



# JCSUD

## 2022 | ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022



740 FM 3048 JOSHUA, TX 76058

[WWW.JCSUD.COM](http://WWW.JCSUD.COM)

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# **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

For the Fiscal Year Ended  
December 31, 2022

Prepared by:

Finance Department

JOHNSON COUNTY SPECIAL UTILITY DISTRICT  
Annual Comprehensive Financial Report  
December 31, 2022

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## INTRODUCTORY SECTION

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## Letter from the General Manager

April 6, 2023

To: President Glen Walden,  
Members of the Board of Directors,  
And Johnson County Special Utility District



Peter Kampfer, GM

### Introduction to the Annual Comprehensive Financial Report

We are pleased to present the Annual Comprehensive Financial Report (ACFR) for Johnson County Special Utility District for the fiscal year ended December 31, 2022. This report provides our customers, Board of Directors, and other interested parties with detailed information concerning the financial condition and activities of JCSUD. State law and debt covenants require that JCSUD publish a complete set of audited financial statements at the close of each fiscal year. Management assumes full responsibility for the completeness, fairness, and reliability of the information contained in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is organized in a manner designed to fairly state the financial position and results of the operations of JCSUD as measured by the proprietary fund financial activity. We also believe that all disclosures necessary to enable the reader to understand the District's financial affairs fully have been included.

### Economic Summary

Following the COVID-19 pandemic, economic uncertainty plagued the United States economy, bringing challenges to JCSUD. The U.S. inflation rate reached its highest point in nearly 40 years, outpacing any nominal wage increases in the market. In attempts to reduce inflation rates, interest rate hikes have been implemented by the government, increasing the cost of debt. Supply chain issues continued through 2022, applying strains in getting materials and equipment across all business sectors. Since September of 2021, Texas has been in a drought, which intensified this summer with triple-digit temperatures. Approximately 27% of the state is under exceptional drought, while around 62% is under extreme drought. Many water providers have initiated more stringent Drought Contingency Plans, enforcing mandatory restrictions on customers' water consumption.

### 2022 Goals and Accomplishments

I am proud of our accomplishments through adversity this past year. Despite the challenges presented in 2022, we remained focused on serving a reliable supply of high-quality water. One of the attributes of this success is our highly skilled, professional, and motivated workforce. Due in part to our new Human Resources Department, the JCSUD employee base has grown from 42 individuals to 61 individuals. Part of this workforce growth included an internal Engineering Department, which has proven to be a valuable asset to the District. Last year, we were able to internalize all the District's Hydraulic Modeling responsibilities which reduced processing times for hydraulic analyses and standardized hydraulic analysis fees, providing residential developers with predictable costs and schedules.

The District is experiencing unprecedented growth, creating a need for additional infrastructure to bring new developments onto the JCSUD system. Contribution in Aid of Construction agreements were approved to fund the necessary infrastructure to bring on the new developments, ensuring developers pay for the required infrastructure. These agreements allowed the System Development team to bring on thirty-four (34) developments for a potential of 1,464 connections to the water system and 80 connections to the wastewater system. This growth and the subsequent projects were the cornerstones of the 2022 JCSUD Water System Master Plan development. The Water Master Plan is the playbook of the District, which anticipates improvements to the system via projected growth over the next fifteen years. More growth means more projects, and the Engineering Department is now managing the District's Capital Improvement Plan (CIP).

The most notable project contained in the 5-year planning window of the 2022 JCSUD Water System Master Plan is the construction of a JCSUD-owned Water Treatment Facility. eHT Engineering has been selected to prepare engineering designs for this project. The location of this facility is undetermined, but one option being evaluated is in Johnson County. In building a new Water Treatment Facility, JCSUD will be able to provide sufficient water to sustain the residents of Johnson County and support growth in the county at a much higher quality of drinking water. The Water Treatment Facility will be a valuable asset to the community that will improve life for Johnson County residents for many years.

The increase in customers moving to Johnson County reiterates the importance of maximizing the efficiency of the JCSUD system. Beginning in February 2022, the Water Operations Department led an aggressive approach to mitigating water loss, reducing the rolling annual loss percentage by over 7% compared to 2021. Additional employees were also allotted to the department to bolster our repair response and efficiency. Other methods of our water loss reduction strategy include “boots on the ground” leak detection and meter consolidation via district metered areas (DMAs).

The JCSUD wastewater system has also received several necessary enhancements to account for future growth and improved service. One prominent accomplishment was procuring a belt press to replace the previously used dewatering boxes to dispose of sludge. This transition to the belt press has proved to be more efficient by reducing disposal costs and greatly limiting odors created at the wastewater plant. Other projects include improved chlorine storage at the wastewater plant for an enhanced disinfection process and the upgrade of the non-potable pumps which provide the necessary pressure to the plant’s system.

With the increase in projects, growth, and improvements to the water and wastewater system, providing exceptional customer service continues to be at the forefront of the District’s goals. To help establish excellent customer service with the customer’s interest in view, a Customer Service Standard Operating Procedure Manual was established and distributed to the Customer Service team. The manual helps incorporate updated standards to reflect current JCSUD requirements and best practices, updates guidance documents and policies to assist in resolving conflicts, helps streamline applications, and provides flexibility to applicants and staff in achieving requirements through innovative technologies. These standards are demonstrated by the implementation of the WaterSmart customer portal, Daupler Response Management System, and Laserfiche, a digital file management system.

Along with the implementation of various customer systems, the District implemented Incode 10, an all-in-one solution Enterprise Resource Planning (ERP) software for accounting, customer management, utility billing, accounts receivable, employee management and payroll, and reporting. This system streamlines processes and creates efficiencies for District staff while providing customers with enhanced payment systems and online account management systems. Incode 10 also improves the accuracy and transparency of the District’s operations. In other efforts to improve customers’ experience in working with the District, enhancements to the Boardroom were completed, improving presentations, allowing for remote meeting access through live streaming on the JCSUD website, and enhancing audio quality. Additional projectors were installed to ensure attendees could view the presentation and monitors to assist the Board of Directors. The voice quality was enhanced through the installation of an improved microphone system and sound panels to mitigate background noise and reduce the reverberation and echo in the room. The enhancements of the Boardroom were completed to enhance transparency and guarantee the customer’s ability to partake in public meetings.

Another aspect of improved customer service includes the release of the District’s new and improved website in February 2022. JCSUD partnered with CivicPlus, the leading government website provider, to design a customer-focused website with new self-service features. The new website helps meet several of the District’s improved service, communication, and customer interaction goals, as well as coincides with the continued rollout of the new JCSUD brand. The rebranding phase completed in 2022 included updates to the Boardroom, office signage and décor, and a transition to a new logo and branding guide. Another significant addition was the establishment of the JCSUD Core Values: Adaptable, Dedicated, Genuine, Helpful, and Excellent. Our core values are communicated internally and externally and guide how we deliver on our promise to keep life moving forward for those who are counting on us.

Through collaboration, planning, and innovation, JCSUD has had another successful year of providing safe, affordable, and reliable water and wastewater services to Johnson County and surrounding communities. We embraced innovative approaches to get the job done and strategically planned several months in advance to minimize disruptions or delays. I am confident in our ability to meet the needs of our customers and will strive to improve every day. JCSUD has made great strides to display excellence in our commitment to providing our

customers with a reliable, high-quality water supply at an affordable price.

## Financial Standing and Audit Information

The trend of financial success for the District continued in 2022. The District's net position increased by \$16,528,281, primarily due to the rapid growth and Contribution in Aid of Construction for necessary infrastructure. Total operating revenues increased by 29% over 2021 due to increased water sales, while expenses increased by only 19% due to additional staff, repairs to the water system, water purchases, and professional fees. Total water production for 2022 was 2,673 million gallons, a 22% increase from 2021 at 2,183 million gallons. The rise in production is attributable to the drought conditions and significant increase in wholesale water sales and growth onto the system.

George, Morgan, and Sneed, P.C., a firm of licensed, certified public accountants in Weatherford, TX, have audited the financial statements for the fiscal year ending in 2022. The goal of the independent audit was to provide reasonable assurances that the financial statements of JCSUD are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and evaluating the overall financial statement presentation. 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 2022 are fairly presented in conformity with GAAP.

This report is presented in three sections: Introductory, Financial, and Statistical. The Introductory section includes a letter of transmittal, a listing of JCSUD elected officials and management, an organizational chart, a profile of the District, and major accomplishments. The Financial section includes a Management's Discussion and Analysis (MD&A), basic financial statements, and the independent auditor's report on the basic financial statements. As required by GAAP, the MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. The letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The District's MD&A can be found immediately following the Independent Auditor's Report. The Statistical section includes financial and demographic information, presented on a multi-year basis, that is relevant to a financial statement reader.

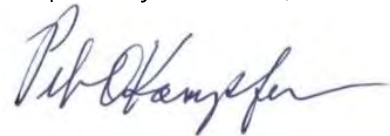
## Awards and Acknowledgements

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 annual comprehensive financial report for the fiscal year ended December 31, 2021. This was the 9th consecutive year that JCSUD had achieved this prestigious award. The Certificate of Achievement is a national award recognizing conformance with the highest standards for preparing state and local government financial reports.

## Conclusion

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. Appreciation is expressed to the employees throughout the organization, especially those employees instrumental in the successful completion of this report. Additionally, we would like to thank the Board of Directors for their unfailing support in maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully Submitted,



Peter Kampfer  
General Manager



Joshua Howard  
Deputy General Manager  
Finance

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# JCSUD

# 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 purpose is to keep life moving forward for those who are counting on us. Without access to clean water, our lives would stop. That's why our commitment to taking great care of our families, coworkers, and the communities we serve, flows deep within all of us.

### Our Board Vision

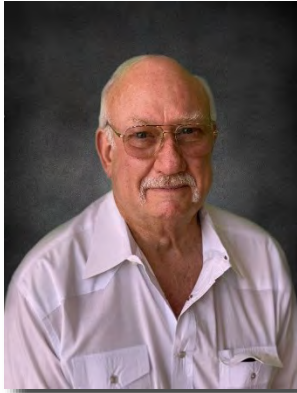
JCSUD will become Texas' preeminent Special Utility District by consistently fulfilling mandates to supply potable water in a safe, timely and environmentally compliant manner. Dedicated to innovation, stewardship, collaboration, and excellent customer service.

### JCSUD Core Values

Relationships with our customers are **built on trust**. JCSUD's core values drive how we deliver on our promise to provide clean water safely, reliably, and affordably day in and day out to maintain trust.

