

Annual Comprehensive Financial Report

Fiscal Year Ended December 31, 2023



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
December 31, 2023

Prepared by:

Finance Department

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Annual Comprehensive Financial Report
December 31, 2023

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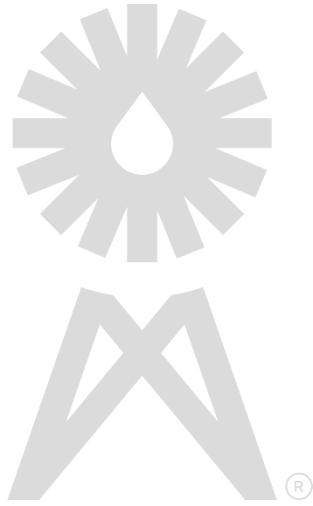


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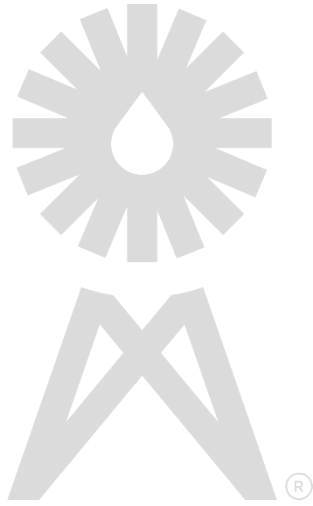
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Introductory Section

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Letter from the General Manager

May 2, 2024

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



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, 2023. This report provides our customers, the 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

The economic impact of the COVID-19 pandemic appears to have stabilized in 2023. Last year, inflation rates were 3.4% for the 12 months ending December 2023. This is a significant decrease from the prior two years, with an inflation rate of 7% and 6.5%, respectively. Although the inflation rate experienced significant improvement over 2023, it remained considerably higher than the pre-pandemic averages. With the stabilization of inflation rates, interest rate hikes implemented by the government slowed to only a 1% increase over 2023, further increasing the cost of debt. The dramatic spike in construction costs experienced in 2021 and 2022 also returned to a manageable rate in 2023. The elevated interest rates and the steep rise in construction costs experienced in previous years continue to present economic challenges in accomplishing significant infrastructure projects. Material shortages remained through 2023, creating supply chain constraints across all business sectors. June, July, and August were some of the hottest and driest months ever recorded in North Texas. 2022 and 2023 were back-to-back scorchers with an exceptionally high number of days with triple-digit heat. The summer was intense, creating arid conditions and parching the region. Despite the ongoing challenges of inflation, interest rates, material shortages, drought, and other factors, the District remains strong and continues to grow.

2023 Goals and Accomplishments

Over the past few years, the District has experienced unprecedented growth in a rapidly evolving economy. In response to the observed and projected growth, we have implemented various planning initiatives to ensure a sufficient, reliable supply of high-quality water and financial resilience. The planning began with the Water System Master Plan and Wastewater Master/Strategic Plan. These plans represent the District's analysis, findings, and recommendations to meet water infrastructure needs over the next 15 years. The plans aim to develop a strategy to improve domestic service and fire flow capabilities and serve future projected residential and commercial developments.

In congruence with the Master Plans, the District developed a Long-Term Financial Plan (LTFP) to serve as a roadmap, guiding JCSUD's financial decisions and actions over an extended period. It considers the District's unique needs, goals, and constraints while aligning them with broader economic and industry trends. The LTFP is pivotal in setting the high-level financial parameters that guide the development and refinement of the Board's budgeted plans, strategies, and actions and generates information that assists decisions about the mix, timing, and affordability of future outlays on operating activities, renewal and replacement of existing assets, and funding of additional assets.

To generate sufficient funds, Impact Fees were implemented as a mechanism for funding the public infrastructure necessitated by new development. Connection Fees were adopted to fund the District's annual Maintenance Capital Improvement Plan. These funds will assist with existing line replacements and upgrades. Lastly, the District has evaluated retail water and wastewater rates regularly to remain appropriate given the revenue required to provide exceptional service desired by our customers under the economic conditions.

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. 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 and reliability of the JCSUD system. Beginning in February 2022, the Water Operations Department has been leading an aggressive approach to mitigating water loss. Due to these efforts, JCSUD has significantly reduced water loss, lowering the 12-month total water loss rolling average percentage from 10.97% to 10.44% for 2023. To ensure that customers can rely on JCSUD to provide reliable water in times of emergencies, the District made significant strides in 2023 to enhance emergency preparedness protocols. In 2024, JCSUD plans to install a permanent generator at booster pump stations 11, 17, and 21. These pump stations were chosen because they supply water to our three biggest pressure planes (13, 1, and 8) and can supply water to neighboring pressure planes in emergencies.

The JCSUD wastewater system has also received several enhancements for future growth and improved service. One prominent accomplishment was completing the assessment and video recording of all sewer lines and manholes in the wastewater service area. A 1-meter belt press for the wastewater treatment plant was ordered and received. The belt press will help alleviate the moisture content in the sludge from the wastewater treatment plant, saving significantly in sludge hauling expenses. The belt press project is expected to be installed and completed in mid-2024.

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 New Customer Packet was launched in August 2023 to enhance new customers' onboarding experience with JCSUD. This Packet includes information about the District, Board, programs, bill payment options, WaterSmart, water conservation tips, and more. To amplify the customer experience, staff members across several departments also participated in customer service training in 2023. By equipping employees with comprehensive training programs, they build on essential skills such as active listening, problem-solving, and empathy, which are crucial for addressing customer inquiries and concerns promptly and efficiently.

Moreover, training empowers staff to navigate complex situations with confidence and professionalism. 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 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 2023. The District's net position increased by \$19,469,607, primarily due to the rapid growth and Contribution in Aid of Construction for necessary infrastructure. Total operating revenues increased by 7% over 2022 due to increased water sales, while operating expenses increased by 3% due to additional staff, repairs to the water system, and water purchases. Total water production for 2023 was 2,692 million gallons, a slight increase from 2022 at 2,673 million gallons. The rise in production is attributable to the drought conditions and significant increase in wholesale water sales and growth in 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 2023. 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 2023 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 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, 2022. This was the 10th 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 instrumental in completing 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

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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

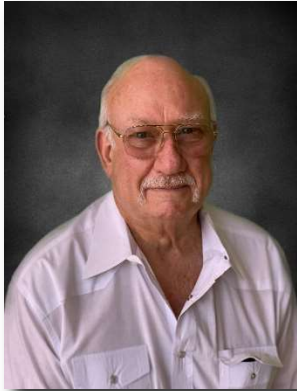
JCSUD will become Texas' preeminent Special Utility District by consistently fulfilling mandates to supply potable water in a safe, timely and environmentally compliant manner. Dedicated to innovation, stewardship, collaboration, and excellent customer service.

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



Gene Petross
Vice President



Ronnie Nichols
Secretary/Treasurer



Harry Shaffer
Director



Gary Giesen
Director



Mike Bowles
Director



Eric Baze
Director



Pete Kampfer
General Manager



Josh Howard, MBA, CPM
Deputy GM



Dana Collier, CPM
Deputy GM



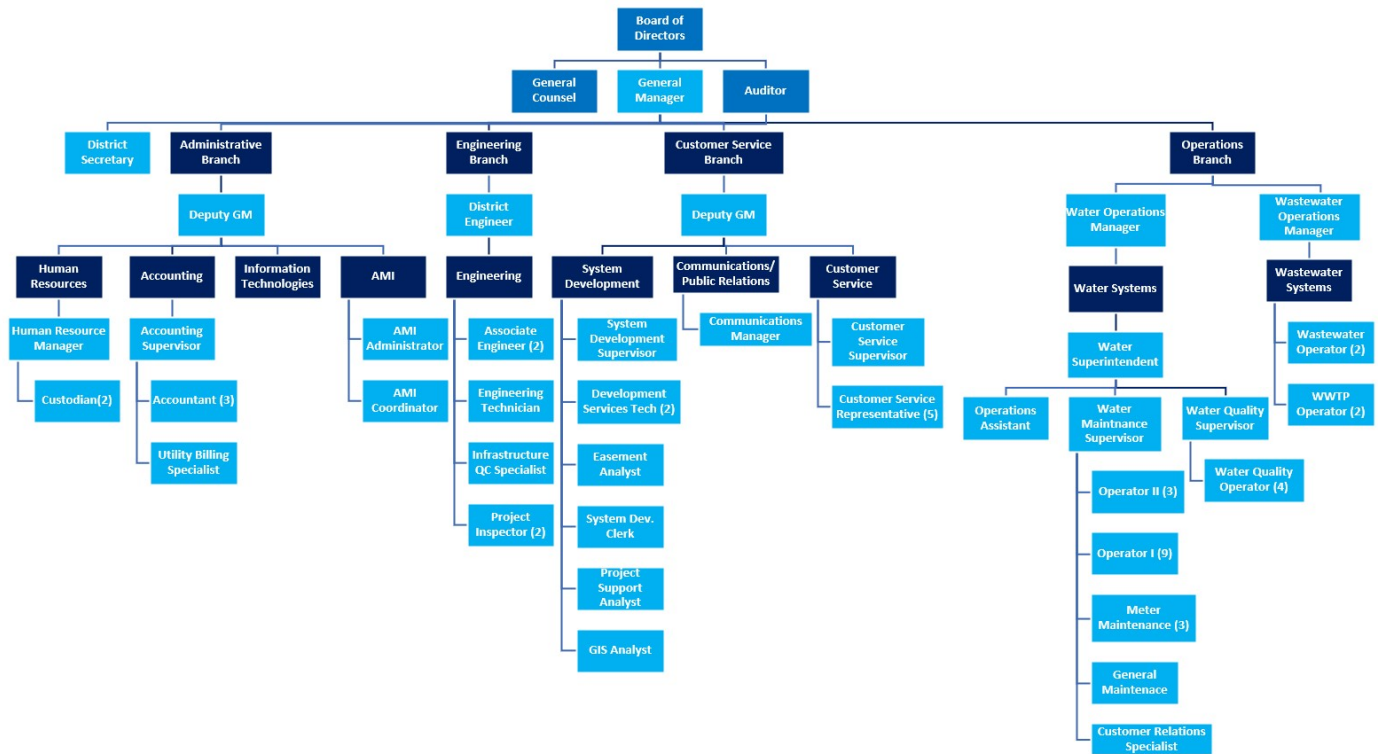
Tyler Lyles, CPM
Water Operations



James Lyles
Wastewater Operations



Sinclair Newby, MS
Communications





History

In the spring of 1964, a group of men held a meeting at the Sand Flat Baptist Church to discuss the possibility of supplying water for general farm use and domestic purposes to the people residing in the general rural area. These men were dedicated to helping their rural neighbors, so they began knocking on doors.

They presented the idea of having a water cooperative to serve rural families in the area. People were skeptical at first, and the new concept of participating in a community water system wasn't readily accepted. Many thought individual wells worked fine, but the vision was much greater. The strategy was to provide an economic benefit for these rural families and for the many to come as Johnson County steadily grew. The steering committee proposed an initial \$50 membership fee to have a meter installed and join the new member-owned, non-profit organization. It made sense to create a rural community water system to serve those who would share as stakeholders in this cooperative effort.

