(610,909)	-	-	(304,659)
Total Nonoperating Revenues (Expenses)	<u>173,898</u>	<u>313,671</u>	<u>508,704</u>	<u>610,959</u>	<u>510,568</u>	<u>1,422,907</u>	<u>951,615</u>	<u>2,174,789</u>	<u>2,226,194</u>	<u>1,787,825</u>
Income (Loss) Before Capital Contributed and Extraordinary Item	1,865,355	3,115,199	370,630	(324,794)	1,306,670	2,757,278	3,640,801	4,842,299	5,221,889	3,106,426
Capital Contributed	2,782,488 ^b	1,067,864 ^g	51,990	274,770	2,496,019	1,010,942	5,079,367	2,617,064	1,226,294	2,367,192
Extraordinary Item	6,000,000 ^c	-	-	-	-	-	-	-	-	-
Change in Net Position	<u>\$ 10,647,843</u>	<u>\$ 4,183,063</u>	<u>\$ 422,620</u>	<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>\$ 6,448,183</u>	<u>\$ 5,473,618</u>

- ^a Water and Sewer sales decreased due to a decline in drought conditions.
- ^b \$2.3M for partial completion of the NTTA/TxDOT 121 project.
- ^c Settlement received for lost capacity at the Lake Granbury Surface Water Treatment Plant.
- ^d Temporary assignment sale of 8,000 acre feet of raw water in 2011 and 4,000 acre feet of raw water in 2013.
- ^e 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.
- ^f 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
- ^g \$703K for remaining costs of the completed NTTA/TxDOT 121 project.
- ^h In 2014, the District received \$244K for the sale of CCN to the City of Ft. Worth.
- ⁱ In 2015, the District received \$300K for the sale of CCN to the City of Mansfield.
- ^j Increase in Interest Income is due to the U.S. economy experiencing the best hike in savings & CD rates since 2008.
- ^k Increase in Interest Income is due to \$22M TWDB Loan accruing interest.
- ^l In 2021, District issued bonds for water line and elevated tank projects.

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

Fiscal Year	Monthly Revenue/Customer	
	Water	Wastewater
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
2020	73.00	56.00
2021	73.00	54.00



Source: District Annual Financial Audits

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

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	1.29%
City of Alvarado	Municipality	20,210,600	1.44%	376,702	2.94%
Granite Construction	Construction	14,841,030	1.06%	97,527	0.76%
Monarch Utilities	Investor-owned Utility Provider	10,715,510	0.76%	135,456	1.06%
City of Keene	Municipality	9,405,000	0.67%	145,127	1.13%
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	0.72%
Sabre Communications	Industrial Manufacturing	7,696,300	0.55%	49,716	0.39%
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	9.45%
	Total Usage	1,404,835,000			
	Total Water Sales			\$ 12,824,260	

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	6.91%
	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	

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

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	

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	

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

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	12.98%
	Total Usage	1,661,343,712			
	Total Water Sales			\$ 15,437,363	

FISCAL YEAR 2019					
<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	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	12.48%
	Total Usage	1,613,289,489			
	Total Water Sales			\$ 15,369,001	

FISCAL YEAR 2020					
<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 Alvarado	Municipality	71,008,000	4.09%	\$ 642,917	3.94%
City of Keene	Municipality	59,522,000	3.43%	479,234	2.94%
Stonetown Ranches of Joshua	Mobile Home Park	14,811,839	0.85%	119,394	0.73%
Cypress Creek Joshua Station LP	Apartment Complex	14,483,690	0.83%	101,495	0.62%
Prairieland DC LaSalle Corrections	Corrections Facility	9,700,980	0.56%	70,350	0.43%
Mariposa South Broadway LP	Apartment Complex	7,950,051	0.46%	71,122	0.44%
Stonetown Walnut Creek	Mobile Home Park	5,479,837	0.32%	37,940	0.23%
Godley ISD	School ISD	5,249,350	0.30%	41,570	0.25%
Joshua ISD	School ISD	4,661,099	0.27%	79,826	0.49%
Bethany Special Utility District	Municipality	4,205,000	0.24%	176,231	1.08%
		197,071,846	11.35%	\$ 1,820,079	11.15%
	Total Usage	1,737,420,000			
	Total Water Sales			\$ 16,326,905	