Adaptable | Dedicated | Genuine | Helpful | Excellent





**Glen Walden**  
President



**Harry Shaffer**  
Vice President



**Ronnie Nichols**  
Secretary/Treasurer



**Gene Petross**  
Director



**Gary Giesen**  
Director



**Mike Bowles**  
Director



**Eric Baze**  
Director



**Josh Howard, CPM**  
Deputy GM



**Dana Collier, CPM**  
Deputy GM



**Jeremiah Bihl, PE, PMP**  
District Engineer



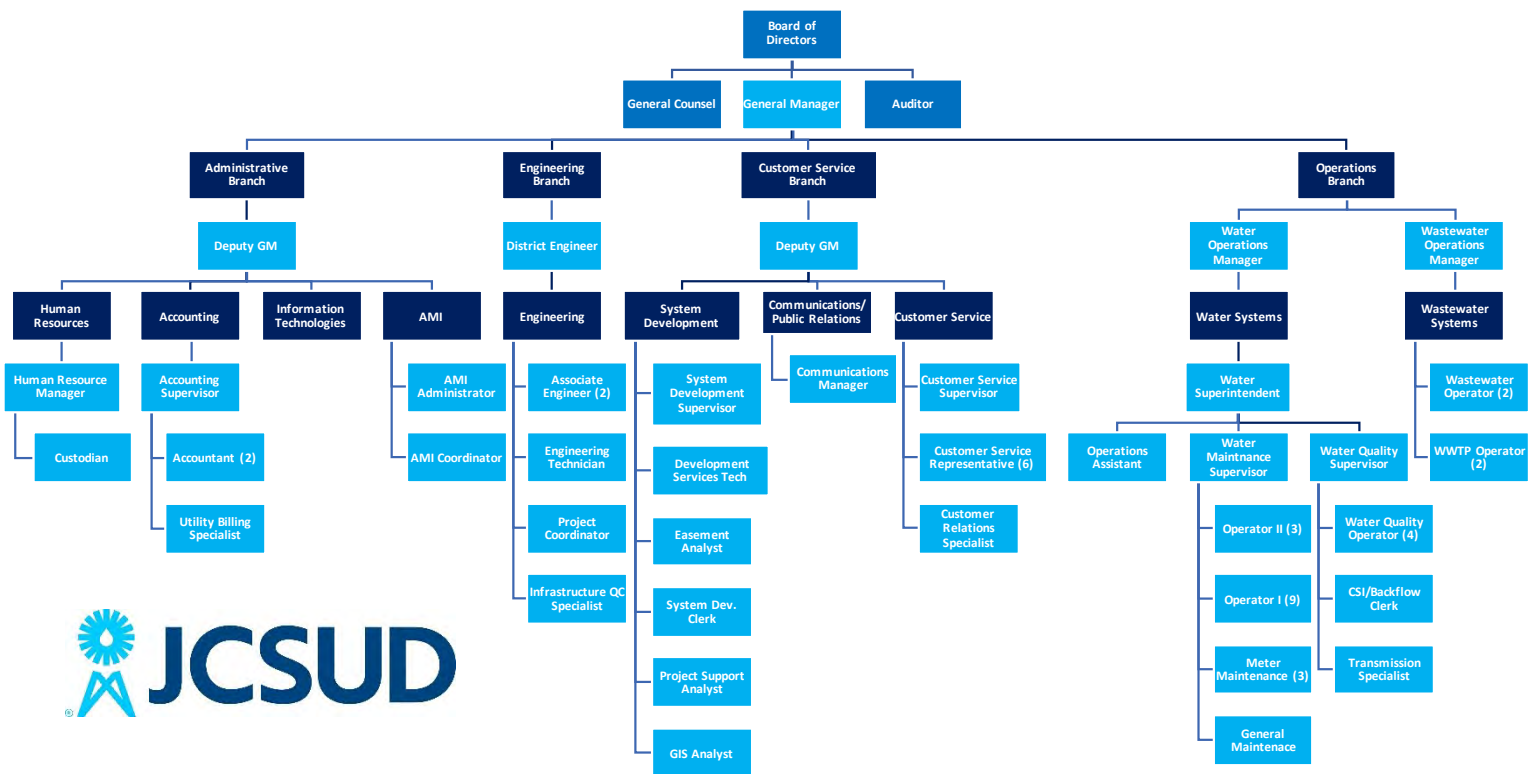
**Tyler Lyles**  
Water Operations



**James Lyles**  
Wastewater Operations



**Sinclaire Newby**  
Communications





## History

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 the domain of 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. Granbury decided it worked best to construct their own treatment plant in this transition. Also, the City of Keene agreed to become a direct wholesale customer of JCSUD.

The Brazos Regional PUA has proven to be a significant improvement as the new organization of record provides more favorable results for additional water capacity. 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.

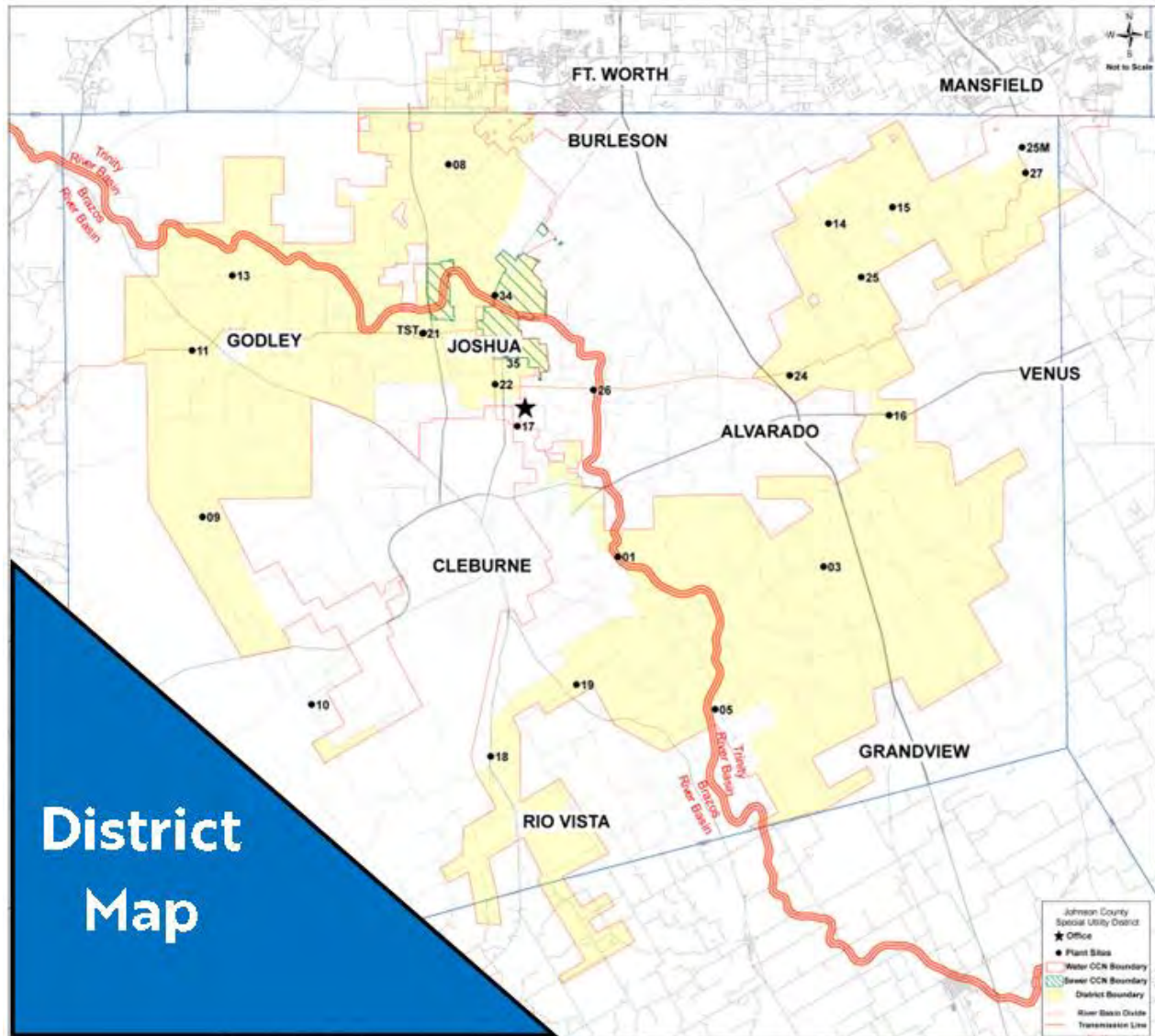
In June 2019, JCSUD moved its business operation from Cleburne, Texas, to occupy its new facility on FM 3048 in Joshua, Texas. Now begins a new era as the entire business and operations finally originate from a central location relative to the District's service area.

In the last 20 years, connections have doubled to over 21,000 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, Monarch Utilities, and Mountain Peak Special Utility District (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 25 MGD and 6 MGD with the City of Grand Prairie. JCSUD accounts for an ample total water supply capacity of 39.7 MGD.

The system has about 906 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 counties. 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.

The District operates seven lift stations among nearly 51 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 approximately 450K 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 increased drastically through 2022. Pool rates were 0.09% at the beginning of 2022 and ended at 3.59%. Rates for Certificates of Deposit (CD) increased significantly as well. At the end of December 2022, a one-year CD yielded between 4.25% and 4.70% compared to .40% and 0.60% at the end of December 2021. 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 2 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, 2022.

### **Water Loss Control Program**

JCSUD implemented a water loss control program in March 2022. The importance of prioritizing active leak control practices and procedures in identifying water loss and corresponding strategies to reduce leakage cannot be understated. JCSUD has increased revenues and benefits from the extension of sustainable water supplies, reduced operating costs, improved system hydraulics and District efficiency, and improved environmental stewardship. JCSUD has significantly reduced water loss, reducing the 12-month total water loss rolling average percentage from 15.96% to 11.04%.



### **WaterSmart® Customer Portal**

JCSUD implemented the free WaterSmart® Customer Portal. This program provides data to a user-specific dashboard designed to help you track your home's water use and spending with an easy-to-use digital platform. This service allows customers to view their home's water use, be notified of leaks, receive urgent notifications regarding their water service, access tips and actions to conserve water and compare their water use to similar homes. The WaterSmart® Customer Portal is made possible through the implementation of the Advanced Metering Infrastructure (AMI) network. AMI is a two-way communication system that remotely collects detailed metering information throughout a utility's system. JCSUD's implementation of the AMI network began in 2019. AMI is rapidly becoming the up-and-coming new standard among public water systems and other utilities around the country. AMI operates from a specialized data management software system that integrates with new "smart meters." Converting JCSUD over to the AMI system enhances customer service and improves the overall efficiency of the meter reading and billing process. Additionally, the AMI network enhances customer service by integrating with JCSUD's free WaterSmart® Customer Portal. Enhancing the District's AMI network and the promotion of the WaterSmart® program will be a continued priority in 2023.

### **Boardroom Enhancements**

Enhancements to the Boardroom were completed, improving presentations, allowing for remote meeting access through live streaming on the JCSUD website, and enhancing audio quality. Additional projectors were installed to ensure attendees could view the presentation and monitors to assist the Board of Directors. The voice quality was enhanced through the installation of an improved microphone system and sound panels to mitigate background noise and reduce the reverberation and echo in the room. The enhancements of the Boardroom were completed to enhance transparency and guarantee the customer's ability to partake in public meetings.



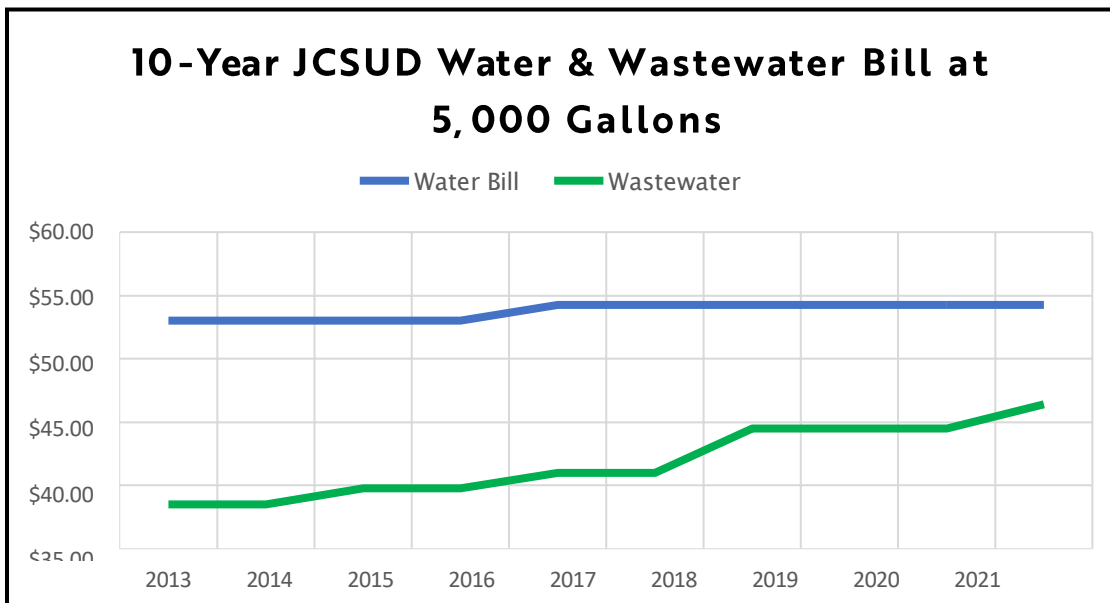
## Safety Program

Safety continues to be a priority of the District. JCSUD 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. Trench shoring was purchased for the operations department to protect the operators from trench cave-ins and collapses. To coincide with this equipment, the operators will be going through trench safety courses and heavy equipment safety training.



## Water and Wastewater Rate Stability

JCSUD has mitigated rate increases and maintained a high level of stability despite soaring inflationary costs impacting the cost of service. Prior to 2022, JCSUD hadn't raised water rates since 2017's modest increase and wastewater rates since 2019. JCSUD strives to manage revenues and expenses efficiently to maintain affordability for our customers.



## Branding, Culture, and Website

2022 saw the continuation of the rollout of the new JCSUD brand to help promote our purpose, unify our team, and energize our brand. This process is the foundation of a complete brand experience across all communication touchpoints, including branding, marketing, content, website, integrations, recruiting, and onboarding. The phase completed in 2022 included updates to the boardroom and inside signage and decor, color changes in the building, and the transition to a new logo. Additionally, several initiatives have taken place during 2022 to build on brand identity and revitalize the organization's culture. One of the significant additions was the establishment of the JCSUD Core Values: Adaptable, Dedicated, Genuine, Helpful, and Excellent. Our core values are how we deliver on our promise to keep life moving forward for those who are counting on us. The values are used internally to build employee culture and externally when establishing customer and stakeholder relationships. Another accomplishment was the release of the



District's new and improved website. JCSUD partnered with CivicPlus, the leading government website provider, to design a customer-focused website with new self-service features. The new website helps meet several of the District's goals of improved service, communication, and interaction with customers. Through the new website, customers can complete online forms, watch live and recorded videos of JCSUD Board meetings, pay water bills, stay up to date with the News Flash module, apply for jobs and alerts, and more.