In 1965, the Johnson County Rural Water Supply Corporation (JCRWSC) was organized and chartered under state statutes as a non-profit corporation, much like many others of its kind in Texas during this era. The beginnings of these rural water suppliers arose throughout the country and were funded through loans from the Farmer's Home Administration. The system began with 305 customers and served a genuine need to supply 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 JCRWSC 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 JCRWSC.

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 largest 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 Johnson County Special Utility District (JCSUD).

The Johnson County Fresh Water Supply District #1 (FWD) served the Joshua area for several years. 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 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 next year, the FWD approved a resolution to conjoin with JCSUD, and an application was made with the State to complete 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 maintain stable rates among all the domains of customers, which now totaled 14,426.

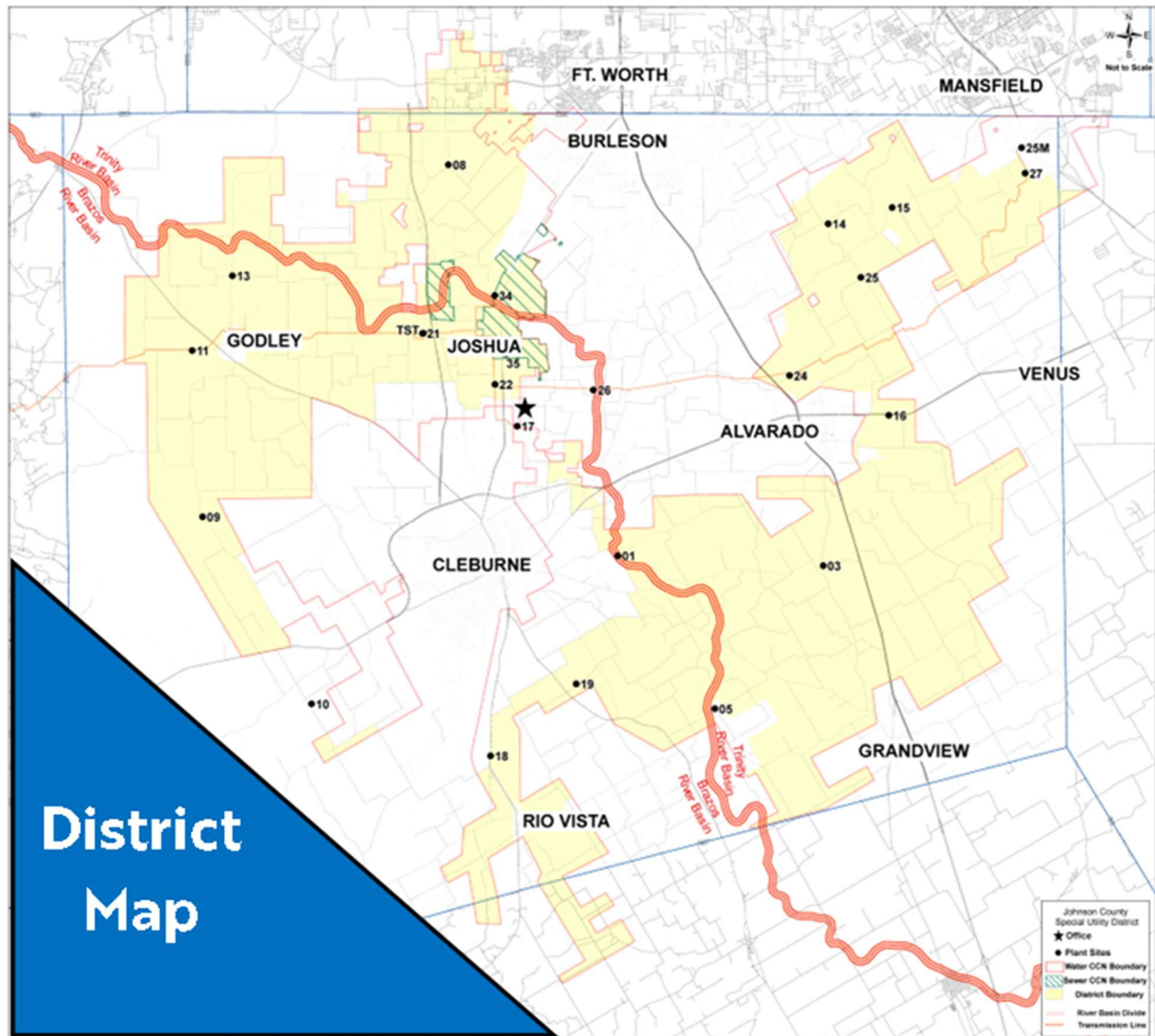
2012 was quite a mile-marker year in the life of the District. The Brazos River Authority - Surface Water Advanced Treatment System (SWATS), which once served five municipal suppliers, was favorably reduced to only two. The ownership and management transferred from the Brazos River Authority to a newly created Brazos Regional Public Utility Agency (BRPUA). Only two owner-entities created and sustain the Brazos Regional Public Utility Agency today – JCSUD and Acton Municipal Utility District (AMUD). The five-member governing body of the BRPUA is made up of board members of the sponsors.

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 total business and operations finally originate from a central location relative to the District's area of service. In the last 20 years, connections have doubled to 23,000 households today, an estimated 62,000 in population. Besides these retail connections, the District takes on a greater 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 also 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 1.8 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 41.6 MGD.

The system has about 918 miles of distribution pipeline and 48 miles of transmission lines divided into 12 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 around 3,500 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 53 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 continued to increase through 2023. Pool rates were 3.59% at the beginning of 2023 and ended at 5.40%. Rates for Certificates of Deposit (CD) increased slightly as well. At the end of December 2023, a one-year CD yielded between 4.70% and 5.00% compared to 4.25% and 4.70% at the end of December 2022. 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, 2023.



**Accomplishments & Initiatives
2023-2024**

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 significantly reduced water loss, reducing the 12-month total water loss rolling average percentage from 10.97% to 10.44% for 2023. This equates to approximately 50 million gallons saved in water loss, equivalent to approximately \$300,000 in cost savings. Since the water loss program was implemented in March 2022, a total of 80 million gallons have been saved in water loss, equivalent to approximately \$500,000 in cost savings. In 2023, JCSUD saw a decline in the amount of water lost by approximately 20% in all three of the Texas Water Development Board's water loss metrics. Additionally, JCSUD has seen an average decline of 21% per year in each of the three metrics for the last four years.



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 promoting the WaterSmart® program was a priority in 2023 and will be continued in 2024.

Safety Program

Safety continues to be a priority of the District. In 2023, the JCSUD Safety Manual was completed. JCSUD utilized OSHA safety standards to maintain consistency with operator licensing training and ensure the top safety standards are followed. A safety training and onboarding program will be developed to provide proper training for current operators and new employees. Safety training will be maintained regularly after the initial training. 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.



Branding

2023 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 2023 included updates to outdoor signage to reflect the new logo on prominent areas of the District's office building.

Community Presence

JCSUD prioritizes its presence in the communities it serves and is involved in several different ways through sponsorships, volunteerism, and support. By actively engaging with local communities, JCSUD fosters stronger relationships and trust among customers. Additionally, by actively participating in community events and initiatives, JCSUD demonstrates its commitment to supporting local initiatives and contributing to the overall well-being and development of the communities it serves. In 2023, JCSUD sponsored and/or participated in events for the Cleburne Rotary Club, Chisolm Trail 100, Tour de Goatneck Bike Ride, Johnson County Sheriff's Posse, Joshua Citizen's Police Academy, Joshua Area YMCA, Tarrant Area Food Bank, Cleburne Chamber of Commerce, and Meals on Wheels, to name a few. The District also hosts an annual community trunk-or-treat event at Halloween for local residents to attend with their families. JCSUD is continuously seeking opportunities to give back to its communities and looks forward to many more years of community partnerships.



Employee Benefits and Compensation

Our current benefit plan proves to be attractive for existing employees and new hires. JCSUD continues to monitor the effectiveness of our benefits and retirement to ensure employees can take care of themselves and their families. We aim to provide all the necessary incentives to create a career opportunity, not just a job. In 2023, employees received a COLA raise to offset rapid inflation, as well as merit raises in December 2023. Starting in January 2024, employees received a new HRA benefit, which is an employer-funded account for employees to utilize towards medical expenses.

New Customer Packet

In August 2023, the JCSUD New Customer Packet was launched to enhance customers' onboarding experience. This packet includes information about the District, Board, programs, bill payment options, WaterSmart, water conservation tips, and more. The packet also includes several QR codes throughout the document that customers can scan to sign up for programs, pay their bills, and directly access documents referenced in the packet.

Customer Service Training

2023 saw a prioritized effort in customer service training for a variety of customer-facing staff members. This initiative included professional customer service training sessions by Alliance Customer Service, as well as the development of a customer service procedures manual for staff that streamlines and enhances internal processes to provide the high-quality service expected by the customers we serve.



Daupler Response Management System (RMS)

In 2023, JCSUD entered into 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 provides more effective two-way communication between JCSUD and customers through voice and text.

Board Communications

The purpose of the JCSUD Board of Directors is to guide, evaluate, and monitor District programs, budgets, policies, and systems. The importance of clear and effective communication between the board, staff, and public cannot be understated. In 2023, several initiatives were continued to ensure the delivery of pertinent board-related information. The audio and visual components of the public livestream have been enhanced, and the public-facing board meeting portal was redesigned in April 2023 for more efficient document storage and sharing to the public. The monthly board packets prepared by staff were revamped in 2023 to include more detail on ongoing projects, budget standings, and action items. Staff also produce a monthly press release that summarizes the presentations and action items at each board meeting.

Cyber Security

JCSUD is continuing to prioritize enhanced cyber security measures within its operations. Through a comprehensive approach that integrates innovative technology and rigorous protocols, JCSUD ensures the safeguarding of data and critical infrastructure against potential cyber threats. By continually investing in advanced security systems, staff training, and proactive risk assessments, JCSUD maintains a robust cyber security program, effectively eliminating potential security incidents. JCSUD exhibits unwavering dedication to the protection of sensitive data and the uninterrupted provision of essential services to its community. This commitment to cyber security excellence has led to a remarkable zero cyber security events.

Inventory

Inventory management and processing has been a focus for JCSUD. By implementing streamlined processes through the ERP accounting system, JCSUD has been able to improve accuracy, efficiency, and overall productivity. Inventory tasks such as reorder points, competitive pricing, organization, and cycle counts are being automated to reduce human error, optimize inventory levels, and improve accuracy.

AMI Network and Analytics

Deployment of the AMI Project began in 2019. Advanced Metering Infrastructure (AMI) refers to the latest system of water meters that can automatically collect and transmit consumption data to JCSUD and customers using communication networks. The conversion to AMI technology provides improved accuracy, reduced water loss and operational costs, the ability to detect leaks or abnormalities promptly, and enable the ability to improve water conservation and usage through advanced data analytics.

Emergency Generator Project (SB 3)

As a requirement from SB 3, The District worked with Jacob & Martin Engineering to develop plans and specifications for permanent generators at Plant 17, Plant 21, and Plant 11. These plants were deemed critical water distribution sites. The project went out to bid in June 2023 and was awarded to Prater Electric in the August 2023 board meeting. All plants now have concrete pads for the generators except for 21. Generators for the project are planned to be delivered and installed in the last quarter of 2024. Automatic Transfer Switches (ATS) are projected to be delivered in February 2024. This project will enhance resiliency during adverse weather conditions so the District can minimize disruptions in providing safe and reliable water to its customers.