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

FISCAL YEAR 2021					
Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage	Water Revenue	% of Total Unaudited Water Revenue
City of Alvarado	Municipality	175,230,000	9.54%	\$ 1,126,507	6.41%
City of Keene	Municipality	59,285,000	3.23%	478,134	2.72%
Stonetown Ranches of Joshua	Mobile Home Park	17,790,028	0.97%	137,731	0.78%
Cypress Creek Joshua Station LP	Apartment Complex	15,597,421	0.85%	108,323	0.62%
Stonetown Walnut Creek	Mobile Home Park	8,131,451	0.44%	54,705	0.31%
Prairieland DC LaSalle Corrections	Corrections Facility	7,656,250	0.42%	57,662	0.33%
Mariposa South Broadway LP	Apartment Complex	7,442,978	0.41%	67,939	0.39%
City of Joshua	Municipality	6,233,751	0.34%	55,688	0.32%
Joshua ISD	School ISD	5,726,522	0.31%	91,846	0.52%
Bethany Special Utility District	Municipality	4,711,000	0.26%	178,579	1.02%
		307,804,401	16.77%	\$ 2,357,113	14.44%
	Total Usage	1,837,070,000			
	Total Water Sales			\$ 17,563,849	

Source: District Billing System

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

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

Fiscal Year Ended December 31	Bonds Payable	Note Payable	Capital Lease Payable	Total Indebtedness	Total ⁽¹⁾ Customers	Debt Per Customer
2012	14,855,816	-	-	14,855,816	13,923	1,067 ⁽¹⁾
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	33,331,450	-	-	33,331,450	16,069	2,074
2020	31,268,725	-	-	31,268,725	16,851	1,856
2021	36,089,462	-	-	36,089,462	17,805	2,027 ⁽⁴⁾

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 (Advanced 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.
- ⁽⁴⁾ The District received proceeds of 6.83 million in Revenue Bonds, Series 2021

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
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
2020	21,650,192	12,763,635	8,886,557	2,626,871	3.38
2021	22,968,843	15,943,989	7,024,854	2,605,029	2.70

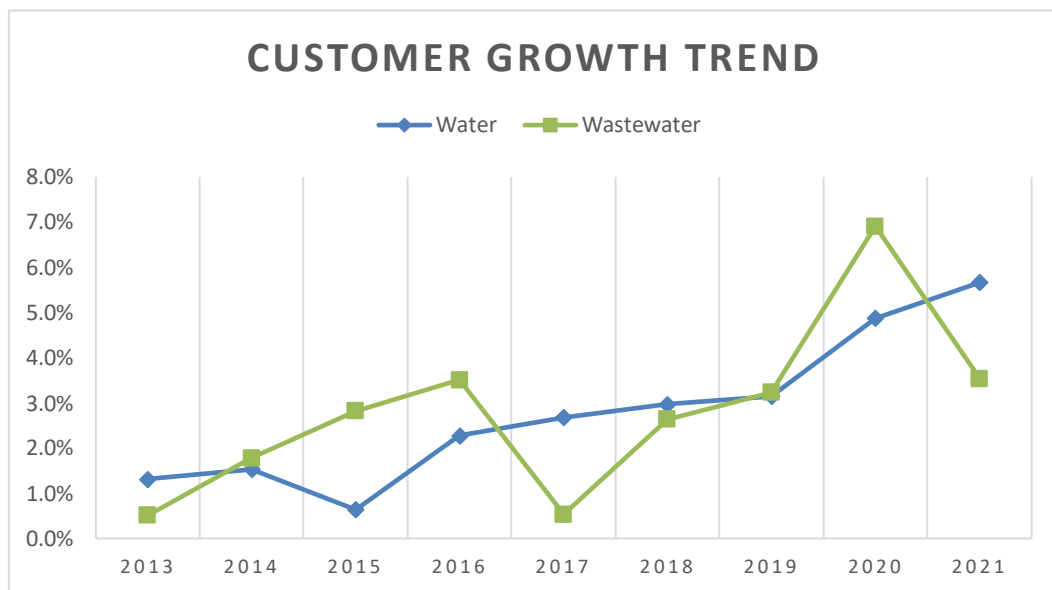
(1) Includes interest income, system development fees, and \$6M settlement for lost capacity at SWATS received in 2012