## District Office Expansion

As JCSUD hired additional employees to provide improved services and accomplish more projects, expanding the facility became necessary. In 2022, the District was able to maximize existing space and build additional workspaces for staff within several departments. Additionally, in August 2022, the existing employee parking lot was expanded from 21 spaces to 42 spaces, 29 parking spaces were striped in the gravel parking strip, and construction of additional parking took place on the north side of the parking lot to provide a total of 102 parking spaces. The improvements also include the installation of lighting within the new parking areas.



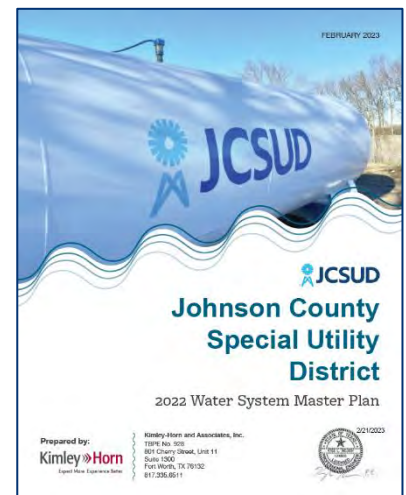
## Daupler Response Management System (RMS)

JCSUD is developing a partnership with Daupler to receive after-hours customer calls and implement a Response Management System (RMS) to be utilized by JCSUD to respond timelier and effectively to emergency water and wastewater calls. The RMS system gathers real-time response data to document response performance, provides management transparency, and provides a customer-facing interface for JCSUD to engage customers. The customer-facing feature includes timelines for incident response detailing crew dispatch, arrival, and departure times, the information provided to JCSUD by the customer during the initial customer call, and the ability for the customer to upload photos, add notes, and provide special instructions. The partnership with Daupler will provide more effective two-way communication between JCSUD and customers through voice and text.

## Water Master Plan Update

The 2022 Water Master Plan was updated to best plan for capital project needs in 5-year increments for the next 15 years. The goal of the Water Master Plan is to develop a plan for JCSUD to meet the demands of its current customers and for the District to serve future projected residential and commercial developments within the study area. While infrastructure was planned through the 15-year period in the Capital Improvement Plan, infrastructure was sized for 25-year demands through 2047. The scope of the study was to recreate and calibrate the District's existing hydraulic model, analyze the existing system for deficiencies, and to make recommendations to serve the projected developments through the 15-year planning period. The 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.

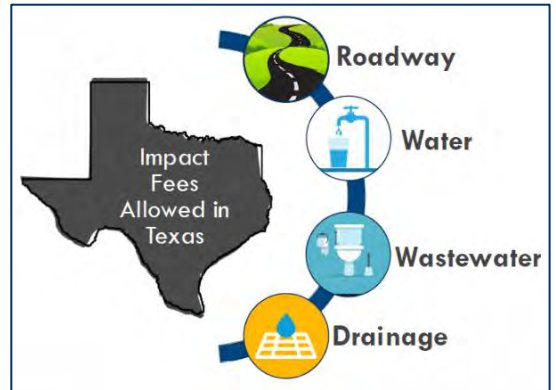
The District maintains a Wastewater Master Plan for the Joshua area of the system. Master planning enables the District to plan best for needed collection system improvements for better efficiency and accommodating growth. A Wastewater Master Plan was developed to assist the District with a regional 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.

### Impact Fees and Capital Improvement Advisory Committee

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. As part of the Impact Fee process, the District established a Capital Improvement Advisory Committee (CIAC) to review and provide written comments to the District Board on Land Use Assumptions, Impact Fee Capital Improvements Plan, and to monitor and evaluate the implementation of the Impact Fee. The calculation and development of Impact Fees are expected to be completed in 2023.



### Mt Peak Special Utility District Wholesale Water Purchase Contract

In 2022, JCSUD and Mountain Peak Special Utility District (MPSUD) executed a Wholesale Water Purchase Contract for JCSUD to supply MPSUD with treated surface water. The District is reviewing construction plans to install necessary waterlines and a take point to deliver treated surface water as committed in the wholesale water purchase contract.

## JCSUD | 2022 Capital Improvement Projects (CIP)

### Water Capital Improvement Projects

The East County Road 405 project is located just south of Alvarado, between CR 401 and I-35W, and replaced approximately 2100 LF (0.4 miles) of a 2 ½-inch waterline with a 6-inch waterline. The east CR 405 project was categorized in the 2020 Water Master Plan as a line showing pressure issues. The 6-inch waterline resolved the pressure issue.



The South Hill County Road 1421 Loop project is located approximately 5 miles south of Rio Vista off of FM 2488 and replaced approximately 1500 LF (0.25 miles) of a 1 ½-inch waterline with a 6- inch waterline. The south HCR 1421 Loop project was categorized in the 2020 Water Master Plan as a line having pressure issues. The 6-inch waterline resolved the pressure issue.



In 2022, 6 (six) Water Capital Improvements Projects began. The Joshua Main Street Water Line Replacement Project began construction. This project is designed to help provide additional fire-flow capacity to the City of Joshua. The Plant 5 Pressure Tank is finishing up construction and will help bring the pressure plane into TCEQ capacity compliance. There are 3 (three) water line replacement projects, FM 4, CR 401 and CR 1206. These projects are designed to help increase water pressure in their respective pressure planes.

### **Wastewater Capital Improvement Projects**

In Joshua, the Sweetbriar Sewer Line Replacement Project repaired 150 feet of old sewer line with a new PVC sewer line which improved the system and reduced backups.

In 2022, seven (7) old brick manholes were rehabilitated with new concrete manholes. These new manholes will help improve the sewer system and reduce unwanted water and debris from entering the sewer system.

Along FM 917, just outside Joshua, a project is under construction to replace 510 feet of old collapsed clay pipe with a new PVC sewer line. The new line will help reduce the possibility of backups.



Also in 2022, the Greenhill Drive Project in Joshua installed two (2) new concrete manholes. The manholes were installed in places where the sewer line was bending. By adding these manholes, the system can now flow easier, and this area can now be maintained more efficiently.

For the Wastewater Treatment Plant, a permanent belt press was approved and ordered. The belt press will help remove moisture from the sludge produced at the plant and reduce disposal costs incurred by the District. The belt press project is expected to be installed and completed in late 2023.

In 2022, the FM 917 Sewer Line Replacement Project was completed. This project involved replacing collapsed clay sewer line with new PVC sewer line.

## **\$22M CIP/Bond Project**

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The \$22 million-dollar (\$22M) Texas Water Development Board (TWDB) bond project began construction in the summer of 2020. The \$22M project consists of 11 projects throughout the system and upgraded approximately 130,000 LF (25 Miles) of waterlines throughout the system.

- CR 913 (Godley/Joshua/Burleson)
- FM 1902 (3 projects) (Crowley/Burleson/Joshua)
- FM 2331 (Godley/Cleburne)
- CR 312 (Grandview)
- FM 4 (Godley/Cleburne)
- FM 2415 (Alvarado/Grandview)
- CR 402 (Grandview)
- I-35W (Grandview)
- FM 917 (Alvarado/Mansfield)

The bond project was installed to improve the water supply in some areas of the system while also providing fire hydrants that will benefit the local area. The installation of these projects also improves the District's service capacity.

### **Burleson – Plant 8 Elevated Water Storage Project**

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This project involves the construction of an elevated storage tank on CR 919. It will be constructed to hold 1 million gallons of water and stand 176 feet tall. This new storage tank will enhance water pressure in Pressure Plane 08 and provide additional water supply for emergencies. This project also includes the installation of new larger waterlines. These new waterlines will help provide better water service and pressure throughout the pressure plane.



### **Redline Projects**

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Redline projects are waterlines that have been designated as needing improvements due to low pressure or projecting to exceed connection amounts that meet state requirement thresholds. Redline projects are a year-over-year process that generally addresses new connections which tend to come onto older areas of the system. 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 "redlines." The District's strategy is to replace or supplement existing lines with larger ones as soon as practical coupled with available funding. The staff generally manages the preliminary 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

## System Development Updates

System Development had an exceptionally large year in new developments and new connections set onto the system. In 2022, System Development worked with several developers and engineering firms to complete 34 developments, adding 935 connections onto the water system and 66 connections onto the wastewater system, adding approximately \$5.67M in contributed capital to the District.

Contributed Property of subdivision development and commercial ventures for 2022 recorded a value of \$2.37 million. This annual accounting to "book" contributed property memorializes the District's final approval of a development. The water utility infrastructure within the subdivision has been properly installed, and it is formally accepted as JCSUD's capital to operate and maintain.

The District participated in one (1) of the developments with oversizing pipes. These lines consisted of oversizing approximately 8,221 feet of 12-inch waterline to a 16-inch waterline.



**JCSUD**

**Current Initiatives**

## Community Development Grant Project

The Community Development Grant projects were completed in 2022 with two separate projects that consisted of 3,687 feet of 6-inch pipe along CR 1121 in Cleburne and 4,200 feet along Highway 4 in Grandview. The District submitted this grant application in February 2017. The Texas Department of Agriculture administered a grant for \$275,000 through the Community Development Block program and Johnson County.

## 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 worked with the City of Mansfield to expand the current wholesale agreement to 25 MGD. As part of the agreement update, the City of Mansfield will construct a 30" waterline to Plant 27 to support the increased capacity.



## Water Hydraulic Model

The District rolled out the implementation of a District-controlled water model in 2022. Hydraulic Water Models are now being performed within the Engineering Department. Since moving the model in-house, the District has seen a quicker turnaround time for developer and internal hydraulic model requests. Following the update to the Water Master Plan, Kimley-Horn Engineering updated the District's Hydraulic Model to align with the Water Master Plan.

## Wastewater Hydraulic Model

The Department began performing wastewater hydraulic analyses through the use of a wastewater hydraulic model. This allows the Department to model impacts on the wastewater collection system caused by new developments. In 2022, the Department acquired new software to design and run more accurate

to build the new model. The new model has all the sewer lines drawn in, but the elevations are needed to get hydraulic information on the system. All the manholes have been drawn into the model, but the depth of the manholes is required to get the model to run. This new hydraulic model will allow the Department to make determinations on new developments coming onto the JCSUD wastewater system and plan for future expansions. Once Phase I of the Wastewater Strategic Plan is completed, the model will have all the required hydraulic information it needs.

### Pressure Plane 13

The District authorized KH to begin the design of the Capacity Improvements of Pressure Plane 13. These improvements include upgrading an existing pump station, a new 1.5-million-gallon elevated storage tank, larger transmission lines, and a new pump station. The design is being completed in phases with phase I being completed in 2023.



### RO Feasibility Study

In 2022, the District tasked Hazen & Sawyer to prepare a Due Diligence Report to identify and determine the conceptual layout and space requirements for a new water treatment plant – including major equipment, structures, pipes, electrical, instrumentation, and sitework, as well as development of the planning level cost estimate and property boundary for a new water treatment plant. NewGen Strategies and Solutions was also engaged by the District to conduct a feasibility study and review the Operating Agreement in place for the Brazos Regional Public Utility Agency.

### Employee Anniversary Tie Tack Program

Recognizing and celebrating employee service continues to be a priority of JCSUD. At the end of 2022, the employee anniversary tie tack program was revamped to acknowledge employees who have served the District for at least three years. When employees reach their three-year work anniversary, they are recognized at the Board of Directors meeting and awarded with a gold windmill tie tack pin. Each five-year work anniversary milestone that follows garners a diamond added to their windmill. This is just one of the many ways that the District shows appreciation and gratitude to the employees that keep life moving forward for those who count on us.