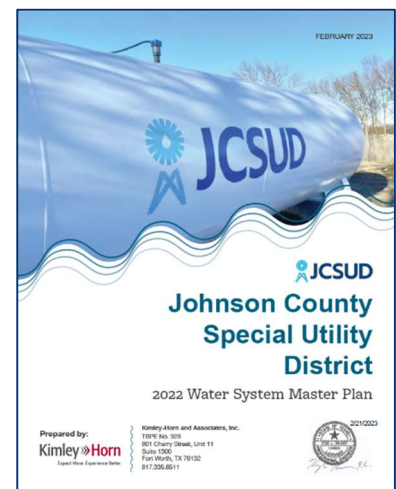
Long-Term Financial Plan and Model

In December 2023, the Board accepted the District's Long-Term Financial Plan (LTFP) and Model. NewGen Strategies & Solutions was engaged to assist the District in developing the LTFP and supporting electronic model. The model has been completed and incorporates the district's planned capital investment, method of funding planned investment, and project cash-flows needed to support that funding. The analysis includes projections of debt service requirements and the rates needed to support those commitments. The LTFP has been developed throughout the year in preparation to infuse the information from the Master Plan. The Master Plan will plug into the model to provide a ten-year forecast of revenue and expenses to support a Business Plan for the District, aligning with the Board's overall strategic goals and objectives.

Water Master Plan Update

The 2022 Water Master Plan was completed in February 2023 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. This plan involves the cleaning and assessment of all the wastewater infrastructure that the District maintains. In 2023, Bartlett & West completed the cleaning and video recording of the manholes and sewer lines in the system, as well as collecting GPS coordinates for all the manholes.

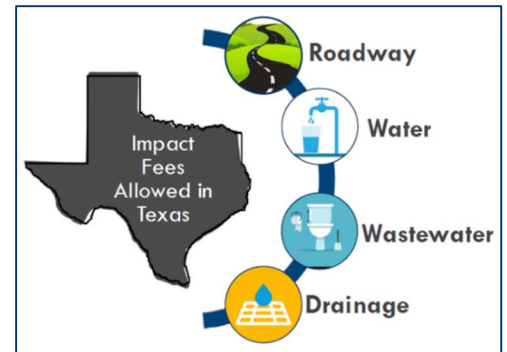


Mt Peak Special Utility District Wholesale Water Purchase Contract

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. The District approved the plans and awarded the project in December 2022. The construction project took place in 2023, with the take point for Mountain Peak to enter service in early 2024. The take point will deliver treated surface water as the wholesale water purchase contract commits.

Impact Fees and Capital Improvement Advisory Committee

The calculation and development of Impact Fees was completed in 2023. Chapter 395 of the Texas Local Government Code defines Impact Fees as 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. The District 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. Impact Fees went into effect on January 1, 2024.



JCSUD

2023 Capital Improvement Projects (CIP)

Water Capital Improvement Projects

In 2023, construction on the Joshua Main Street Water Line Replacement Project continued. This project is designed to help provide additional fire-flow capacity to the City of Joshua. The Plant 5 Pressure Tank was completed and will help bring the pressure plane into TCEQ capacity compliance. Two water line replacement projects, CR 401 and CR 1206, were completed. These projects are designed to help increase water pressure in their respective pressure planes.

Wastewater Capital Improvement Projects

In Joshua, the Main Street Sewer Line replacement project consists of replacing approximately 780 feet of 6-inch clay sewer line with 8-inch SDR 35 PVC, including a manhole, existing cleanout, and appurtenances in Joshua.

In 2023, four 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.

The FM 917 to Avenue F sewer line replacement project was completed in 2023. The project replaced approximately 510 linear feet of 6-inch clay pipe and a brick manhole. The new line will help reduce the possibility of backups.



\$22M CIP/Bond Project

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

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. The elevated storage project was awarded in August 2023 and has begun construction.



Redline Projects

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 2500 LF of 4" water line along CR 415

System Development Updates

System Development had an exceptionally large year in new developments and new connections set onto the system. In 2023, System Development worked with several developers and engineering firms to complete 30 developments, adding 884 connections to the water system and 80 connections to the wastewater system, adding approximately \$9.14M in contributed capital to the District.

Contributed Property of subdivision development and commercial ventures for 2023 recorded a value of \$4.8M. 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.



JCSUD

Current Initiatives

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-inch waterline to Plant 27 to support the increased capacity. Phase 1 of the City of Mansfield 30-inch waterline project has been completed. Completing Phase 1 would allow the City to deliver a consistent 7 MGD supply to JCSUD. In late 2022, the District awarded the Plant 27 pump improvement project. The project consisted of installing a 3,800 GPM pump that would allow the District to maximize its pump capacity and prepare the District to provide increased flow from the City of Mansfield upon the City of Mansfield's completion of its 30-inch waterline projects.



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.

Pressure Plane 13

The District authorized Kimley-Horn (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 1 being completed in 2023.

Wastewater Hydraulic Model

The District began performing wastewater hydraulic analyses through the use of a wastewater hydraulic model. This allows the District to model impacts on the wastewater collection system caused by new developments. In 2022, the District acquired new software to design and run more accurate wastewater hydraulic models. The District is transferring data from the Wastewater Strategic Plan 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 District to make determinations on new developments coming onto the JCSUD wastewater system and plan for future expansions. Once Phase 1 of the Wastewater Strategic Plan is completed, the model will have all the required hydraulic information it needs.

JCSUD RO Water Treatment Plant

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. In 2023, eHT was tasked with completing preliminary design.

Capital Project Debt Funding

In 2023, JCSUD obtained a \$3.4 million guaranteed loan through a Revenue Bond from the United States Department of Agriculture (USDA) to cover the construction of a one-million-gallon ground storage tank (GST) for Plant 11 as listed in the JCSUD 2022 Water System Master Plan. The one-million-gallon GST is part of the Pressure Plane 13 – Phase 1 Project. This guaranteed loan will provide JCSUD with 1926(b) CCN Protection, protecting the service area of the district from rapid decertification. Rapid decertification allows developments to opt out of the district service area even though capital investments were made to service the area.

JCSUD | 2023 BY THE NUMBERS

2.4 billion gallons of treated water sold
 7.4 million gallons sold per day on average
 50 million gallons saved in water loss efforts



\$24.5 million in total revenue from water sales
 \$114.3 million in total value of capital assets

32 employees who kept systems running
 966 miles of waterlines
 0 reportable water quality citations or violations
 1,788 water quality samples collected



884 new water and 80 new wastewater connections
 \$4.3M collected in CIAOC for growth
 30 new developments completed

FISCAL YEAR 2023 FINANCES IN BRIEF

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

Source	Total	Program	Total
Water Sales	\$ 24,528	Water Purchases	\$ 7,568
System Development Fees	3,673	Depreciation	3,445
Sewer Revenue	2,039	Personnel Services	5,512
Capital Contributions	9,139	Repair & Maintenance	1,664
Installation Fees	815	Other	3,484
Miscellaneous	910	Utilities & Communication	1,628
Investment Earnings	2,252	Interest Expense	593
Penalties	330	Debt Issuance	323
		Change in Net Position	19,469
Total	43,686	Total	43,686

Read our FY23 Comprehensive Annual Financial Report at jcsud.com



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Texas**

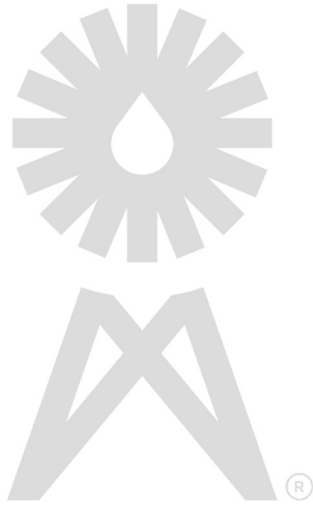
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

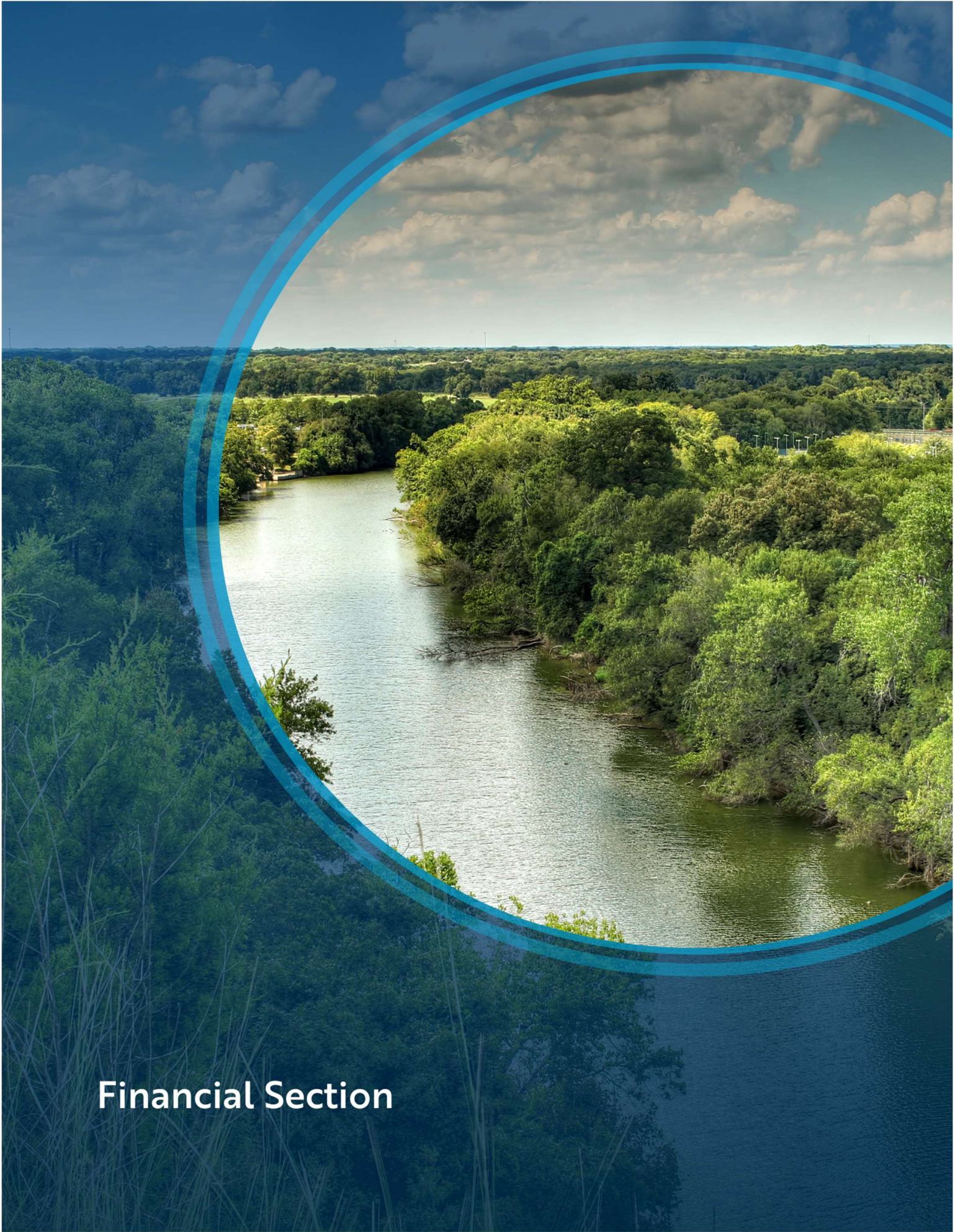
December 31, 2022

Christopher P. Morill

Executive Director/CEO

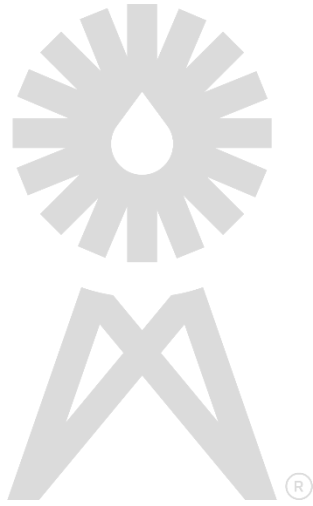
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Financial Section