(2) Excludes depreciation and amortization

(3) Includes principal and interest

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

Fiscal Year Ended December 31	Water	Wastewater
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
2020	16,851	2,153
2021	17,805	2,229



Source: District Billing System

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
2012	153,313	5,388,339	35,146	6.2%
2013	154,556	5,531,559	35,790	5.9%
2014	156,904	5,822,080	37,106	4.8%
2015	158,614	6,046,048	38,118	4.4%
2016	160,503	6,244,690	38,907	4.5%
2017	167,301	6,682,230	39,941	3.4%
2018	169,159	6,914,543	40,876	3.4%
2019	173,388	7,229,759	41,697	3.1%
2020	180,513	7,693,658	43,759	6.2%
2021	187,280	8,557,526	47,654	3.3%

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 - Annual Comprehensive Financial Reports
 U.S. Census Bureau

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
HISTORICAL USAGE BY FUNCTION
 December 31, 2021 (unaudited)

HISTORICAL WATER USAGE (mgd)				
Fiscal Year Ended December 31	Average Daily Usage	Peak Day Usage	Total Usage	Number of Water Customers
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
2020	4.76	9.95	1737.4	16,851
2021	5.03	9.71	1837.1	17,805

Source:
 District Billing System
 Monthly Operations Report

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

HISTORICAL WASTEWATER TREATMENT				
Fiscal Year Ended December 31	Average Day (MGD)	Max Day (MGD)	Total Treated (MG)	Number of Sewer Customers
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
2020	0.5	1.2	171.4	2,153
2021	0.5	1.2	172.8	2,229

Source:
 District Billing System
 Monthly Operations Report

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
FULL-TIME EMPLOYEES BY FUNCTION
 December 31, 2021 (unaudited)

Fiscal Year Ended December 31	Administrative	Water	Wastewater	Total
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
2020	21	17	4	42
2021	22	25	4	51

Source: District Payroll System

Table 11

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water										
Land	\$ 499,490	\$ 526,732	\$ 530,120	\$ 571,557	\$ 537,195	\$ 673,827	\$ 673,827	\$ 673,827	\$ 673,827	\$ 673,827
Water Wells and Distribution System	32,101,159	35,311,026	55,349,138	54,353,992	54,866,872	53,740,448	55,325,189	55,844,690	55,417,388	55,861,470
Equipment	176,315	133,539	149,665	124,118	266,772	206,263	129,591	143,759	225,567	247,295
Master plan	7,473	-	18,921	14,380	9,839	5,298	757	-	-	-
Total Water	32,784,437	35,971,297	56,047,844	55,064,047	55,680,678	54,625,836	56,129,364	56,662,276	56,316,781	56,782,592
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	30,075	28,234	26,393	24,741	22,710	20,522	5,926	21,714	20,528	17,103
Lift Stations and Distribution System	2,912,835	2,829,389	2,797,001	2,746,162	3,624,350	3,529,759	4,767,334	4,826,379	4,377,041	4,202,907
Wastewater Treatment Plant	931,685	2,199,769	2,130,051	2,022,174	1,929,339	1,816,729	1,665,286	1,552,509	1,411,962	1,340,929
Vehicles	126,853	101,899	96,980	86,369	38,980	29,549	20,118	25,482	22,378	-
Equipment	295,709	256,329	266,072	221,098	117,564	90,898	163,000	88,227	58,401	41,999
Master plan	11,650	2,330	9,447	7,348	5,249	3,149	875	-	-	-
Total Wastewater	4,323,647	5,432,790	5,340,784	5,122,732	5,753,032	5,505,446	6,637,378	6,529,151	5,905,150	5,617,777
General										
Land	-	-	152,329	152,329	186,691	186,691	186,691	186,691	186,691	186,691
Buildings and Structures	263,860	251,049	237,954	223,057	201,083	182,468	180,917	6,183,319	5,825,071	5,517,753
Vehicles	183,653	202,740	162,478	144,700	145,106	109,997	157,479	202,998	155,892	131,349
Office Furniture and Equipment	112,274	69,914	81,806	104,402	89,661	59,796	59,887	235,507	192,689	332,926
Total General	559,787	523,703	634,567	624,488	622,541	538,952	584,973	6,808,515	6,360,343	6,168,718
Total Capital Assets	\$ 37,667,871	\$ 41,927,790	\$ 62,023,195	\$ 60,811,267	\$ 62,056,251	\$ 60,670,234	\$ 63,351,715	\$ 69,999,942	\$ 68,582,274	\$ 68,569,087