## **\$22M CIP/Bond Project**

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## BY THE NUMBERS

Numbers January 1, 2022, through December 31, 2022



## FISCAL YEAR 2022 FINANCES IN BRIEF

Revenues, Expenses, and Changes in Net position (in thousands)

Source	Total	Program	Total
Water Sales	\$ 23,044	Water Purchases	\$ 7,478
System Development Fees	3,789	Depreciation	3,191
Sewer Revenue	1,737	Personnel Services	4,730
Capital Contributions	8,725	Repair & Maintenance	1,387
Installation Fees	878	Other	4,368
Miscellaneous	692	Utilities & Communication	1,547
Investment Earnings	621	Interest Expense	568
Penalties	311	Debt Issuance	0
		Change in Net Position	16,528
<b>Total</b>	<b>39,797</b>	<b>Total</b>	<b>39,797</b>

Read our FY22 Comprehensive Annual Financial Report at [jcsud.com](http://jcsud.com)



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Presented to

**Johnson County Special Utility District  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2021

*Christopher P. Morill*

Executive Director/CEO

## FINANCIAL SECTION

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### **Opinions**

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Johnson County Special Utility District, as of December 31, 2022, 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 Opinions**

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**

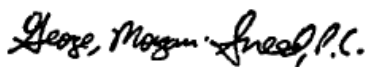
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information and the schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations* 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 April 6, 2023 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Weatherford, Texas  
April 6, 2023

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Johnson County Special Utility District, we offer readers of the Johnson County Special Utility District's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2022. 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 \$119,920,501 (net position) compared to \$103,392,220 for the prior year. Of this amount, \$40,948,574 (unrestricted net position) may be used to meet the District's obligations to creditors.
- The District's total net position increased by \$16,528,281 for the current year reported. Net position in the previous year increased by \$5,473,618
- Total capital assets (net of depreciation) were \$99,097,939 for the current year reported compared to \$90,352,933 in the previous year.
- Bonds payable were \$33,388,113 at year-end compared to \$36,089,462 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 - 22 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 \$119,920,501 as of December 31, 2022.

A significant portion of the District’s net position (62%) 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 assets 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 \$26 million annually in collections from retail and wholesale customers. JCSUD reports that about 18% of every dollar collected from customers 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 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$42,156,603 represents resources that may be used to meet the District’s ongoing obligations to creditors. As of December 31, 2022, 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

	2022	2021
Current assets and other assets	\$ 60,891,751	\$ 54,056,664
Capital assets	99,097,939	90,352,933
Total assets	<u>159,989,690</u>	<u>144,409,597</u>
Liabilities		
Current liabilities	8,627,833	7,509,623
Long-term liabilities	30,902,648	33,507,754
	<u>39,530,481</u>	<u>41,017,377</u>
Deferred inflow of resources	<u>538,708</u>	<u>-</u>
Net position		
Net investment in capital assets	73,985,091	64,661,066
Restricted for debt service	3,778,807	6,353,444
Unrestricted	42,156,603	32,377,710
	<u>\$ 119,920,501</u>	<u>\$ 103,392,220</u>

## Changes in Net Position

	2022	2021
Revenues		
Operating revenues:		
Water sales	\$ 23,043,658	\$ 17,563,849
Sewer revenue	1,736,750	1,556,750
Penalties	310,964	290,283
Installation fees	878,503	583,414
Miscellaneous fees	355,741	354,490
Nonoperating revenues:		
Investment earnings	621,398	45,337
Other income	336,429	201,358
System development fees	3,788,810	2,373,362
Total revenues	31,072,253	22,968,843
Expenses:		
Water purchases	7,478,047	7,220,583
Other operating	12,031,827	8,723,406
Depreciation	3,190,912	3,086,196
Nonoperating	567,730	832,232
Total expenses	23,268,516	19,862,417
 Income before capital contributions	 7,803,737	 3,106,426
 Capital contributions	 8,724,544	 2,367,192
 Change in net position	 16,528,281	 5,473,618
Net position - beginning	103,392,220	97,918,602
Net position - ending	\$ 119,920,501	\$ 103,392,220

The District's net position increased \$16,528,281 in the current year compared with a \$5,473,618 increase in the prior year. \$8,724,544 of the increase is due to capital contributions compared to \$2,367,192 in the previous year.

Total operating revenues increased \$5,976,830 (29%). Water sales increased \$5,479,809 due to a rate increase and increased customers and gallons of water sold. Nonoperating revenues increased \$2,126,580 primarily because of an increase in system development fees from new connections. Total expenses increased \$3,406,099. Water purchases increased \$257,464 because more water was purchased in current year. Other operating expenses increased \$3,308,421 due to new employees being hired and increases in professional, legal, and engineering. The increase in expenses before nonoperating expenses is 19%. Nonoperating expenses decreased due to debt issuance costs of \$304,659 in the prior year.

## Capital Assets

The Johnson County Special Utility District's investment in capital assets as of December 31, 2022, amounts to \$99,097,939 (net of accumulated depreciation).

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

- \$5,218,377 for water and sewer construction projects.
- \$501,049 for new trucks for the District office.
- \$5,684,041 for water and sewer system improvements.

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

	2022	2021
Land	\$ 875,358	\$ 875,358
Construction in progress	26,604,014	21,783,847
Buildings and building improvements	5,224,111	5,534,855
Water distribution systems	59,672,350	55,861,470
Sewer distribution systems	5,270,599	5,543,835
Equipment, furniture and fixtures	1,451,507	753,568
	<u>\$ 99,097,939</u>	<u>\$ 90,352,933</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, 2022:

Description	2022	2021
Revenue Bonds	<u>\$ 33,388,113</u>	<u>\$ 36,089,462</u>

More detailed information about the District's debt is presented on Note 7 in the notes to financial statements.

## **Economic Factors and the Next Year's Budgets and Rates**

In the 2023 budget, General Fund revenues are budgeted to increase by 12.8% from the 2022 budget. The District has taken into consideration the impact of Capital Contributions in Aid of Construction (CIAOC) and System Development Fees dedicated towards CIAOC projects when projecting this increase in revenues. JCSUD expects continued growth through new development in 2023, projecting a 12.6% increase in residential water sales and a 10.1% increase in wastewater sales in comparison with 2022 budgeted revenues. Wholesale water customers continue to rely on their contracted water capacity with the District to service their increased water demand. In 2023, the District will continue to pursue economic development and wholesale opportunities, allowing for a 8.4% increase in budgeted wholesale water sales.

In 2023, JCSUD will continue its water loss initiatives to sustain affordable and reliable water services, keeping customers as our focus. Customers are at the forefront of our organization and we will continue to provide opportunities and ways for customers to stay plugged in to important District information. The utilization of the WaterSmart Customer Portal to provide user specific information in real-time to customers, along with the Daupler Response Management System, will continue to improve our customer experience. JCSUD employees are receiving continued professional development through Safety Program initiatives as well as internal branding and culture. The futuristic outlook proves to be optimistic as JCSUD continues its development of long-term planning.

## **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 Deputy GM of Johnson County Special Utility District, P.O. Box 1390, Joshua, Texas 76058.

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JOHNSON COUNTY SPECIAL UTILITY DISTRICT  
Statement of Net Position  
Proprietary Fund  
December 31, 2022

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 26,550,617
Certificates of deposit	2,080,000
Accounts receivable (net of allowance for uncollectibles)	2,673,798
Leases receivable	538,708
Inventory	1,149,208
Prepaid items	249,646
Restricted assets	
Cash and cash equivalents	15,525,201
Total current assets	48,767,178
Noncurrent Assets	
Other assets:	
Equity interest in joint venture	12,124,573
Capital assets (net of accumulated depreciation)	
Nondepreciable	27,479,372
Depreciable assets	71,618,567
Capital assets, net	99,097,939
Total noncurrent assets	111,222,512
Total assets	\$ 159,989,690

**LIABILITIES**

Current liabilities	
Accounts payable	\$ 3,050,358
Accrued expenses	47,387
Accrued payroll liabilities	122,394
Compensated absences payable	145,469
Current liabilities payable from restricted assets	
Interest payable	215,255
Customer deposits payable	2,442,626
Current portion of bonds payable	2,604,344
Total current liabilities	8,627,833
Noncurrent liabilities	
Compensated absences payable	118,879
Bonds payable	30,783,769
Total noncurrent liabilities	30,902,648
Total liabilities	\$ 39,530,481

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to leases	538,708
Total Deferred Inflow of Resources	\$ 538,708

**NET POSITION**

Net investment in capital assets	\$ 73,985,091
Restricted for debt service	3,778,807
Unrestricted net position	42,156,603
Total net position	\$ 119,920,501

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, 2022

**OPERATING REVENUES**

Water sales	\$ 23,043,658
Sewer revenue	1,736,750
Penalties	310,964
Installation fees	878,503
Miscellaneous fees	355,741
Total operating revenues	26,325,616

**OPERATING EXPENSES**

Water purchases	7,478,047
Personnel	4,730,392
Repair, maintenance and supplies	1,387,340
Utilities and communication	1,546,989
Other	4,367,106
Depreciation	3,190,912
Total operating expenses	22,700,786
Operating income (loss)	3,624,830

**NONOPERATING REVENUES (EXPENSES)**

Investment earnings	621,398
Other income	336,429
System development fees	3,788,810
Interest expense	(567,730)
Total nonoperating revenue (expenses)	4,178,907
Income (loss) before contributions	7,803,737

**CAPITAL CONTRIBUTIONS**

Capital contributions	8,724,544
Change in net position	16,528,281
Net position - beginning	103,392,220
Net position - ending	\$ 119,920,501

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, 2022

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 25,755,378
Cash paid to suppliers and service providers	(14,724,653)
Cash paid to employees for salaries and benefits	(4,638,348)
Net cash provided (used) by operating activities	<u>6,392,377</u>
<b>Cash flow from capital and related financing activities:</b>	
Capital outlay	(5,795,007)
System development fees	3,788,810
Capital contributions	3,040,354
Principal payments on long-term debt	(2,670,000)
Interest paid on bonds	(583,353)
Net cash (used) by capital and related financing activities	<u>(2,219,196)</u>
<b>Cash flow from investing activities:</b>	
Interest received	<u>621,398</u>
Net cash provided by investing activities	<u>621,398</u>
Net increase (decrease) in cash and cash equivalents	4,794,579
Cash and cash equivalents, January 1, 2022	<u>37,281,239</u>
Cash and cash equivalents, December 31, 2022	<u>\$ 42,075,818</u>
<b>Reconciliation of Operating Income to</b>	
<b>Net Cash Provided (Used) by Operating Activities</b>	
Operating income	\$ <u>3,624,830</u>
Adjustments to reconcile operating income to	
net cash provided (used) by operating activities:	
Other income	336,429
Depreciation expense	3,190,912
(Increase) decrease in accounts receivable	(1,062,263)
(Increase) decrease in supplies inventory	(646,672)
(Increase) decrease in prepaid items	(19,879)
(Increase) decrease in equity interest in joint venture	227,014
Increase (decrease) in accounts payable	471,648
Increase (decrease) in accrued expenses	22,718
Increase (decrease) in accrued payroll liabilities	2,468
Increase (decrease) in compensated absences payable	89,576
Increase (decrease) in customer deposits payable	155,596
Total adjustments	<u>2,767,547</u>
Net cash provided by operating activities	<u>\$ 6,392,377</u>
<b>Noncash Investing, Capital and Financial Activities</b>	
Contribution of capital assets by developers	\$ <u>5,684,191</u>
	<u>\$ 5,684,191</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, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Johnson County Special Utility District (the District) is a governmental entity created by the 78<sup>th</sup> 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 accepted 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, 2022

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.