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INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2023, 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, 2023, 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

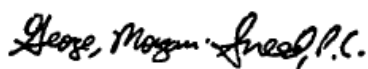
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information are presented for purpose of additional analysis and are not a required part of the basic financial 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 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Information

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

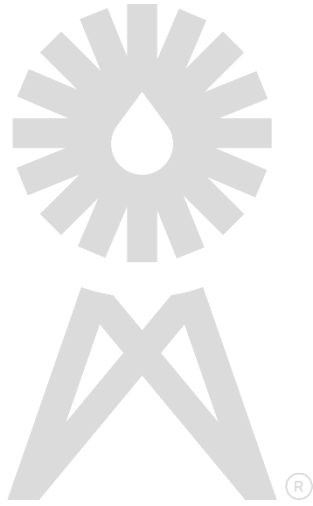
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2024 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Weatherford, Texas
May 2, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Johnson County Special Utility District, we offer readers of Johnson County Special Utility District's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2023. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets of Johnson County Special Utility District exceeded its liabilities at the close of the current year by \$139,390,108 (net position) compared to \$119,920,501 for the prior year. Of this amount, \$45,196,351 (unrestricted net position) may be used to meet the District's obligations to creditors.
- The District's total net position increased by \$19,469,607 for the current year reported. Net position in the previous year increased by \$16,528,281.
- Total capital assets (net of depreciation) were \$114,324,130 for the current year reported compared to \$99,097,939 in the previous year.
- Bonds payable were \$34,212,825 at year-end compared to \$33,388,113 at the previous year-end.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Johnson County Special Utility District's basic financial statements. 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 - 23 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 Johnson County Special Utility District, assets exceeded liabilities by \$139,390,108 as of December 31, 2023.

A significant portion of the District’s net position (65%) 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 \$28 million annually in collections from retail and wholesale customers. Johnson County Special Utility District reports that about 33% 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 assets of \$45,196,351 represents resources that may be used to meet the District’s ongoing obligations to creditors. As of December 31, 2023, the District is able to report a positive balance in all the categories of net position.

Below are summaries of 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

	2023	2022
Current assets and other assets	\$ 68,816,496	\$ 60,891,751
Capital assets	114,324,130	99,097,939
Total assets	<u>183,140,626</u>	<u>159,989,690</u>
Liabilities		
Current liabilities	11,263,291	8,627,833
Long-term liabilities	31,687,941	30,902,648
	<u>42,951,232</u>	<u>39,530,481</u>
Deferred inflow of resources	<u>799,286</u>	<u>538,708</u>
Net position		
Net investment in capital assets	90,210,996	73,985,091
Restricted for debt service	3,982,761	3,778,807
Unrestricted	45,196,351	42,156,603
	<u>\$ 139,390,108</u>	<u>\$ 119,920,501</u>

Changes in Net Position

	2023	2022
Revenues		
Operating revenues:		
Water sales	\$ 24,527,494	\$ 23,043,658
Sewer revenue	2,039,381	1,736,750
Penalties	330,018	310,964
Installation fees	815,307	878,503
Miscellaneous fees	373,850	355,741
Nonoperating revenues:		
Gain on disposal of assets	107,013	-
Investment earnings	2,252,051	621,398
Other income	428,580	336,429
System development fees	3,672,779	3,788,810
Total revenues	34,546,473	31,072,253
Expenses:		
Water purchases	7,567,706	7,478,047
Other operating	12,287,799	12,031,827
Depreciation	3,445,048	3,190,912
Nonoperating	915,494	567,730
Total expenses	24,216,047	23,268,516
 Income before capital contributions	 10,330,426	 7,803,737
 Capital contributions	 9,139,181	 8,724,544
 Change in net position	 19,469,607	 16,528,281
Net position - beginning	119,920,501	103,392,220
Net position - ending	\$ 139,390,108	\$ 119,920,501

The District's net position increased \$19,469,607 in the current year compared with a \$16,528,281 increase in the prior year. \$9,139,181 of the increase is due to capital contributions compared to \$8,724,544 in the previous year.

Total operating revenues increased \$1,760,434 (7%). Water sales increased \$1,483,836 due to a rate increase March 2022, and increased customers and gallons of water sold. Nonoperating revenues increased \$1,713,786 primarily because of an increase in interest rates on invested fund. Total expenses increased \$947,531. Other operating expenses increased \$255,972 due to increase in personnel costs and increases in repairs. The increase in expenses before nonoperating expenses is 3%. Nonoperating expenses increased primarily due to debt issuance costs of \$322,502 in the current year.

Capital Assets

Johnson County Special Utility District's investment in capital assets as of December 31, 2023, amounts to \$114,324,130 (net of accumulated depreciation).

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

- \$12,737,679 for water and sewer construction projects.
- \$341,361 for 7 new trucks for the District.
- \$4,798,886 for water and sewer system improvements contributed by developers.

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

	2023	2022
Land	\$ 875,358	\$ 875,358
Construction in progress	36,713,730	26,604,014
Buildings and building improvements	4,913,367	5,224,111
Water distribution systems	64,558,672	59,672,350
Sewer distribution systems	5,337,539	5,270,599
Equipment, furniture and fixtures	1,758,850	1,451,507
Intangible right-to-use software	166,614	266,398
	<u>\$ 114,324,130</u>	<u>\$ 99,364,337</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, 2023:

Description	2023	2022
Revenue Bonds	<u>\$ 34,212,825</u>	<u>\$ 33,388,113</u>

During 2023 the District issued \$3,426,000 revenue bonds for construction projects.

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

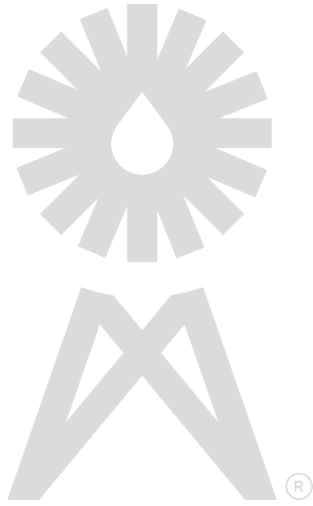
In the 2024 budget, General Fund revenues are budgeted to increase by 19% from the 2023 budget. JCSUD expects continued growth in 2024, projecting a 13% increase in residential water sales and almost a 23% increase in wastewater sales compared to 2023 budgeted revenues. Impact Fees were adopted by the District effective in 2024. Impact Fees are a funding mechanism collected from development to fund infrastructure related to system growth. Wholesale water customers continue to rely on their contracted water capacity with the District to service their increased water demand. In 2024, the District will continue to pursue economic development and wholesale opportunities, allowing for approximately an 8% increase in budgeted wholesale water sales.

In 2024, 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 into important District information. JCSUD continues its campaign to encourage customers to utilize the WaterSmart Customer Portal to provide user-specific information in real-time, along with the Daupler Response Management System, which helps to improve our customer experience. JCSUD continues to serve and work with the community to provide tips on water conservation and other important topics that benefit our community. Internally, JCSUD continues to offer professional development to our employees through multiple training opportunities, including the newly designed Safety Program. JCSUD continues its long-term planning efforts with an optimistic outlook towards our future.

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 General Manager 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, 2023

ASSETS

Current Assets

Cash and cash equivalents	\$ 30,100,925
Certificates of deposit	2,080,000
Accounts receivable (net of allowance for uncollectibles)	2,920,023
Leases receivable	799,286
Inventory	1,186,204
Prepaid items	198,073
Restricted assets	
Cash and cash equivalents	19,494,302
Total current assets	56,778,813

Noncurrent Assets

Other assets:	
Equity interest in joint venture	12,037,683
Capital assets (net of accumulated depreciation)	
Nondepreciable	37,589,088
Depreciable assets	76,735,042
Capital assets, net	114,324,130
Total noncurrent assets	126,361,813

Total assets	\$ 183,140,626
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LIABILITIES

Current liabilities

Accounts payable	\$ 5,289,673
Accrued expenses	52,968
Accrued payroll liabilities	85,414
Compensated absences payable	156,458

Current liabilities payable from restricted assets

Interest payable	249,261
Customer deposits payable	2,590,256
Current portion of long-term liabilities	2,839,261
Total current liabilities	11,263,291

Noncurrent liabilities

Compensated absences payable	142,869
SBITA agreements payable	70,827
Bonds payable	31,474,245
Total noncurrent liabilities	31,687,941

Total liabilities	\$ 42,951,232
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to leases	799,286
Total Deferred Inflow of Resources	\$ 799,286

NET POSITION

Net investment in capital assets	\$ 90,210,996
Restricted for debt service	3,982,761
Unrestricted net position	45,196,351
Total net position	\$ 139,390,108

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, 2023

OPERATING REVENUES

Water sales	\$ 24,527,494
Sewer revenue	2,039,381
Penalties	330,018
Installation fees	815,307
Miscellaneous fees	373,850
Total operating revenues	28,086,050

OPERATING EXPENSES

Water purchases	7,567,706
Personnel	5,511,822
Repair, maintenance and supplies	1,664,041
Utilities and communication	1,628,169
Other	3,483,767
Depreciation	3,445,048
Total operating expenses	23,300,553
Operating income (loss)	4,785,497

NONOPERATING REVENUES (EXPENSES)

Gain on the sale of assets	107,013
Investment earnings	2,252,051
Other income	428,580
System development fees	3,672,779
Bond issuance costs	(322,502)
Interest expense	(592,992)
Total nonoperating revenue (expenses)	5,544,929

Income (loss) before contributions	10,330,426
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CAPITAL CONTRIBUTIONS

Capital contributions	9,139,181
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Change in net position	19,469,607
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Net position - beginning	119,920,501
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Net position - ending	\$ 139,390,108
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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, 2023