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

Source: District Fixed Asset System

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water										
Water storage capacity-Elevated (MG)	5	5	5	5	5	5	5	5	5	5
Water storage capacity-Ground (MG)	7	7	9	9	9	9	9	9	9	9
Miles of water mains	888	901	926	926	926	932	937	925	933	945
Number of active wells	20	20	21	21	21	21	21	21	21	20
Production (MG)	1,667	1,578	1,634	1,619	1,550	1,666	1,896	1,954	2,089	2,183
Billed and unbilled consumption (MG)	1,435	1,415	1,442	1,375	1,288	1,422	1,661	1,612	1,737	1,837
Water loss ratio	86.1%	89.7%	88.2%	84.9%	83.1%	85.3%	87.6%	82.5%	83.2%	84.2%
Available Supply Capacity (MG)	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8	25.4
Wastewater										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of lift stations	8	8	8	8	8	8	7	7	7	7
Miles of sewer mains	43	45	45	45	45	45	48	48	49	49
Annual engineering maximum plant capacity (MG)	256	256	256	256	256	284	284	284	284	288
Amount treated annually (MG)	132	130	125	162	146	107	160	178	171	173
Unused capacity (MG)	123	126	131	94	110	177	124	106	113	115
Percent of capacity utilized	51.8%	50.7%	48.8%	63.3%	57.0%	37.7%	56.3%	62.6%	60.3%	60.1%

Sources:

- District Financial Audits
- TWDB Water Audit Reports
- District Operational Reports

OVERALL COMPLIANCE AND
INTERNAL CONTROL SECTION

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, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated May 12, 2022.

Report on Internal Control Over Financial Reporting

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

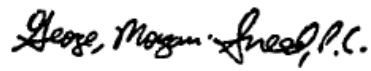
Report on Compliance and Other Matters

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
May 12, 2022

**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

Opinion on Each Major Federal Program

We have audited the Johnson County Special Utility District's (the "District") compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

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, 2021.

Basis for Opinion on Each Major Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Johnson County Special Utility District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts and grant agreements applicable to the District's federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there was a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District’s compliance with the requirements of each major federal program.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we considered to be a material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

George Morgan Jones, P.C.

Weatherford, Texas
May 12, 2022

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 X No

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

Noncompliance material to financial statements noted Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(s) identified that are not considered to be material weaknesses? Yes X 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 X 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 X 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, 2021**

None.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2021

Contact for Corrective Action Plan:

Peter Kampfer
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, 2021

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	L1000790	-	7,033,888
Total U.S. Environmental Protection Agency			-	7,033,888
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 7,033,888</u>

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, 2021

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.