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, 2022

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, 2022

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, 2022, 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, 2022, 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 District'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, 2022

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, 2022, included the following:

Description	Rating	Maturities	Investment	Cost	Market
Logic Pool	AAAm	17 days	42.95%	\$18,399,400	\$18,399,400
TexStar Pool	AAAm	5 days	43.70%	18,721,940	18,721,940
Tex-Pool	AAAm	17 days	7.67%	3,283,697	3,283,697
Texas TERM Pool	AAAf	32 days	0.83%	354,486	354,486
Certificates of Deposit	n/a	n/a	4.86%	2,080,000	2,080,000
Total			100.00%	<u>\$42,839,523</u>	<u>\$42,839,523</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 \$40,759,523 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	\$ 10,296,543
P&I sinking funds	1,353,671
Revenue bond reserves	2,640,391
Customer deposits	2,442,626
	<u>\$ 16,733,231</u>

JOHNSON COUNTY SPECIAL UTILITY DISTRICT  
Notes to Financial Statements  
December 31, 2022

NOTE 4: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Reclassification	Ending Balance
Non Depreciable Assets:					
Land	\$ 875,358	\$ -	\$ -	\$ -	\$ 875,358
Construction in progress	21,783,847	5,218,377	-	(398,210)	26,604,014
Total non-depreciable assets	<u>22,659,205</u>	<u>5,218,377</u>	<u>-</u>	<u>(398,210)</u>	<u>27,479,372</u>
Depreciable Assets:					
Buildings and building improvements	6,281,870	-	-	-	6,281,870
Water distribution systems	86,337,943	5,684,042	-	398,210	92,420,195
Sewer distribution systems	8,677,529	-	-	-	8,677,529
Equipment, furniture and fixtures	2,792,558	1,033,499	-	-	3,826,057
Total capital assets being depreciated	<u>104,089,900</u>	<u>6,717,541</u>	<u>-</u>	<u>398,210</u>	<u>111,205,651</u>
Accumulated Depreciation:					
Buildings and building improvements	(747,015)	(310,744)	-	-	(1,057,759)
Water distribution systems	(30,476,473)	(2,271,372)	-	-	(32,747,845)
Sewer distribution systems	(3,133,694)	(273,236)	-	-	(3,406,930)
Equipment, furniture and fixtures	(2,038,990)	(335,560)	-	-	(2,374,550)
Total accumulated depreciation	<u>(36,396,172)</u>	<u>(3,190,912)</u>	<u>-</u>	<u>-</u>	<u>(39,587,084)</u>
Business-type activities capital assets, net	<u>\$ 90,352,933</u>	<u>\$ 8,745,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,097,939</u>

NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Lease-related amounts are recognized at the inception of leases in which the District is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

At the end of the fiscal year, the deferred inflows for leases were \$538,708.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT  
Notes to Financial Statements  
December 31, 2022

NOTE 6: LEASES RECEIVABLE

The district is reporting Leases Receivable of \$538,708 on December 31, 2022. For 2022, the District reported lease revenue of \$110,156 and interest revenue of \$7,564 related to the lease payment received. The lease is summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Tower Leases	\$ 538,708	\$ 110,156	\$ 7,564
Total	\$ 538,708	\$ 110,156	\$ 7,564

*Tower Leases* – The District (lessor) entered into multiple lease agreements for tower space to various wireless internet providers. The initial lease terms are 5 years, with renewal terms of either 1 additional 5-year term or 2 additional 3-year terms. Based on the agreement, the District is receiving monthly payments through 2032. Future payments receivable are as follows:

	Principal	Interest
2023	\$ 44,559	\$ 32,841
2024	47,398	30,002
2025	50,423	26,977
2026	53,648	23,752
2027	57,086	20,314
2028-2032	285,594	45,105
	\$ 538,708	\$ 178,991

NOTE 7: 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, 2022

NOTE 7: LONG-TERM LIABILITIES (continued)

Series	Issue Amount	Maturity Date	Interest Rates	Amount Outstanding
2012 Revenue Refunding Bonds	9,500,000	8/15/2031	.30% - 2.00%	5,040,000
2013 Revenue Refunding and Improvement Bonds	8,510,000	8/15/2031	1.25% - 2.65%	3,955,000
2018 Revenue Bonds (TWDB)	22,000,000	8/15/2038	.38% - 1.82%	18,050,000
2021 Revenue Bonds	6,830,000	8/15/2031	1.00% - 2.00%	6,160,000
Total				<u>\$33,205,000</u>

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
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	2,740,000	413,488	3,153,488
2028-2032	12,650,000	1,309,701	13,959,701
2033-2037	6,015,000	435,878	6,450,878
2038-2042	1,265,000	23,023	1,288,023
	<u>\$ 33,205,000</u>	<u>\$ 4,243,953</u>	<u>\$ 37,448,953</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, 2022, was \$1,179,004 and the actual balance was \$1,353,671.

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 \$2,640,391 at December 31, 2022.

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, 2022

NOTE 7: LONG-TERM LIABILITIES (continued)

The following is a summary of long-term liability transactions of the District for the year ended December 31, 2022:

Description	Beginning Balance	Additions	Retirements	December 31, 12/31/2022	Due within one year
Revenue Bonds	\$ 35,875,000	\$ -	\$ (2,670,000)	\$ 33,205,000	\$ 2,570,000
Bond Premiums	214,462	-	(31,349)	183,113	34,344
Total Bonds Payable	36,089,462	-	(2,701,349)	33,388,113	2,604,344
Compensated absences	174,772	264,348	(174,772)	264,348	145,469
Total Long Term Debt	<u>\$ 36,264,234</u>	<u>\$ 264,348</u>	<u>\$ (2,876,121)</u>	<u>\$ 33,652,461</u>	<u>\$ 2,749,813</u>

NOTE 8: 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 \$12,124,573 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, 2022:

Year Ending December 31	BRPUA Bonds		
	Principal	Interest	Total
2023	320,000	9,600	329,600
Total	<u>\$ 320,000</u>	<u>\$ 9,600</u>	<u>\$ 329,600</u>

JOHNSON COUNTY SPECIAL UTILITY DISTRICT  
Notes to Financial Statements  
December 31, 2022

NOTE 9: 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 \$20,500 for 2022. In addition to these deferrals, employees at least age fifty may make catch-up contributions of \$6,500 for 2022.

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 \$193,146 for 2022.

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.

The plans do not meet the criteria to be reported as a component unit or fiduciary fund of the District.

NOTE 10: 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 11: CONTRACTS AND COMMITMENTS

1. City of Mansfield

In 2022, the District and the City of Mansfield entered into a new 20-year water purchase contract whereby the District has a total available volume of 25 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, 2022

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. \$20,115,220 has been spent as of December 31, 2022, for loan origination, engineering, the AMI (Advanced Metering Infrastructure) smart meter system change out, and the bundled water system improvements.

NOTE 12: CONTINGENT LIABILITIES

A. Litigation

The District has claims or lawsuits arising from the normal course of business. Although the outcome of these claims and lawsuits is not presently determinable, it is the opinion of District management and legal counsel that they will not have a material adverse effect on the financial condition of the District. One of the lawsuits does not involve monetary damages but could significantly alter the structure of the Brazos Regional Public Utility Agency joint venture.

NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS

For 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the District's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the District's 2022 financial statements and did not have an effect on the beginning net position. On January 1, 2022, the District recognized \$538,708 in lease receivable and \$538,708 in deferred inflows related to the lease.

The implementation of GASB Statement No. 87 had the following effect on net position as reported December 31, 2022.

Net Position December 31, 2021	\$103,392,220
Adjustments:	
Lease Receivable	191,036
Deferred In flows - Leases	(191,036)
Restated Net Position December 31, 2022	\$103,392,220

NOTE 14: EVALUATION OF SUBSEQUENT EVENTS

Subsequent events were evaluated through April 6, 2023, which is the date the financial statements were available to be issued.

## SUPPLEMENTARY INFORMATION

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JOHNSON COUNTY SPECIAL UTILITY DISTRICT  
 Budgetary Comparison Schedule  
 Proprietary Fund  
 For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Budget
<b>OPERATING REVENUES</b>				
Water sales	\$ 18,275,921	\$ 18,275,921	\$ 23,043,658	\$ 4,767,737
Sewer revenue	1,538,000	1,538,000	1,736,750	198,750
Penalties	260,000	260,000	310,964	50,964
Installation fees	550,000	550,000	878,503	328,503
Miscellaneous fees	254,600	254,600	355,741	101,141
Total operating revenues	<u>20,878,521</u>	<u>20,878,521</u>	<u>26,325,616</u>	<u>5,447,095</u>
<b>OPERATING EXPENSES</b>				
Water purchases	6,516,000	6,516,000	7,478,047	(962,047)
Personnel	4,201,744	4,201,744	4,730,392	(528,648)
Repair, maintenance and supplies	1,601,250	1,601,250	1,387,340	213,910
Utilities and communication	785,850	785,850	1,546,989	(761,139)
Other	3,181,930	3,374,730	4,367,106	(992,376)
Capital outlay	770,000	770,000	-	770,000
Depreciation	3,000,000	3,000,000	3,190,912	(190,912)
Total operating expenses	<u>20,056,774</u>	<u>20,249,574</u>	<u>22,700,786</u>	<u>(2,451,212)</u>
Operating income (loss)	<u>821,747</u>	<u>628,947</u>	<u>3,624,830</u>	<u>2,995,883</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain on sale of assets	50,000	50,000	-	(50,000)
Investment earnings	30,000	30,000	621,398	591,398
Other income	230,750	230,750	336,429	105,679
System development fees	4,922,000	6,180,650	3,788,810	(2,391,840)
Interest expense	(738,139)	(738,139)	(567,730)	170,409
Total nonoperating revenue (expenses)	<u>4,494,611</u>	<u>5,753,261</u>	<u>4,178,907</u>	<u>(1,574,354)</u>
Income (loss) before contributions	5,316,358	6,382,208	7,803,737	1,421,529
<b>CAPITAL CONTRIBUTIONS</b>				
Capital contributions	1,500,000	1,500,000	8,724,544	7,224,544
Change in net position	<u>\$ 6,816,358</u>	<u>\$ 7,882,208</u>	<u>\$ 16,528,281</u>	<u>\$ 8,646,073</u>

**JOHNSON COUNTY SPECIAL UTILITY DISTRICT**  
**SCHEDULE OF INSURANCE IN FORCE**  
December 31, 2022

INSURER	RISK COVERED	POLICY AMOUNT	EXPIRATION
Texas Municipal League	Worker's compensation	2,725,151	January 1, 2024
	General liability	\$2,000,000 / \$4,000,000	January 1, 2024
	Errors and omissions	5,000,000 / 10,000,000	January 1, 2024
	Automobile liability	1,000,000	January 1, 2024
	Auto physical damage	varies per vehicle	January 1, 2024
	Supplemental sewage backup	25,000 / 50,000	January 1, 2024
	Cyber Liability & Data Breach	2,000,000	January 1, 2024
	Flood and earthquake	5,000,000 / 10,000,000	January 1, 2024
	Real and personal property	64,760,705	January 1, 2024
	Boiler and machinery	100,000	January 1, 2024
	Mobile equipment	367,588	January 1, 2024
	Public employee dishonesty	1,000,000	January 1, 2024
	Forgery or alteration	100,000	January 1, 2024
	Theft, disappearance, and destruction	30,000	January 1, 2024
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, 2022  
(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	\$4.75	0 - 5,000
				6.32	5,001 - 15,000
				8.40	15,001 - 40,000
				11.18	over 40,000
Sewer	\$23	N/A	N	\$4.68	0 - 10,000

District employs winter averaging for sewer usage? No

Total water charges per 10,000 gallons usage: water \$88.35; sewer \$69.80 (maximum)

3. Total water consumption (in thousands) during the fiscal year:
  - Gallons pumped into system: 2,672,505
  - Gallons billed & unbilled to customers: 2,320,542
  - Water accountability ratio: 86.8%

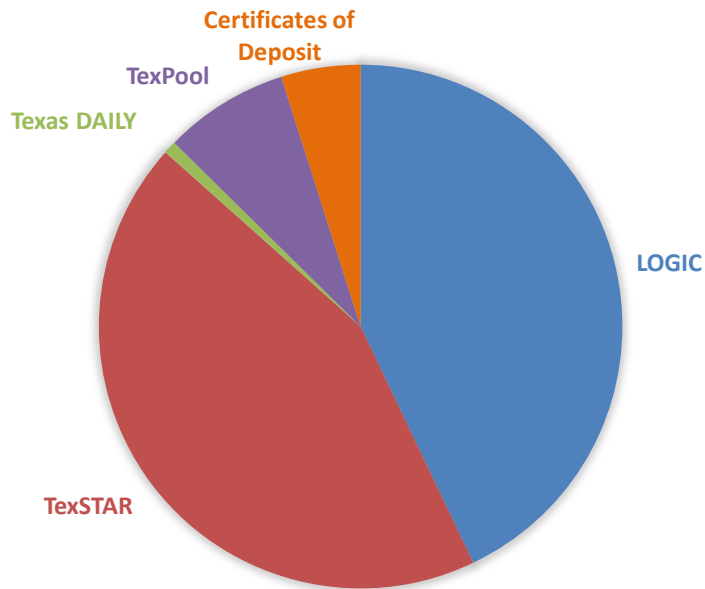
4. Retail water connections within the District as of the fiscal year end.