Cash flows from operating activities:	
Cash received from customers	\$ 28,416,035
Cash paid to suppliers and service providers	(14,440,071)
Cash paid to employees for salaries and benefits	(5,513,823)
Net cash provided (used) by operating activities	<u>8,462,141</u>
Cash flow from capital and related financing activities:	
Capital outlay	(11,198,729)
Proceeds from sale of capital assets	142,537
System development fees	3,672,779
Capital contributions	4,340,295
Proceeds from bonds	3,426,000
Bond issuance costs	(322,502)
Principal payments on long-term debt	(2,664,889)
Interest paid on bonds	(590,274)
Net cash (used) by capital and related financing activities	<u>(3,194,783)</u>
Cash flow from investing activities:	
Interest received	2,252,051
Redemption of certificates of deposit	-
Net cash provided by investing activities	<u>2,252,051</u>
Net increase (decrease) in cash and cash equivalents	7,519,409
Cash and cash equivalents, January 1, 2023	<u>42,075,818</u>
Cash and cash equivalents, December 31, 2023	<u>\$ 49,595,227</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income	\$ <u>4,785,497</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Other income	428,580
Depreciation expense	3,445,048
(Increase) decrease in accounts receivable	(246,225)
(Increase) decrease in supplies inventory	(36,996)
(Increase) decrease in prepaid items	51,573
(Increase) decrease in equity interest in joint venture	86,890
Increase (decrease) in accounts payable	(203,436)
Increase (decrease) in accrued expenses	5,581
Increase (decrease) in accrued payroll liabilities	(36,980)
Increase (decrease) in compensated absences payable	34,979
Increase (decrease) in customer deposits payable	147,630
Total adjustments	<u>3,676,644</u>
Net cash provided by operating activities	<u>\$ 8,462,141</u>
Noncash Investing, Capital and Financial Activities	
Intangible Right-to-use software and long-term liability	\$ 266,398
Leases receivable and deferred inflow of resources	321,879
Contribution of capital assets by developers	4,798,886
	<u>\$ 5,387,163</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, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Basic Financial Statements – Fund Financial Statements

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

Proprietary Fund

The focus of proprietary fund measurement is on the determination of operating income, changes in net position, financial position, and cash flows. The generally 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, 2023

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

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2023

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, 2023

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, 2023, 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, 2023, 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, 2023

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, 2023, included the following:

Description	Rating	Maturities	Investment	Cost	Market
Logic Pool	AAAm	53 days	32.37%	\$15,806,976	\$15,806,976
TexStar Pool	AAAm	44 days	48.51%	23,689,768	23,689,768
Tex-Pool	AAAm	38 days	7.67%	3,744,413	3,744,413
Texas TERM Pool	AAAf	48 days	0.76%	372,805	372,805
UMB Money Market	n/a	n/a	6.44%	3,145,054	3,145,054
Certificates of Deposit	n/a	n/a	4.26%	2,080,000	2,080,000
Total			100.00%	<u>\$48,839,016</u>	<u>\$48,839,016</u>

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

The pools and money market listed above totaling \$46,759,016 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	\$ 12,672,023
P&I sinking funds	1,453,465
Revenue bond reserves	2,778,558
Customer deposits	2,590,256
	<u>\$ 19,494,302</u>

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2023

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Reclassification	Ending Balance
Non Depreciable Assets:					
Land	\$ 875,358	\$ -	\$ -	\$ -	\$ 875,358
Construction in progress	26,604,014	12,737,679	(10,600)	(2,617,363)	36,713,730
Total non-depreciable assets	<u>27,479,372</u>	<u>12,737,679</u>	<u>(10,600)</u>	<u>(2,617,363)</u>	<u>37,589,088</u>
Depreciable Assets:					
Buildings and building improvements	6,281,870	-	-	-	6,281,870
Water distribution systems	92,420,195	4,638,433	(24,980)	2,617,363	99,651,011
Sewer distribution systems	8,677,529	336,541	-	-	9,014,070
Equipment, furniture and fixtures	3,826,057	747,307	(443,545)	-	4,129,819
Intangible right-to-use software	266,398	-	-	-	266,398
Total capital assets being depreciated	<u>111,472,049</u>	<u>5,722,281</u>	<u>(468,525)</u>	<u>2,617,363</u>	<u>119,343,168</u>
Accumulated Depreciation:					
Buildings and building improvements	(1,057,759)	(310,744)	-	-	(1,368,503)
Water distribution systems	(32,747,845)	(2,361,980)	17,486	-	(35,092,339)
Sewer distribution systems	(3,406,930)	(269,601)	-	-	(3,676,531)
Equipment, furniture and fixtures	(2,374,550)	(402,939)	406,520	-	(2,370,969)
Intangible right-to-use software	-	(99,784)	-	-	(99,784)
Total accumulated depreciation	<u>(39,587,084)</u>	<u>(3,445,048)</u>	<u>424,006</u>	<u>-</u>	<u>(42,608,126)</u>
Business-type activities capital assets, net	<u>\$ 99,364,337</u>	<u>\$ 15,014,912</u>	<u>\$ (55,119)</u>	<u>\$ -</u>	<u>\$ 114,324,130</u>

NOTE 5: DEFERRED OUTLOWS/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 \$799,286.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2023

NOTE 6: LEASES RECEIVABLE

The District is reporting Leases Receivable of \$799,286 on December 31, 2023. For 2023, the District reported lease revenue of \$61,302 and interest revenue of \$43,248 related to the lease payment received. The lease is summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Tower Leases	\$ 799,286	\$ 61,302	\$ 43,248
Total	\$ 799,286	\$ 61,302	\$ 43,248

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 1 additional 5-year term. Based on the agreement, the District is receiving monthly payments through 2033. Future payments receivable are as follows:

	Principal	Interest
2024	\$ 71,161	\$ 50,839
2025	75,917	46,083
2026	80,998	41,002
2027	86,428	35,572
2028	92,229	29,771
2029-2033	392,553	56,596
	\$ 799,286	\$ 259,863

NOTE 7: LONG-TERM LIABILITIES

A. 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, 2023

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%	4,540,000
2013 Revenue Refunding and Improvement Bonds	8,510,000	8/15/2031	1.25% - 2.65%	3,560,000
2018 Revenue Bonds (TWDB)	22,000,000	8/15/2038	.38% - 1.82%	17,025,000
2021 Revenue Bonds	6,830,000	8/15/2031	1.00% - 2.00%	5,510,000
2023 Revenue Bonds (USDA Secured)	3,426,000	8/15/2043	7.05%	3,426,000
Total				<u>\$ 34,061,000</u>

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2024	\$ 2,712,000	\$ 733,958	\$ 3,445,958
2025	2,737,000	731,468	3,468,468
2026	2,793,000	685,525	3,478,525
2027	2,842,000	635,492	3,477,492
2028	2,903,000	583,449	3,486,449
2029-2033	11,692,000	2,017,017	13,709,017
2034-2038	7,057,000	1,007,314	8,064,314
2039-2043	1,325,000	293,210	1,618,210
	<u>\$ 34,061,000</u>	<u>\$ 6,687,433</u>	<u>\$ 40,748,433</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, 2023, was \$1,292,234 and the actual balance was \$1,453,465.

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 \$2,778,558 at December 31, 2023.

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, 2023

NOTE 7: LONG-TERM LIABILITIES (continued)

B. Subscription-Based Information Technology Arrangements (SBITA)

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA) was effective for the fiscal year ended December 31, 2023. The District entered into subscription-based information technology arrangements that require recognition under GASB No. 96:

Incode/Executime accounting, payroll and utility billing software is a 5-year agreement from July 2020 – July 2025, with 1 optional renewal year payable in annual amounts of \$75,151.

WaterSmart meter software is a 5-year agreement from March 2020 – March 2025 payable in annual amounts of \$36,000.

The present value of the SBITAs calculated using a discount rate of 7.05%.

The District's intangible right-to-use software assets are recorded at \$266,398, less accumulated amortization of \$99,784.

The future subscription payments under SBITA agreements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 100,681	\$ 10,469	\$ 111,150
2025	70,827	4,324	75,151
	<u>\$ 171,508</u>	<u>\$ 14,793</u>	<u>\$ 186,301</u>

C. Change in long-term liabilities

The following is a summary of long-term liability transactions of the District for the year ended December 31, 2023:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2023</u>	<u>Due within one year</u>
Revenue Bonds	\$ 33,205,000	\$ 3,426,000	\$ (2,570,000)	\$ 34,061,000	\$ 2,712,000
Bond Premiums	183,113	-	(31,288)	151,825	26,580
Total Bonds Payable	33,388,113	3,426,000	(2,601,288)	34,212,825	2,738,580
SBITA agreements payable	266,398	-	(94,890)	171,508	100,681
Compensated absences	264,348	299,327	(264,348)	299,327	156,458
Total Long Term Debt	<u>\$ 33,918,859</u>	<u>\$ 3,725,327</u>	<u>\$ (2,960,526)</u>	<u>\$ 34,683,660</u>	<u>\$ 2,995,719</u>

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2023

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 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 \$12,037,683 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. BRPUA's Contract Revenue Bond Series 2012 (JCSUD) was paid off as of December 31, 2023.

NOTE 9: RETIREMENT PLAN

The Johnson County Special Utility District 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 2023. In addition to these deferrals, employees at least age fifty may make catch-up contributions of \$6,500 for 2023.

The Johnson County Special Utility District 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 \$266,492 for 2023.

Both plans are sole employer, defined contribution plans and have the same participation requirements: employees must be at least 18 and complete three months 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.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2023

NOTE 11: CONTRACTS AND COMMITMENTS (continued)

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.

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. At December 31, 2023, the projects were substantially complete with \$763,738 of retainage remaining to be paid.

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 will significantly alter the ownership of the Brazos Regional Public Utility Agency joint venture.

NOTE 13: EVALUATION OF SUBSEQUENT EVENTS

Subsequent events were evaluated through May 2, 2024, which is the date the financial statements were available to be issued.

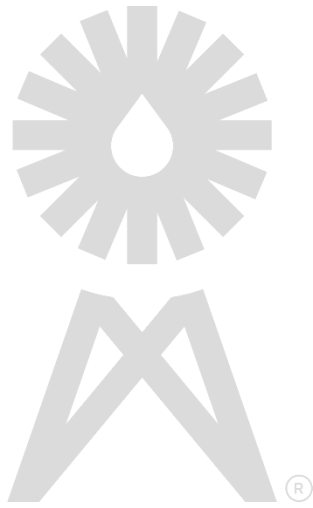
JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Notes to Financial Statements
December 31, 2023

NOTE 14: CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

For 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). Under GASB Statement No. 96 a government should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability initially measured at the present value of the subscription payments expected to be made during the term. These changes were incorporated in the District’s 2023 financial statements and did not have an effect on the beginning net position. On January 1, 2023, the District recognized \$266,398 intangible asset and subscription liability. The implementation of GASB Statement No. 96 had the following effect on net position as reported December 31, 2022.

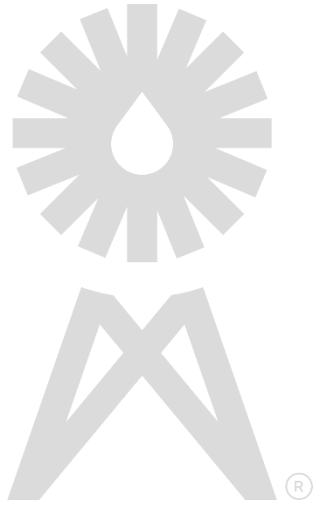
Net Position December 31, 2022	\$ 119,920,501
Adjustments:	
Intangible right-to-use software	266,398
SBITA contracts payable	<u>(266,398)</u>
Restated Net Position December 31, 2022	<u><u>\$ 119,920,501</u></u>

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SUPPLEMENTARY INFORMATION

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JOHNSON COUNTY SPECIAL UTILITY DISTRICT
 Budgetary Comparison Schedule
 Proprietary Fund
 For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance with Budget
OPERATING REVENUES				
Water sales	\$ 20,809,017	\$ 20,809,017	\$ 24,527,494	\$ 3,718,477
Sewer revenue	1,703,000	1,703,000	2,039,381	336,381
Penalties	280,000	280,000	330,018	50,018
Installation fees	850,000	850,000	815,307	(34,693)
Miscellaneous fees	345,200	345,200	373,850	28,650
Total operating revenues	<u>23,987,217</u>	<u>23,987,217</u>	<u>28,086,050</u>	<u>4,098,833</u>
OPERATING EXPENSES				
Water purchases	6,764,000	6,764,000	7,567,706	(803,706)
Personnel	5,715,746	5,715,746	5,511,822	203,924
Repair, maintenance and supplies	1,813,500	1,813,500	1,664,041	149,459
Utilities and communication	1,432,130	1,432,130	1,628,169	(196,039)
Other	3,137,710	3,137,710	3,483,767	(346,057)
Capital outlay	901,500	901,500	-	901,500
Depreciation	-	-	3,445,048	(3,445,048)
Total operating expenses	<u>19,764,586</u>	<u>19,764,586</u>	<u>23,300,553</u>	<u>(3,535,967)</u>
Operating income (loss)	<u>4,222,631</u>	<u>4,222,631</u>	<u>4,785,497</u>	<u>562,866</u>
NONOPERATING REVENUES (EXPENSES)				
Gain on sale of assets	50,000	50,000	107,013	57,013
Investment earnings	600,000	600,000	2,252,052	1,652,052
Other income	271,200	271,200	428,580	157,380
System development fees	1,604,550	1,604,550	3,672,779	2,068,229
Bonds issuance costs	-	-	(322,502)	(322,502)
Interest expense	(574,013)	(574,013)	(592,992)	(18,979)
Total nonoperating revenue (expenses)	<u>1,951,737</u>	<u>1,951,737</u>	<u>5,544,930</u>	<u>3,593,193</u>
Income (loss) before contributions	6,174,369	6,174,369	10,330,427	4,156,058
CAPITAL CONTRIBUTIONS				
Capital contributions	829,644	829,644	9,139,181	8,309,537
Change in net position	<u>\$ 7,004,013</u>	<u>\$ 7,004,013</u>	<u>\$ 19,469,608</u>	<u>\$ 12,465,595</u>

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF INSURANCE IN FORCE
December 31, 2023

INSURER	RISK COVERED	POLICY AMOUNT	EXPIRATION
Texas Municipal League	Worker's compensation	3,581,447	January 1, 2025
	General liability	\$2,000,000 / \$4,000,000	January 1, 2025
	Errors and omissions	5,000,000 / 10,000,000	January 1, 2025
	Automobile liability	1,000,000	January 1, 2025
	Auto physical damage	varies per vehicle	January 1, 2025
	Supplemental sewage backup	25,000 / 50,000	January 1, 2025
	Cyber Liability & Data Breach	2,000,000	January 1, 2025
	Flood and earthquake	5,000,000 / 10,000,000	January 1, 2025
	Real and personal property	73,449,693	January 1, 2025
	Boiler and machinery	100,000	January 1, 2025
	Mobile equipment	580,077	January 1, 2025
	Public employee dishonesty	1,000,000	January 1, 2025
	Forgery or alteration	100,000	January 1, 2025
	Theft, disappearance, and destruction	30,000	January 1, 2025
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, 2023
(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	\$25	N/A	N	\$5.50	0-12,000

District employs winter averaging for sewer usage? No

Total water charges per 10,000 gallons usage: water \$88.35; sewer \$80.00

3. Total water consumption (in thousands) during the fiscal year:
 - Gallons pumped into system: 2,692,200
 - Gallons billed & unbilled to customers: 2,406,624
 - Water accountability ratio: 89.4%

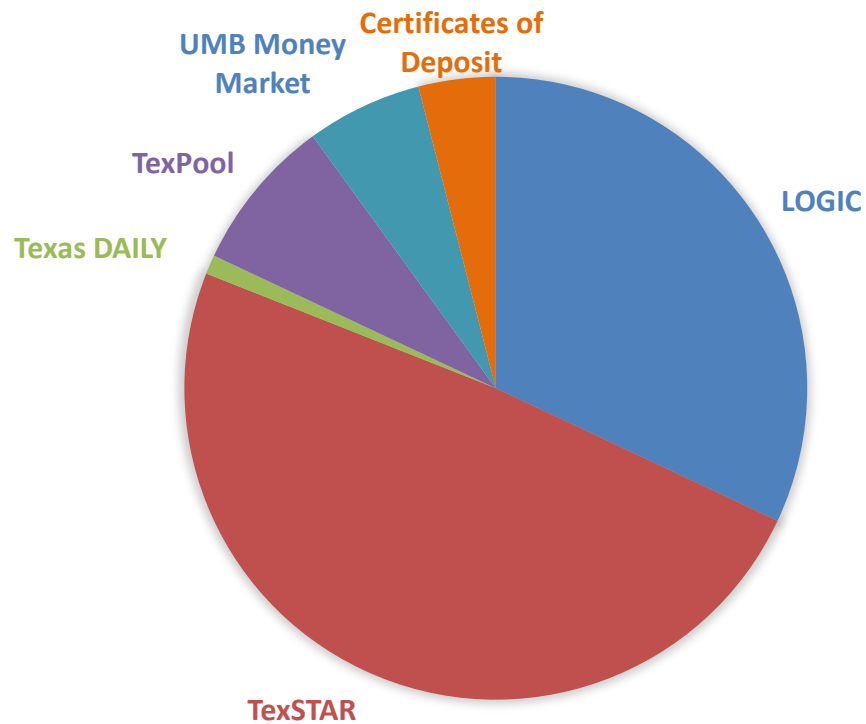
4. Retail water connections within the District as of the fiscal year end.

Meter Size	Total Meters	Active Meters	SUE Factor	Active SUE's
<=5/8"	20,204	18,911	1.0	18,911
3/4"	188	187	1.3	243
1"	264	249	2.2	548
2"	83	72	10.0	720
3"	126	40	20.0	800
4"	20	7	40.0	280
6"	9	3	64.0	192
Total Water	20,894	19,469		21,694
Total Sewer	2,559	2,311		2,311

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

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF TEMPORARY INVESTMENTS
 December 31, 2023

	Identification Number	Interest Rate	Maturity Date	Year End Balance	% of Total
LOGIC	No. 001 - 2018 L1000790	Market	Escrow	\$ 2,190,023	
	No. 001	Market	On demand	35,037	
	No. 002	Market	On demand	9,427,253	
	No. 003	Market	On demand	272,846	
	No. 006	Market	On demand	1,433,927	
	No. 007	Market	On demand	2,447,890	
				<u>15,806,976</u>	<u>32.4%</u>
TexSTAR	No. 110	Market	On demand	1,095,492	
	No. 210	Market	On demand	6,158,442	
	No. 213	Market	On demand	6,099,442	
	No. 330	Market	On demand	10,146,438	
	No. 550	Market	On demand	189,954	
				<u>23,689,768</u>	<u>48.5%</u>
Texas DAILY		Market	On demand	<u>372,805</u>	<u>0.8%</u>
TexPool	No. 002	Market	On demand	1,453,465	
	No. 005	Market	On demand	946,317	
	No. 008	Market	On demand	732,162	
	No. 009	Market	On demand	612,469	
				<u>3,744,413</u>	<u>7.7%</u>
UMB Money Market	2023 Const Fund	Market	Escrow	<u>3,145,054</u>	<u>6.4%</u>
Certificates of Deposit	Multi Bk Securities - 13 CD's	3.85%		<u>2,080,000</u>	<u>4.3%</u>
Total				<u>\$ 48,839,016</u>	<u>100.0%</u>



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, 2023

Bond Authority:	Series 2012	Series 2013	Series 2018	Series 2021	Series 2023	Total
	Revenue Bonds	Revenue and Refunding Bonds	TWDB Revenue Bonds	Revenue Bonds	Revenue Bonds	
Interest Rates	0.30%-2.00%	1.25% - 2.65%	.38% - 1.82%	1.00%-2.00%	7.05%	
Dates Interest Payable	2/23;8/23	2/23;8/23	2/23;8/23	2/23;8/23	2/23;8/23	
Maturity Dates	8/15/2031	8/15/2031	8/15/2038	8/15/2031	8/15/2043	
Beginning Balances January 1, 2023	\$ 5,040,000	\$ 3,955,000	\$ 18,050,000	6,160,000.00	-	\$ 33,205,000
Addition During the Fiscal Year	-	-	-	-	3,426,000	3,426,000
Retired During the Fiscal Year	(500,000)	(395,000)	(1,025,000)	(650,000)	-	(2,570,000)
Ending Balances December 31, 2023	<u>\$ 4,540,000</u>	<u>\$ 3,560,000</u>	<u>\$ 17,025,000</u>	<u>\$ 5,510,000</u>	<u>\$ 3,426,000</u>	<u>34,061,000</u>
Interest Paid During the Fiscal Year	<u>\$ 130,050</u>	<u>\$ 96,658</u>	<u>\$ 267,661</u>	<u>\$ 79,644</u>	<u>\$ -</u>	<u>574,013</u>
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.					
Revenue Bonds Series 2023	UMB Kansas City, MO.					