Meter Size	Total Meters	Active Meters	SUE Factor	Active SUE's
<=5/8"	19,434	18,168	1.0	18,168
3/4"	157	155	1.3	202
1"	252	240	2.2	528
2"	81	70	10.0	700
3"	125	45	20.0	900
4"	18	5	40.0	200
6"	9	3	64.0	192
Total Water	20,076	18,686		20,890
Total Sewer	2,478	2,269		2,269

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

**JOHNSON COUNTY SPECIAL UTILITY DISTRICT**  
**SCHEDULE OF TEMPORARY INVESTMENTS**  
 December 31, 2022

	Identification Number	Interest Rate	Maturity Date	Year End Balance	% of Total
LOGIC	No. 001 - 2018 L1000790	Market	Escrow	\$ 2,338,599	
	No. 001	Market	On demand	33,443	
	No. 002	Market	On demand	13,280,179	
	No. 003	Market	On demand	177,842	
	No. 006	Market	On demand	1,361,305	
	No. 007	Market	On demand	1,208,032	
				<u>18,399,400</u>	<u>42.9%</u>
TexSTAR	No. 110	Market	On demand	792,888	
	No. 210	Market	On demand	6,687,965	
	No. 213	Market	On demand	2,898,750	
	No. 330	Market	On demand	8,141,120	
	No. 550	Market	On demand	201,217	
			<u>18,721,940</u>	<u>43.7%</u>	
Texas DAILY		Market	On demand	<u>354,486</u>	<u>0.8%</u>
TexPool	No. 002	Market	On demand	1,353,671	
	No. 005	Market	On demand	650,940	
	No. 008	Market	On demand	696,473	
	No. 009	Market	On demand	582,613	
			<u>3,283,697</u>	<u>7.7%</u>	
Certificates of Deposit	Multi Bk Securities - 13 CD's	1.26%		<u>2,080,000</u>	<u>4.9%</u>
Total				<u>\$ 42,839,523</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, 2022

Fiscal Year Ended December 31	2012 Revenue Bonds <sup>(1)</sup>			2013 Revenue and Refunding Bonds <sup>(1)</sup>			2018 TWDB Bonds			2021 Revenue Bonds <sup>(1)</sup>			Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		
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	
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	39.98%
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	
2032							1,145,000	145,598	1,290,598				1,290,598	78.08%
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	
2036							1,225,000	67,116	1,292,116				1,292,116	
2037							1,245,000	45,433	1,290,433				1,290,433	96.19%
2038							1,265,000	23,023	1,288,023				1,288,023	100.00%
	<u>\$5,040,000</u>	<u>\$ 718,638</u>	<u>\$ 5,758,638</u>	<u>\$3,955,000</u>	<u>\$ 516,230</u>	<u>\$4,471,230</u>	<u>\$ 18,050,000</u>	<u>\$2,592,335</u>	<u>\$ 20,642,335</u>	<u>\$ 6,160,000</u>	<u>\$ 416,750</u>	<u>\$ 6,576,750</u>	<u>\$ 37,448,953</u>	

<sup>(1)</sup> 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, 2022

Bond Authority:	Series 2012	Series 2013	Series 2018	Series 2021	Total
	Revenue Bonds	Revenue and Refunding Bonds	TWDB Revenue Bonds	Revenue Bonds	
Interest Rates	0.30% - 3%	1.00% - 2.65%	.38% - 1.82%	1.00%-2.00%	
Dates Interest Payable	2/22;8/22	2/22;8/22	2/22;8/22	2/22;8/22	
Maturity Dates	8/15/2031	8/15/2031	8/15/2038	8/15/2031	
Beginning Balances January 1, 2022	\$ 5,525,000	\$ 4,455,000	\$ 19,065,000	6,830,000.00	\$ 35,875,000
Addition During the Fiscal Year	-	-	-	-	-
Retired During the Fiscal Year	(485,000)	(500,000)	(1,015,000)	(670,000)	(2,670,000)
Ending Balances December 31, 2022	<u>\$ 5,040,000</u>	<u>\$ 3,955,000</u>	<u>\$ 18,050,000</u>	<u>\$ 6,160,000</u>	<u>33,205,000</u>
Interest Paid During the Fiscal Year	\$ 139,750	\$ 106,658	\$ 275,172	\$ 61,770	583,350
Paying Agent's Name and City					
Revenue Bonds Series 2012	BOKF, N.A. dba Bank of Texas, Dallas, TX				
Revenue Refunding Bonds Series 2013	BOKF, N.A. dba Bank of Texas, Dallas, TX				
TWDB Bonds Series 2018	UMB Kansas City, MO.				
Revenue Bonds Series 2021	UMB Kansas City, MO.				

Bond Authority:	Series 2012	Series 2013	Series 2018	Series 2021	Total
	Revenue Bonds	Revenue and Refunding Bonds	TWDB Revenue Bonds	Revenue Bonds	
Amount Authorized by Voters	\$ 9,500,000	\$ 8,510,000	\$ 22,000,000	\$ 6,830,000	
Amount Issued	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, 2022:					
Interest and sinking funds	\$ 263,424	\$ 208,059	\$ 539,844	\$ 342,343	1,353,671
Reserve funds	696,473	582,613	1,361,305	(1)	2,640,390
Total	<u>959,897</u>	<u>790,672</u>	<u>1,901,149</u>	<u>342,343</u>	<u>3,994,061</u>
Average Annual Principal and Interest Requirements, 2023 - 2038	\$ 2,340,560				
Coverage of Average Requirements by December 31, 2022 Net Revenues	4.94				
Maximum Principal and Interest Requirements, 2022	\$ 3,170,510				
Coverage of Maximum Requirements by December 31, 2021 Net Revenues	3.65				
Number of years remaining on longest remaining bonded debt	16				

<sup>(1)</sup> 2021 Bond reserve 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, 2022

						Percent of Fund Total Revenues				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
<b>Operating Revenues</b>										
Water sales	\$ 15,437,363	\$ 15,369,001	\$ 16,326,905	\$ 17,563,849	\$ 23,043,658	87.9	87.3	86.5	86.3	87.5
Fire hydrant meter water sales	-	-	-	-	-	-	-	-	-	-
Sewer revenues	1,305,050	1,423,371	1,514,523	1,556,750	1,736,750	7.4	8.1	8.0	7.7	6.6
Penalties	254,690	262,359	226,336	290,283	310,964	1.5	1.5	1.2	1.4	1.2
Installation fees	339,539	321,770	556,765	583,414	878,503	1.9	1.8	3.0	2.9	3.3
Miscellaneous	225,301	220,540	245,389	354,490	355,741	1.3	1.3	1.3	1.7	1.4
Total Revenues	<u>17,561,943</u>	<u>17,597,041</u>	<u>18,869,918</u>	<u>20,348,786</u>	<u>26,325,616</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>Operating Expenses:</b>										
Water purchases	6,388,057	6,729,864	6,459,069	7,220,583	7,478,047	36.4	38.2	34.2	35.5	28.4
Personnel services	2,443,324	2,574,177	3,109,900	3,603,688	4,730,392	13.9	14.6	16.5	17.7	18.0
Repair, maintenance and supplies	1,183,265	990,004	1,252,148	1,726,743	1,387,340	6.7	5.6	6.6	8.5	5.3
Utilities and communication	768,760	790,444	703,502	875,804	1,546,989	4.4	4.5	3.7	4.3	5.9
Other	917,373	1,074,754	1,239,016	2,517,171	4,367,106	5.2	6.1	6.6	12.4	16.6
Operating Expenses Excluding Depreciation and amortization	<u>11,700,779</u>	<u>12,159,243</u>	<u>12,763,635</u>	<u>15,943,989</u>	<u>19,509,874</u>	<u>66.6</u>	<u>69.1</u>	<u>67.6</u>	<u>78.4</u>	<u>74.1</u>
Operating Income before Depreciation and amortization	<u>5,861,164</u>	<u>5,437,798</u>	<u>6,106,283</u>	<u>4,404,797</u>	<u>6,815,742</u>	<u>33.4</u>	<u>30.9</u>	<u>32.4</u>	<u>21.6</u>	<u>25.9</u>
Depreciation and Amortization:	<u>3,171,978</u>	<u>2,770,288</u>	<u>3,110,589</u>	<u>3,086,196</u>	<u>3,190,912</u>	<u>18.1</u>	<u>15.7</u>	<u>16.5</u>	<u>15.2</u>	<u>12.1</u>
Operating Income (Loss)	<u>2,689,186</u>	<u>2,667,510</u>	<u>2,995,694</u>	<u>1,318,601</u>	<u>3,624,830</u>	<u>15.3</u>	<u>15.2</u>	<u>15.9</u>	<u>6.5</u>	<u>13.8</u>
<b>Nonoperating Revenues (Expenses):</b>										
Gain (loss) on sale of assets	2,527	411,309	(40,193)	-	-	-	2.3	(0.2)	-	-
Investment earnings	572,396	895,101	306,552	45,337	621,398	3.3	5.1	1.6	0.2	2.4
Other income	182,128	143,911	203,055	201,358	336,429	1.0	0.8	1.1	1.0	1.3
System development fees	1,282,345	1,311,480	2,310,860	2,373,362	3,788,810	7.3	7.5	12.2	11.7	14.4
Interest expense	(476,872)	(587,012)	(554,080)	(527,573)	(567,730)	(2.7)	(3.3)	(2.9)	(2.6)	(2.2)
Bond issuance costs	(610,909)	-	-	(304,659)	-	(3.5)	-	-	(1.5)	-
Total Nonoperating Revenues (Expenses)	<u>951,615</u>	<u>2,174,789</u>	<u>2,226,194</u>	<u>1,787,825</u>	<u>4,178,907</u>	<u>5.4</u>	<u>12.4</u>	<u>11.8</u>	<u>8.8</u>	<u>15.9</u>
Income (Loss) Before Capital Contributions and Extraordinary Item	<u>3,640,801</u>	<u>4,842,299</u>	<u>5,221,888</u>	<u>3,106,426</u>	<u>7,803,737</u>	<u>20.7</u>	<u>27.5</u>	<u>27.7</u>	<u>15.3</u>	<u>29.6</u>
Capital contributions	5,079,367	2,617,064	1,226,294	2,367,192	8,724,544	28.9	14.9	6.5	11.6	33.1
Changes in Net Position	<u>\$ 8,720,168</u>	<u>\$ 7,459,363</u>	<u>\$ 6,448,182</u>	<u>\$ 5,473,618</u>	<u>\$ 16,528,281</u>	<u>49.7</u>	<u>42.4</u>	<u>34.2</u>	<u>26.9</u>	<u>62.8</u>
Active Water Customers	15,580	16,069	16,851	17,805	18,686					
Active Sewer Customers	1,951	2,014	2,153	2,229	2,269					

**JOHNSON COUNTY SPECIAL UTILITY DISTRICT**  
**CONDENSED SUMMARY OF OPERATING RESULTS**  
(CALCULATION BASED ON BOND RESOLUTION REQUIREMENTS)  
December 31, 2022

	Fiscal Year Ended December 31				
	2018	2019	2020	2021	2022
<b><u>Gross Revenues</u></b>					
Water Sales	\$15,437,363	\$15,369,001	\$ 16,326,905	\$ 17,563,849	\$ 23,043,658
Fire Revenue	-	-	-	-	-
Sewer Services	1,305,050	1,423,371	1,514,523	1,556,750	1,736,750
Interest Income	572,396	895,101	306,552	45,337	621,398
Other Revenue	<u>2,286,530</u>	<u>2,671,369</u>	<u>3,502,212</u>	<u>3,802,907</u>	<u>5,670,447</u>
Total Gross Revenues	<u>\$19,601,339</u>	<u>\$20,358,842</u>	<u>\$ 21,650,192</u>	<u>\$ 22,968,843</u>	<u>\$ 31,072,253</u>
<b><u>Operating Expenses <sup>(1)</sup> :</u></b>					
Treated Water	\$ 5,695,275	\$ 6,010,545	\$ 5,712,043	\$ 6,469,579	\$ 6,686,564
Brazos River Authority Contracts	692,782	719,319	747,026	751,004	791,483
Other	<u>5,312,722</u>	<u>5,429,379</u>	<u>6,304,566</u>	<u>8,723,406</u>	<u>12,031,827</u>
Total Operating Expenses	<u>\$11,700,779</u>	<u>\$12,159,243</u>	<u>\$ 12,763,635</u>	<u>\$ 15,943,989</u>	<u>\$ 19,509,874</u>
Net Available For Debt Service	<u>\$ 7,900,560</u>	<u>\$ 8,199,599</u>	<u>\$ 8,886,557</u>	<u>\$ 7,024,854</u>	<u>\$ 11,562,379</u>
Active Water Customers	15,580	16,069	16,851	17,805	18,686
Active Sewer Customers	1,951	2,014	2,153	2,229	2,269

<sup>(1)</sup> 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, 2022  
 (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: 08/27/21  
 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
Glen Walden	2020 - 2023	\$ 7,200	President
Harry Shaffer	2020 - 2023	\$ 5,700	Vice-President
Ronald Nichols	2019 - 2022	\$ 2,700	Secretary / Treasurer
Michael Bowles	2019 - 2022	\$ 3,457	Director
Gene Petross	2019 - 2022	\$ 2,550	Director
Eric Baze	2021 - 2024	\$ -	Director
Gary Giesen	2021 - 2024	\$ 2,100	Director

\* These expense reimbursements are for lodging, meals, transportation related to training and conferences, and miscellaneous other costs. Director fees are also paid by the District as compensation for services performed as members of the Board.

**JOHNSON COUNTY SPECIAL UTILITY DISTRICT**  
 BOARD OF DIRECTORS, MANAGEMENT TEAM, AND CONSULTANTS (continued)  
 December 31, 2022  
 (Unaudited)

Management Team	Date Hired	Fees and Expense Reimbursements	Title at Year End
Peter Kampfer	03/26/20	\$ -	General Manager
Joshua Howard	02/01/16	\$ -	Deputy GM
Dana Collier	11/01/11	\$ -	Deputy GM
Jeremiah Bihl	06/01/21	\$ -	District Engineer
Sinclair Newby	07/05/22	\$ -	Communications and Public Affairs Manager
Kellie Cook	02/01/21	\$ -	Human Resources Manager
Tyler Lyles	01/10/11	\$ -	Water Operations Manager
James Lyles	04/12/21	\$ -	Wastewater Manager

Professional & Engineering		
Cain & Associates, P.C.	\$ 258,025	Attorney
Duane Morris LLP	\$ 427,625	Attorney
McDonald Sanders	\$ 20,707	Attorney
George, Morgan & Sneed, P.C.	\$ 32,500	Auditor
Enprotec/Hibbs & Todd	\$ 435,753	Engineer
Hazen and Sawyer	\$ 167,461	Engineer
Jacob and Martin, LLC	\$ 173,834	Engineer
Kimley-Horn & Associates, Inc.	\$ 868,831	Engineer
Pacheco Koch Consulting Engineers, LLC	\$ 62,763	Engineer
C3 Computer Corporation	\$ 88,587	Technology

**JOHNSON COUNTY SPECIAL UTILITY DISTRICT**  
ANNUAL MATERIAL EVENT DISCLOSURE CHECKLIST  
December 31, 2022  
(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?

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**STATISTICAL SECTION (UNAUDITED)**

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## 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.

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Net Position:</b>										
Net investment in capital assets	\$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	\$ 73,985,091
Restricted for debt service	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	3,778,807
Unrestricted	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	42,156,603
Total Net Position	<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>	<u>\$ 119,920,501</u>

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.

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

During fiscal year 2022, increase in improvements to the water distribution systems and capital contributed by developers.

Table 2

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

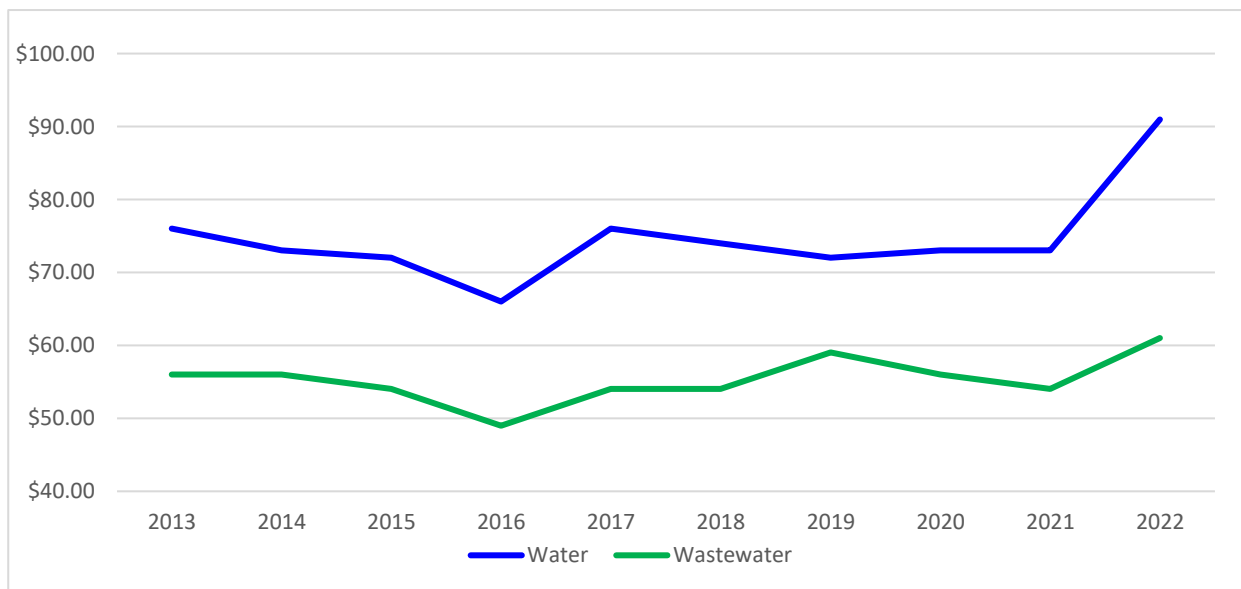
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Operating Revenues:</b>										
Water sales	\$ 12,801,892 <sup>a</sup>	\$ 12,548,132	\$ 12,753,026	\$ 12,610,422	\$ 13,921,186	\$ 15,437,363	\$ 15,369,001	\$ 16,326,905	\$ 17,563,849	\$ 23,043,658 <sup>j</sup>
Fire hydrant meter water sales	177,865	165,258	-	-	-	-	-	-	-	-
Sewer revenues	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	1,736,750
Penalties	249,861	245,456	253,601	232,984	242,888	254,690	262,359	226,336	290,283	310,964
Installation fees	96,917	133,020	135,288	164,048	232,548	339,539	321,770	556,765	583,414	878,503
Miscellaneous	224,415	299,554	326,417	175,298	201,425	225,301	220,540	245,389	354,490	355,741
Total Operating Revenues	14,589,003	14,466,541	14,597,747	14,417,350	15,866,581	17,561,943	17,597,041	18,869,918	20,348,786	26,325,616
<b>Operating Expenses:</b>										
Water purchases	5,845,474 <sup>b</sup>	7,898,411	8,265,385	6,156,820	6,641,246	6,388,057	6,729,864	6,459,069	7,220,583	7,478,047
Personnel services	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	4,730,392
Repair, maintenance and supplies	646,738	807,274	734,081	659,054	870,910	1,183,265	990,004	1,252,148	1,726,743	1,387,340
Utilities and communication	541,600	711,131	696,930	662,079	719,035	768,760	790,444	703,502	875,804	1,546,989
Other expenses	577,731	628,873	627,637	766,460	881,976	917,373	1,074,754	1,239,016	2,517,171	4,367,106
Depreciation and amortization	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	3,190,912
Total Operating Expenses	11,787,475	14,604,615	15,533,500	13,621,248	14,532,210	14,872,757	14,929,531	15,874,223	19,030,185	22,700,786
Operating Income (Loss)	2,801,528	(138,074)	(935,753)	796,102	1,334,371	2,689,186	2,667,510	2,995,695	1,318,601	3,624,830
<b>Nonoperating Revenues (Expenses):</b>										
Gain (loss) on sale of assets	46,518	39,452	27,445	26,131	61,659	2,527	411,309	(40,193)	-	-
Investment earnings	48,823	29,518	19,319	59,017	129,394	572,396 <sup>g</sup>	895,101 <sup>h</sup>	306,552	45,337 <sup>i</sup>	621,398 <sup>k</sup>
Other income	-	243,968 <sup>e</sup>	300,000 <sup>f</sup>	180,020	674,363	182,128	143,911	203,055	201,358	336,429
System development fees	473,701	420,759	691,420	638,660	918,600	1,282,345	1,311,480	2,310,860	2,373,362	3,788,810
Interest expense	(149,203) <sup>c</sup>	(224,993)	(427,225)	(393,260)	(361,109)	(476,872)	(587,012)	(554,080)	(527,573)	(567,730)
Bond issuance costs	(106,168)	-	-	-	-	(610,909)	-	-	(304,659)	-
Total Nonoperating Revenues (Expenses)	313,671	508,704	610,959	510,568	1,422,907	951,615	2,174,789	2,226,194	1,787,825	4,178,907
Income (Loss) Before Capital Contributed and Extraordinary Item	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	7,803,737
Capital Contributed	1,067,864 <sup>d</sup>	51,990	274,770	2,496,019	1,010,942	5,079,367	2,617,064	1,226,294	2,367,192	8,724,544 <sup>l</sup>
Change in Net Position	\$ 4,183,063	\$ 422,620	\$ (50,024)	\$ 3,802,689	\$ 3,768,220	\$ 8,720,168	\$ 7,459,363	\$ 6,448,183	\$ 5,473,618	\$ 16,528,281

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

- <sup>a</sup> During fiscal year 2013, there was a temporary assignment sale of 4,000 acre feet of raw water.
- <sup>b</sup> During fiscal year 2013, there was a decrease in purchase water expense of \$945K. The District recognized a full year of costs savings from the Brazos Regional Public Utility Agency taking ownership of SWATS in May 2012. This 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.
- <sup>c</sup> During fiscal year 2013, there was a decrease due to the capitalization of interest of \$372K to the bond construction projects. This was partially offset by an increase due to the 2013 bond issue of \$8.5M for the Trinity Basin Transmission Facilities (TBTF).
- <sup>d</sup> During fiscal year 2013, \$703K was contributed for remaining costs of the completed NTTA/TxDOT 121 project.
- <sup>e</sup> During fiscal year 2014, the District received \$244K for the sale of CCN to the City of Ft. Worth.
- <sup>f</sup> During fiscal year 2015, the District received \$300K for the sale of CCN to the City of Mansfield.
- <sup>g</sup> During fiscal year 2018, interest rates increased drastically due to economic conditions.
- <sup>h</sup> During fiscal year 2019, interest income increased due to \$22M TWDB Loan accruing interest.
- <sup>i</sup> During fiscal year 2021, interest rates decreased drastically due to economic conditions.
- <sup>j</sup> During fiscal year 2022, water sales increased due to drought conditions and an increase in JCSUD utility rates.
- <sup>k</sup> During fiscal year 2022, interest rates increased drastically due to economic conditions.
- <sup>l</sup> During fiscal year 2022, developer activity increased, leading to an increase in capital contributions as well as continued collection of Plant 8 and Plant 13 CIAOC.

**JOHNSON COUNTY SPECIAL UTILITY DISTRICT**  
**AVERAGE REVENUE RATES (ROUNDED TO NEAREST DOLLAR)**  
 Last Ten Fiscal Years

Fiscal Year	Monthly Revenue/Customer	
	Water	Wastewater
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
2022	91.00	61.00



**Source:** District Annual Financial Audits

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

<b>FISCAL YEAR 2013</b>					
<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%
		<b>102,918,100</b>	<b>7.36%</b>	<b>\$ 897,246</b>	<b>6.91%</b>
	Total Usage	<b>1,414,626,000</b>			
	Total Water Sales			<b>\$ 12,979,757</b>	

<b>FISCAL YEAR 2014</b>					
<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%
		<b>112,564,930</b>	<b>8.15%</b>	<b>\$ 906,597</b>	<b>7.13%</b>
	Total Usage	<b>1,380,044,000</b>			
	Total Water Sales			<b>\$ 12,713,390</b>	

<b>FISCAL YEAR 2015</b>					
<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%
		<b>111,712,790</b>	<b>8.29%</b>	<b>\$ 1,129,613</b>	<b>8.86%</b>
	Total Usage	<b>1,348,005,000</b>			
	Total Water Sales			<b>\$ 12,753,026</b>	

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

<b>FISCAL YEAR 2016</b>					
<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%
		<b>117,515,260</b>	<b>8.41%</b>	<b>\$ 1,414,846</b>	<b>11.22%</b>
	Total Usage	<b>1,414,626,000</b>			
	Total Water Sales			<b>\$ 12,610,422</b>	

<b>FISCAL YEAR 2017</b>					
<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%
		<b>142,776,650</b>	<b>10.51%</b>	<b>\$ 1,441,256</b>	<b>10.35%</b>
	Total Usage	<b>1,371,766,000</b>			
	Total Water Sales			<b>\$ 13,921,186</b>	

<b>FISCAL YEAR 2018</b>					
<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%
		<b>219,181,930</b>	<b>13.28%</b>	<b>\$ 2,004,255</b>	<b>12.98%</b>
	Total Usage	<b>1,661,343,712</b>			
	Total Water Sales			<b>\$ 15,437,363</b>	

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

<b>FISCAL YEAR 2019</b>					
<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%
		<b>219,877,704</b>	<b>13.73%</b>	<b>\$ 1,918,058</b>	<b>12.48%</b>
	Total Usage	<b>1,613,289,489</b>			
	Total Water Sales			<b>\$ 15,369,001</b>	

<b>FISCAL YEAR 2020</b>					
<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%
		<b>197,071,846</b>	<b>11.35%</b>	<b>\$ 1,820,079</b>	<b>11.15%</b>
	Total Usage	<b>1,737,420,000</b>			
	Total Water Sales			<b>\$ 16,326,905</b>	