Bond Authority:	Series 2012	Series 2013	Series 2018	Series 2021	Series 2023	Total
	Revenue Bonds	Revenue and Refunding Bonds	TWDB Revenue Bonds	Revenue Bonds	Revenue Bonds	
Amount Authorized by Voters	\$ 9,500,000	\$ 8,510,000	\$ 22,000,000	\$ 6,830,000	\$ 3,426,000	
Amount Issued	9,500,000	8,510,000	22,000,000	6,830,000	3,426,000	
Remaining to be Issued	-	-	-	-	-	
Restricted cash for debt service as of December 31, 2023:						
Interest and sinking funds	\$ 267,874	\$ 207,991	\$ 543,741	\$ 308,571	\$ 125,289	1,453,465
Reserve funds	732,162	612,469	1,433,927	(1)		2,778,557
Total	<u>1,000,036</u>	<u>820,460</u>	<u>1,977,668</u>	<u>308,571</u>	<u>125,289</u>	<u>4,232,022</u>
Average Annual Principal and Interest Requirements, 2024 - 2043	\$ 2,037,422					
Coverage of Average Requirements by December 31, 2023 Net Revenues	7.21					
Maximum Principal and Interest Requirements, 2024-2043	\$ 3,494,709					
Coverage of Maximum Requirements by December 31, 2023 Net Revenues	4.20					
Number of years remaining on longest remaining bonded debt	20					

⁽¹⁾ 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, 2023

	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Operating Revenues															
Water sales	\$ 15,369,001	\$ 16,326,905	\$ 17,563,849	\$ 23,043,658	\$ 24,527,494	87.3	86.5	86.3	87.5	87.5	87.3	86.5	86.3	87.5	87.30
Fire hydrant meter water sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewer revenues	1,423,371	1,514,523	1,556,750	1,736,750	2,039,381	8.1	8.0	7.7	6.6	7.3	8.1	8.0	7.7	6.6	7.3
Penalties	262,359	226,336	290,283	310,964	330,018	1.5	1.2	1.4	1.2	1.2	1.5	1.2	1.4	1.2	1.2
Installation fees	321,770	556,765	583,414	878,503	815,307	1.8	3.0	2.9	3.3	2.9	1.8	3.0	2.9	3.3	2.9
Miscellaneous	220,540	245,389	354,490	355,741	373,850	1.3	1.3	1.7	1.4	1.3	1.3	1.3	1.7	1.4	1.3
Total Revenues	17,597,041	18,869,918	20,348,786	26,325,616	28,086,050	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Operating Expenses:															
Water purchases	6,729,864	6,459,069	7,220,583	7,478,047	7,567,706	38.2	34.2	35.5	28.4	26.9	38.2	34.2	35.5	28.4	26.9
Personnel services	2,574,177	3,109,900	3,603,688	4,730,392	5,511,822	14.6	16.5	17.7	18.0	19.6	14.6	16.5	17.7	18.0	19.6
Repair, maintenance and supplies	990,004	1,252,148	1,726,743	1,387,340	1,664,041	5.6	6.6	8.5	5.3	5.9	5.6	6.6	8.5	5.3	5.9
Utilities and communication	790,444	703,502	875,804	1,546,989	1,628,169	4.5	3.7	4.3	5.9	5.8	4.5	3.7	4.3	5.9	5.8
Other	1,074,754	1,239,016	2,517,171	4,367,106	3,483,767	6.1	6.6	12.4	16.6	12.4	6.1	6.6	12.4	16.6	12.4
Operating Expenses Excluding Depreciation and amortization	12,159,243	12,763,635	15,943,989	19,509,874	19,855,505	69.1	67.6	78.4	74.1	70.7	69.1	67.6	78.4	74.1	70.7
Operating Income before Depreciation and amortization	5,437,798	6,106,283	4,404,797	6,815,742	8,230,545	30.9	32.4	21.6	25.9	29.3	30.9	32.4	21.6	25.9	29.3
Depreciation and Amortization:	2,770,288	3,110,589	3,086,196	3,190,912	3,445,048	15.7	16.5	15.2	12.1	12.3	15.7	16.5	15.2	12.1	12.3
Operating Income (Loss)	2,667,510	2,995,694	1,318,601	3,624,830	4,785,497	15.2	15.9	6.5	13.8	17.0	15.2	15.9	6.5	13.8	17.0
Nonoperating Revenues (Expenses):															
Gain (loss) on sale of assets	411,309	(40,193)	-	-	107,013	2.3	(0.2)	-	-	0.4	2.3	(0.2)	-	-	0.4
Investment earnings	895,101	306,552	45,337	621,398	2,252,051	5.1	1.6	0.2	2.4	8	5.1	1.6	0.2	2.4	8
Other income	143,911	203,055	201,358	336,429	428,580	0.8	1.1	1.0	1.3	1.5	0.8	1.1	1.0	1.3	1.5
System development fees	1,311,480	2,310,860	2,373,362	3,788,810	3,672,779	7.5	12.2	11.7	14.4	13.1	7.5	12.2	11.7	14.4	13.1
Interest expense	(587,012)	(554,080)	(527,573)	(567,730)	(592,992)	(3.3)	(2.9)	(2.6)	(2.2)	(2.1)	(3.3)	(2.9)	(2.6)	(2.2)	(2.1)
Bond issuance costs	-	-	(304,659)	-	(322,502)	-	-	(1.5)	-	(1.1)	-	-	(1.5)	-	(1.1)
Total Nonoperating Revenues (Expenses)	2,174,789	2,226,194	1,787,825	4,178,907	5,544,929	12.4	11.8	8.8	15.9	19.7	12.4	11.8	8.8	15.9	19.7
Income (Loss) Before Capital Contributions and Extraordinary Item	4,842,299	5,221,888	3,106,426	7,803,737	10,330,426	27.5	27.7	15.3	29.6	36.8	27.5	27.7	15.3	29.6	36.8
Capital contributions	2,617,064	1,226,294	2,367,192	8,724,544	9,139,181	14.9	6.5	11.6	33.1	32.5	14.9	6.5	11.6	33.1	32.5
Changes in Net Position	\$ 7,459,363	\$ 6,448,182	\$ 5,473,618	\$ 16,528,281	\$ 19,469,607	42.4	34.2	26.9	62.8	69.3	42.4	34.2	26.9	62.8	69.3
Active Water Customers	16,069	16,851	17,805	18,686	19,469										
Active Sewer Customers	2,014	2,153	2,229	2,269	2,311										

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CONDENSED SUMMARY OF OPERATING RESULTS
(CALCULATION BASED ON BOND RESOLUTION REQUIREMENTS)
December 31, 2023

	Fiscal Year Ended December 31				
	2019	2020	2021	2022	2023
<u>Gross Revenues</u>					
Water Sales	\$15,369,001	\$16,326,905	\$ 17,563,849	\$ 23,043,658	\$ 24,527,494
Fire Revenue	-	-	-	-	-
Sewer Services	1,423,371	1,514,523	1,556,750	1,736,750	2,039,381
Interest Income	895,101	306,552	45,337	621,398	2,252,051
Other Revenue	2,671,369	3,502,212	3,802,907	5,670,447	5,727,547
Total Gross Revenues	\$20,358,842	\$21,650,192	\$ 22,968,843	\$ 31,072,253	\$ 34,546,473
<u>Operating Expenses ⁽¹⁾ :</u>					
Treated Water	\$ 6,010,545	\$ 5,712,043	\$ 6,469,579	\$ 6,686,564	\$ 6,727,912
Brazos River Authority Contracts	719,319	747,026	751,004	791,483	839,794
Other	5,429,379	6,304,566	8,723,406	12,031,827	12,287,799
Total Operating Expenses	\$12,159,243	\$12,763,635	\$ 15,943,989	\$ 19,509,874	\$ 19,855,505
Net Available For Debt Service	\$ 8,199,599	\$ 8,886,557	\$ 7,024,854	\$ 11,562,379	\$ 14,690,968
Active Water Customers	16,069	16,851	17,805	18,686	19,469
Active Sewer Customers	2,014	2,153	2,229	2,269	2,311

⁽¹⁾ Excludes Depreciation and Amortization

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

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
BOARD OF DIRECTORS, MANAGEMENT TEAM, AND CONSULTANTS
 December 31, 2023
 (Unaudited)

Complete District Mailing Address: PO Box 1390, Joshua, Texas 76058
 District Business Telephone Number: (817) 760-5200
 Submission Date of the Most Recent District Registration Form: 03/13/2023
 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	2023-2026	\$ 7,163	President
Gene Petross	2022-2025	\$ 6,353	Vice-President
Ronald Nichols	2022-2025	\$ 5,568	Secretary / Treasurer
Michael Bowles	2022-2025	\$ 3,163	Director
Harry Shaffer	2023-2026	\$ 3,376	Director
Gary Giesen	2021-2024	\$ 2,155	Director
Eric Baze	2021-2024	\$ -	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, 2023
 (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	\$ 42	Deputy GM
Gus Chavarria	12/04/23	\$ -	District Engineer
Sinclair Newby	07/05/22	\$ -	Communications and Public Affairs Manager
Sarah Birchmeier	11/27/23	\$ -	Human Resources Manager
Tyler Lyles	01/10/11	\$ -	Water Operations Manager
James Lyles	04/12/21	\$ -	Wastewater Operations Manager

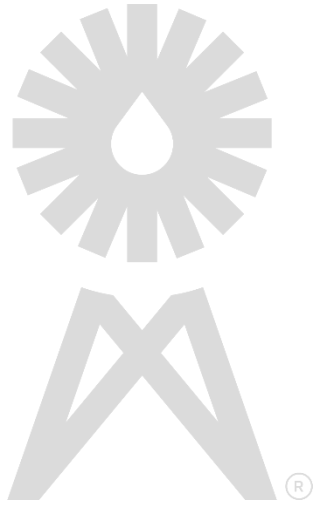
Professional & Engineering			
Cain & Associates, P.C.		\$ 341,007	Attorney
Duane Morris LLP		\$ 338,685	Attorney
Terrill & Waldrop, PLLC		\$ 266,509	Attorney
Bartlett & West, Inc.		\$ 397,222	Engineer
Enprotec/Hibbs & Todd		\$ 522,038	Engineer
Jacob and Martin, LLC		\$ 171,411	Engineer
Kimley-Horn & Associates, Inc.		\$ 839,118	Engineer
Transportation & Municipal Engineers		\$ 114,412	Engineer
C3 Computer Corporation/InnovateIT.io		\$ 231,870	Technology

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
ANNUAL MATERIAL EVENT DISCLOSURE CHECKLIST
December 31, 2023
(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.

<u>Contents</u>	<u>Page</u>	<u>Tables</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	35-36	1-2
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the District's most significant revenue sources, charges for services.	37-41	3-4
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	42-43	5-6
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	44-45	7-8
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	46-48	9-11

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Position:										
Net investment in capital assets	\$ 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	\$ 90,210,996
Restricted for debt service	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	3,982,761
Unrestricted	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	45,196,351
Total Net Position	\$ 58,262,567	\$ 58,212,543	\$ 62,015,232	\$ 65,783,452	\$ 84,011,056	\$ 91,470,419	\$ 97,918,602	\$ 103,392,220	\$ 119,920,501	\$ 139,390,108

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.

During fiscal year 2023, issued new bonds for Plant 11 Ground Storage Tank with 1926(B) Protection.