<b>FISCAL YEAR 2021</b>					
<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	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%
		<b>307,804,401</b>	<b>16.77%</b>	<b>\$ 2,357,113</b>	<b>14.44%</b>
	Total Usage	<b>1,837,070,000</b>			
	Total Water Sales			<b>\$ 17,563,849</b>	

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

<b>FISCAL YEAR 2022</b>					
<b>Customer</b>	<b>Type of Industry</b>	<b>Water Usage</b>	<b>% of Total Unaudited Water Usage</b>	<b>Water Revenue</b>	<b>% of Total Unaudited Water Revenue</b>
City of Alvarado	Municipality	225,400,000	9.71%	\$ 1,361,936	5.91%
City of Keene	Municipality	54,698,000	2.36%	457,661	1.99%
Monarch Utilities I LP	Investor-owned Utility Provider	18,089,771	0.78%	192,261	0.83%
Stonetown Ranches of Joshua	Mobile Home Park	15,880,333	0.68%	185,473	0.80%
Cypress Creek Joshua Station LP	Apartment Complex	13,969,351	0.60%	152,172	0.66%
Mariposa South Broadway LP	Apartment Complex	8,652,634	0.37%	108,236	0.47%
Bethany Special Utility District	Municipality	8,570,000	0.37%	196,918	0.85%
PrairieLand DC LaSalle Corrections	Corrections Facility	7,785,165	0.34%	91,120	0.40%
Pool Brothers LLC	Mobile Home Park	5,786,012	0.25%	63,045	0.27%
Stonetown Walnut Creek	Mobile Home Park	5,450,869	0.23%	59,820	0.26%
		<b>364,282,135</b>	<b>15.69%</b>	<b>\$ 2,868,642</b>	<b>17.57%</b>
	Total Usage	<b>2,320,541,883</b>			
	Total Water Sales			<b>\$ 23,043,658</b>	

**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 <sup>(1)</sup> Customers	Debt Per Customer
2013	20,712,803	-	-	20,712,803	14,105	1,468 <sup>(2)</sup>
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 <sup>(3)</sup>
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 <sup>(4)</sup>
2022	33,388,113	-	-	33,388,113	18,686	1,787

## Sources:

District Billing System  
 District Annual Financial Audits

- <sup>(1)</sup> Excluded wastewater customer count since they are already reflected in the water customer count.
- <sup>(2)</sup> 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.
- <sup>(3)</sup> 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 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.
- <sup>(4)</sup> The District issued 6.83 million in Revenue Bonds, Series 2021.

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

<b>Fiscal Year Ended December 31</b>	<b>Total Revenues <sup>(1)</sup></b>	<b>Total Expenses <sup>(2)</sup></b>	<b>Net Revenues Available for Debt Service</b>	<b>Bond Debt Service Requirements <sup>(3)</sup></b>	<b>Coverage</b>
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
2022	31,072,253	19,509,874	11,562,379	3,253,350	3.55

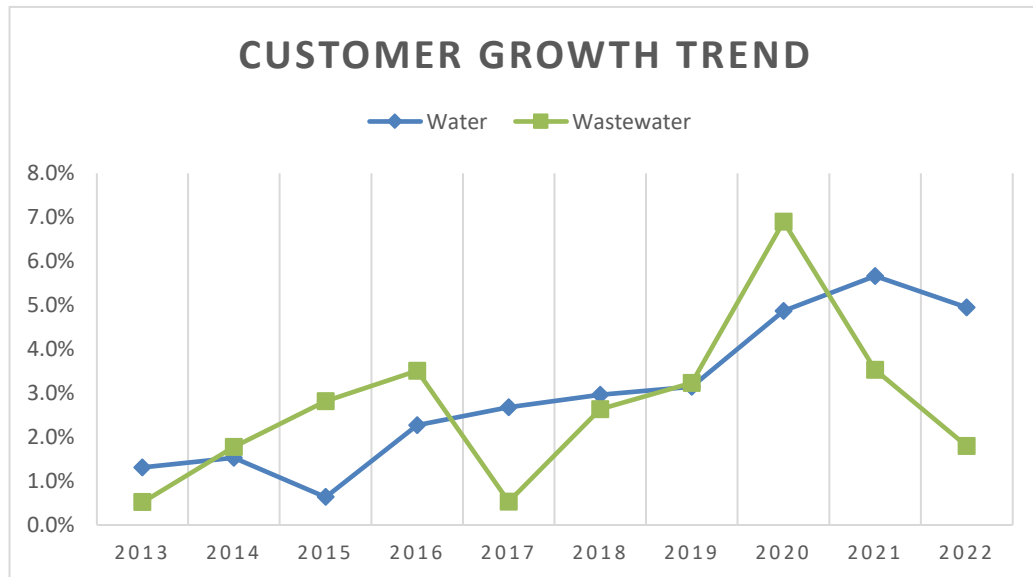
(1) Includes interest income and system development fees

(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
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
2022	18,686	2,269



Source: District Billing System

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

<b>Fiscal Year Ended December 31</b>	<b>Estimated Population Johnson County</b>	<b>Personal Income Johnson County (in Thousands)</b>	<b>Per Capita Income Johnson County</b>	<b>Unemployment Rate Johnson County</b>
2013	154,535	5,531,559	35,795	5.9%
2014	156,733	5,822,080	37,146	4.8%
2015	159,345	6,046,048	37,943	4.4%
2016	162,763	6,244,690	38,367	4.5%
2017	167,012	6,682,230	40,010	3.4%
2018	171,121	6,914,543	40,407	3.4%
2019	175,817	7,229,759	41,121	3.1%
2020	180,513	7,963,280	44,115	6.9%
2021	181,837	8,665,260	47,654	4.1%
2022	187,280	9,667,206	51,619	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 Annual Comprehensive Financial Report

**JOHNSON COUNTY SPECIAL UTILITY DISTRICT**  
**HISTORICAL USAGE BY FUNCTION**  
 December 31, 2022 (unaudited)

<b>HISTORICAL WATER USAGE (mgd)</b>				
<b>Fiscal Year Ended December 31</b>	<b>Average Daily Usage</b>	<b>Peak Day Usage</b>	<b>Total Usage</b>	<b>Number of Water Customers</b>
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
2022	7.09	12.73	2320.5	18,686

Source:  
 District Billing System  
 Monthly Operations Report

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

<b>HISTORICAL WASTEWATER TREATMENT</b>				
<b>Fiscal Year Ended December 31</b>	<b>Average Day (MGD)</b>	<b>Max Day (MGD)</b>	<b>Total Treated (MG)</b>	<b>Number of Sewer Customers</b>
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	2,288
2022	0.4	0.9	153.7	2,269

Source:  
 District Billing System  
 Monthly Operations Report

**JOHNSON COUNTY SPECIAL UTILITY DISTRICT**  
**FULL-TIME EMPLOYEES BY FUNCTION**  
 December 31, 2022 (unaudited)

Fiscal Year Ended December 31	Administrative	Water	Wastewater	Total
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	30	18	3	51
2022	35	22	4	61

Source: District Payroll System

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Water</b>										
Land	526,732	530,120	571,557	537,195	673,827	673,827	673,827	673,827	673,827	-
Buildings and Structures	-	-	-	-	-	-	-	-	-	75,663
Water Wells and Distribution System	35,311,026	55,349,138	54,353,992	54,866,872	53,740,448	55,325,189	55,844,690	55,417,388	54,888,295	59,349,645
Vehicles	-	-	-	-	-	-	-	-	-	239,712
Equipment	133,539	149,665	124,118	266,772	206,263	129,591	143,759	225,567	247,295	181,836
Master plan	-	18,921	14,380	9,839	5,298	757	-	-	-	-
<b>Total Water</b>	<b>35,971,297</b>	<b>56,047,844</b>	<b>55,064,047</b>	<b>55,680,678</b>	<b>54,625,836</b>	<b>56,129,364</b>	<b>56,662,276</b>	<b>56,316,781</b>	<b>55,809,417</b>	<b>59,846,856</b>
<b>Wastewater</b>										
Land	14,840	14,840	14,840	14,840	14,840	14,840	14,840	14,840	14,840	-
Buildings and Structures	28,234	26,393	24,741	22,710	20,522	5,926	21,714	20,528	17,103	14,700
Lift Stations and Distribution System	2,829,389	2,797,001	2,746,162	3,624,350	3,529,759	4,767,334	4,826,379	4,377,041	4,502,253	4,289,548
Wastewater Treatment Plant	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	1,228,091
Vehicles	101,899	96,980	86,369	38,980	29,549	20,118	25,482	22,378	-	270,435
Equipment	256,329	266,072	221,098	117,564	90,898	163,000	88,227	58,401	41,999	20,839
Master plan	2,330	9,447	7,348	5,249	3,149	875	-	-	-	-
<b>Total Wastewater</b>	<b>5,432,790</b>	<b>5,340,784</b>	<b>5,122,732</b>	<b>5,753,032</b>	<b>5,505,446</b>	<b>6,637,378</b>	<b>6,529,151</b>	<b>5,905,150</b>	<b>5,917,123</b>	<b>5,823,613</b>
<b>General</b>										
Land	-	152,329	152,329	186,691	186,691	186,691	186,691	186,691	860,519	875,358
Buildings and Structures	251,049	237,954	223,057	201,083	182,468	180,917	6,183,319	5,825,071	5,517,753	5,521,278
Vehicles	202,740	162,478	144,700	145,106	109,997	157,479	202,998	155,892	131,349	156,522
Equipment	69,914	81,806	104,402	89,661	59,796	59,887	235,507	192,689	332,926	270,298
<b>Total General</b>	<b>523,703</b>	<b>634,567</b>	<b>624,488</b>	<b>622,541</b>	<b>538,952</b>	<b>584,973</b>	<b>6,808,515</b>	<b>6,360,343</b>	<b>6,842,546</b>	<b>6,823,456</b>
<b>Total Capital Assets</b>	<b>\$ 41,927,790</b>	<b>\$ 62,023,195</b>	<b>\$ 60,811,267</b>	<b>\$ 62,056,251</b>	<b>\$ 60,670,234</b>	<b>\$ 63,351,715</b>	<b>\$ 69,999,942</b>	<b>\$ 68,582,274</b>	<b>\$ 68,569,086</b>	<b>\$ 72,493,925</b>

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Note: Balances presented are net of accumulated depreciation, amortization and construction in progress. Values from 2022 on differ from previous years due to change in accounting system.

Source: District Fixed Asset System

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Water</b>										
Water storage capacity-Elevated (MG)	5	5	5	5	5	5	5	5	5	5
Water storage capacity-Ground (MG)	7	9	9	9	9	9	9	9	9	9
Miles of water mains	901	926	926	926	932	937	925	933	945	954
Number of active wells	20	21	21	21	21	21	21	21	20	20
Production (MG)	1,578	1,634	1,619	1,550	1,666	1,896	1,954	2,089	2,183	2,673
Billed and unbilled consumption (MG)	1,415	1,442	1,375	1,288	1,422	1,661	1,612	1,737	1,837	2,321
Accountability Ratio	89.7%	88.2%	84.9%	83.1%	85.3%	87.6%	82.5%	83.2%	84.2%	86.8%
Available Supply Capacity (MG)	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8	25.4	41.6
<b>Wastewater</b>										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of lift stations	8	8	8	8	8	7	7	7	7	7
Miles of sewer mains	45	45	45	45	45	48	48	49	49	51
Annual engineering maximum plant capacity (MG)	256	256	256	256	284	284	284	284	288	288
Amount treated annually (MG)	130	125	162	146	107	160	178	171	173	154
Unused capacity (MG)	126	131	94	110	177	124	106	113	115	134
Percent of capacity utilized	50.7%	48.8%	63.3%	57.0%	37.7%	56.3%	62.6%	60.3%	60.1%	53.5%

Sources:

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

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**OVERALL COMPLIANCE AND  
INTERNAL CONTROL SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Johnson County Special Utility District (the “District”) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated April 6, 2023.

**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.

*George Morgan Jones, P.C.*

Weatherford, Texas

April 6, 2023

**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, 2022. 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, 2022.

**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 Friel, P.C.*

Weatherford, Texas  
April 6, 2023

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**JOHNSON COUNTY SPECIAL UTILITY DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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?   X   Yes        No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

**JOHNSON COUNTY SPECIAL UTILITY DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

None.

**JOHNSON COUNTY SPECIAL UTILITY DISTRICT**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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, 2022**

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	-	1,426,381
Total U.S. Environmental Protection Agency			-	1,426,381
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 1,426,381</b>

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, 2022**

Reporting Entity

Johnson County Special Utility District (the District) is a governmental entity created by the 78<sup>th</sup> 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.