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Revenues:										
Water sales	\$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	\$ 24,527,494
Fire hydrant meter water sales	165,258	-	-	-	-	-	-	-	-	-
Sewer revenues	1,075,121	1,129,415	1,234,588	1,268,534	1,305,050	1,423,371	1,514,523	1,556,750	1,736,750	2,039,381
Penalties	245,456	253,601	242,888	254,690	254,690	262,359	226,336	290,283	310,964	330,018
Installation fees	133,020	135,288	164,048	232,548	339,539	321,770	556,765	583,414	878,503	815,307
Miscellaneous	299,554	326,417	175,288	201,425	225,301	220,540	245,389	354,490	355,741	373,850
Total Operating Revenues	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	28,086,050
Operating Expenses:										
Water purchases	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	7,567,706
Personnel services	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	5,511,822
Repair, maintenance and supplies	807,274	734,081	659,054	870,910	1,183,265	990,004	1,252,148	1,726,743	1,387,340	1,664,041
Utilities and communication	711,131	696,930	662,079	719,035	768,760	790,444	703,502	875,804	1,546,989	1,628,169
Other expenses	628,873	627,637	766,460	881,976	917,373	1,074,754	1,239,016	2,517,171	4,367,106	3,483,767
Depreciation and amortization	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	3,445,048
Total Operating Expenses	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	23,300,553
Operating income (Loss)	(138,074)	(935,753)	796,102	1,334,371	2,689,186	2,667,510	2,995,695	1,318,601	3,624,830	4,785,497
Nonoperating Revenues (Expenses):										
Gain (loss) on sale of assets	39,452	27,445	26,131	61,659	2,527	411,309	(40,193)	-	-	107,013
Investment earnings	29,518	19,319	59,017	129,394	572,396	895,101	306,552	45,337	621,388	2,252,051
Other income	243,968	300,000	180,020	674,363	182,128	143,911	203,055	201,358	336,429	428,580
System development fees	420,759	691,420	638,660	918,600	1,282,345	1,311,480	2,310,860	2,373,362	3,788,810	3,672,779
Interest expense	(224,993)	(427,225)	(393,260)	(361,109)	(476,872)	(587,012)	(564,090)	(527,573)	(567,730)	(592,992)
Bond issuance costs	-	-	-	-	(610,909)	-	-	(304,659)	-	(322,502)
Total Nonoperating Revenues (Expenses)	508,704	610,959	510,568	1,422,907	951,615	2,174,789	2,226,194	1,787,825	4,178,907	5,544,929
Income (Loss) Before Capital Contributed and Extraordinary Item	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	10,330,426
Capital Contributed	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	9,139,181
Extraordinary Item	-	-	-	-	-	-	-	-	-	-
Change in Net Position	\$ 422,620	\$ (50,024)	\$ 3,802,689	\$ 3,768,220	\$ 8,720,168	\$ 7,459,363	\$ 6,448,193	\$ 5,473,618	\$ 16,528,281	\$ 19,469,607

^a During fiscal year 2014, the District received \$244K for the sale of CCN to the City of Ft. Worth.

^b During fiscal year 2015, the District received \$300K for the sale of CCN to the City of Mansfield.

^c During fiscal year 2018, interest rates increased drastically due to economic conditions.

^d During fiscal year 2019, interest income increased due to \$22M TWDB Loan accruing interest.

^e During fiscal year 2021, interest rates decreased drastically due to economic conditions.

^f During fiscal year 2022, water sales increased due to drought conditions and an increase in JCSUD utility rates.

^g During fiscal year 2022, interest rates increased drastically due to economic conditions.

^h 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.

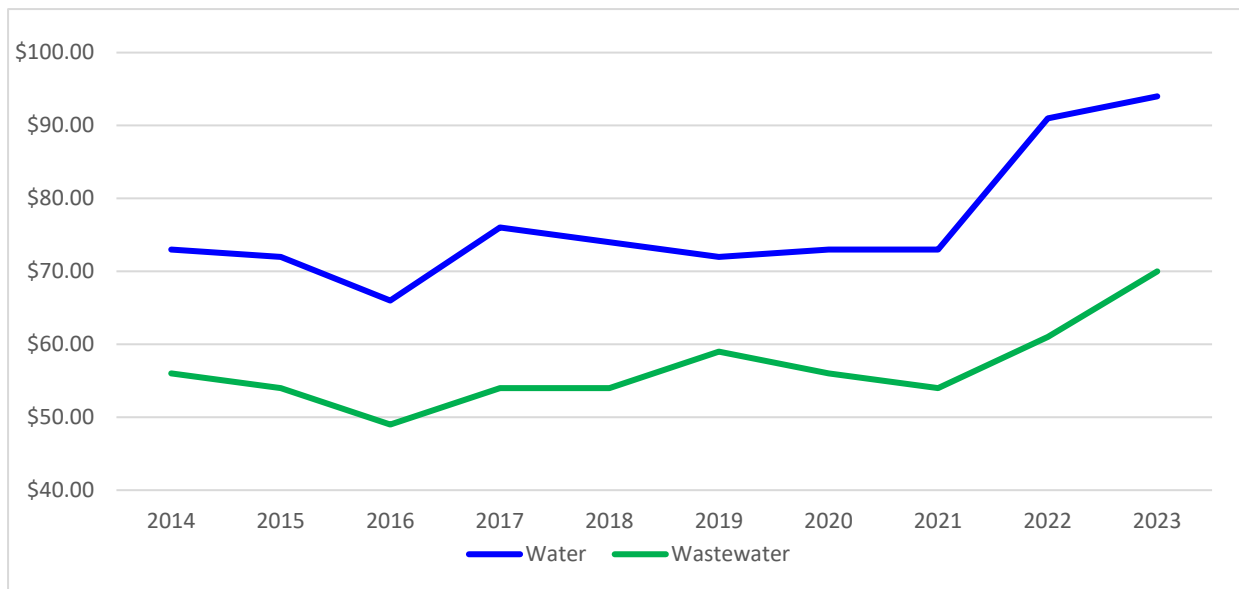
ⁱ During fiscal year 2023, professional engineering expenses were decreased from utilizing our in-house Engineering department. Other service costs were also reduced through increased efficiency such as sludge hauling by utilization of the belt press.

^j During fiscal year 2023, interest rates continued to show higher returns throughout 2023.

^k During fiscal year 2023, a bond was issued for Plant 11 Ground Storage Tank with 1926(B) Protection.

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

Fiscal Year	Monthly Revenue/Customer Water	Monthly Revenue/Customer Wastewater
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
2023	94.00	70.00



Source: District Annual Financial Audits

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

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

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

FISCAL YEAR 2016					
Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage	Water Revenue	% of Total Unaudited Water Revenue
City of Keene	Municipality	38,414,000	3.03%	\$ 381,782	3.03%
City of Alvarado	Municipality	32,833,400	2.59%	460,686	3.65%
City of Joshua	Municipality	10,619,300	0.85%	83,651	0.66%
Joshua ISD	School ISD	7,335,290	0.59%	121,638	0.96%
David A Zulejkic	Multi Family Units	5,798,380	0.47%	91,747	0.73%
Emerald Companies	Commercial	5,236,620	0.42%	36,109	0.29%
Walnut Creek Mobile Home Comm	Mobile Home Park	4,809,980	0.39%	48,115	0.38%
Monarch Utilities *	Investor-owned Utility Provider	4,687,310	0.38%	107,242	0.85%
Sabre Communications Corp	Commercial	3,955,410	0.32%	33,162	0.26%
Pecan Village Mobile Park	Mobile Home Park	3,825,570	0.31%	50,714	0.40%
		117,515,260	9.35%	\$ 1,414,846	11.22%
	Total Usage	1,270,300,000			
	Total Water Sales			\$ 12,610,422	

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

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

FISCAL YEAR 2018					
<u>Customer</u>	<u>Type of Industry</u>	<u>Water Usage</u>	<u>% of Total Unaudited Water Usage</u>	<u>Water Revenue</u>	<u>% of Total Unaudited Water Revenue</u>
City of Keene	Municipality	110,748,000	6.68%	\$ 716,846	4.64%
City of Alvarado	Municipality	17,503,000	1.06%	393,559	2.55%
Monarch Utilities	Investor-Owned Utility Provider	17,336,640	1.05%	176,004	1.14%
Stonetown Ranches of Joshua	Mobile Home Park	15,532,190	0.94%	124,183	0.80%
Prairieland DC LaSalle Corrections	Corrections Facility	15,433,210	0.94%	106,105	0.69%
Bethany Special Utility District	Municipality	10,684,000	0.65%	205,747	1.33%
Cypress Creek Joshua Station LP	Apartment Complex	9,032,680	0.55%	67,441	0.44%
City of Joshua	Municipality	8,727,670	0.54%	71,300	0.46%
Joshua ISD	School ISD	7,654,360	0.47%	93,479	0.61%
Godley ISD	School ISD	6,530,180	0.40%	49,592	0.32%
		219,181,930	13.28%	\$ 2,004,255	12.98%
	Total Usage	1,661,343,712			
	Total Water Sales			\$ 15,437,363	

FISCAL YEAR 2019					
<u>Customer</u>	<u>Type of Industry</u>	<u>Water Usage</u>	<u>% of Total Unaudited Water Usage</u>	<u>Water Revenue</u>	<u>% of Total Unaudited Water Revenue</u>
City of Keene	Municipality	96,124,000	5.97%	\$ 648,395	4.22%
City of Alvarado	Municipality	44,194,000	2.75%	517,144	3.36%
Prairieland DC LaSalle Corrections	Corrections Facility	15,841,570	0.99%	108,608	0.71%
Stonetown Ranches of Joshua	Mobile Home Park	14,302,400	0.90%	116,551	0.76%
Cypress Creek Joshua Station LP	Apartment Complex	11,692,330	0.73%	84,021	0.55%
Monarch Utilities	Investor-Owned Utility Provider	9,500,190	0.60%	169,926	1.11%
Mariposa South Broadway LP	Apartment Complex	7,703,360	0.49%	69,566	0.45%
City of Joshua	Municipality	7,468,535	0.47%	63,377	0.41%
Joshua ISD	School ISD	6,907,859	0.44%	93,324	0.61%
Godley ISD	School ISD	6,143,460	0.39%	47,145	0.31%
		219,877,704	13.73%	\$ 1,918,058	12.48%
	Total Usage	1,613,289,489			
	Total Water Sales			\$ 15,369,001	

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

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

FISCAL YEAR 2021					
<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%
		307,804,401	16.77%	\$ 2,357,113	13.42%
	Total Usage	1,837,070,000			
	Total Water Sales			\$ 17,563,849	

FISCAL YEAR 2022					
<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	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%
		364,282,135	15.69%	\$2,868,642	12.45%
	Total Usage	2,320,541,883			
	Total Water Sales			\$23,043,658	

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

FISCAL YEAR 2023					
<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	235,971,000	9.81%	\$ 1,444,160	5.89%
City of Keene	Municipality	57,953,000	2.41%	480,904	1.96%
Monarch Utilities I LP	Investor-owned Utility Provider	17,716,706	0.74%	189,942	0.77%
Stonetown Ranches of Joshua	Mobile Home Park	16,274,871	0.68%	326,631	1.33%
Cypress Creek Joshua Station LP	Apartment Complex	14,696,098	0.61%	270,389	1.10%
Prairieland DC LaSalle Corrections	Corrections Facility	10,790,127	0.45%	185,382	0.76%
Bethany Special Utility District	Municipality	10,182,000	0.42%	193,177	0.79%
Mariposa South Broadway LP	Apartment Complex	9,844,421	0.41%	205,438	0.84%
Stonetown Walnut Creek	Mobile Home Park	7,898,108	0.33%	90,459	0.37%
Sabre Communication Corp	Energy Infrastructure Manufacturer	2,249,887	0.09%	36,757	0.15%
		381,326,331	15.86%	\$3,386,482	13.81%
	Total Usage	2,406,624,279			
	Total Water Sales			\$24,527,494	

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 Customers	Debt Per Customer
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 ⁽¹⁾
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 ⁽²⁾
2022	33,388,113	-	-	33,388,113	18,686	1,787
2023	34,212,825	-	-	34,212,825	19,469	1,757 ⁽³⁾

Sources:

District Billing System
 District Annual Financial Audits

- ⁽¹⁾ 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.
- ⁽²⁾ The District issued 6.83 million in Revenue Bonds, Series 2021.
- ⁽³⁾ The District issued 3.426 million in Revenue Bonds, Series 2023.

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

Fiscal Year Ended December 31	Total Revenues ⁽¹⁾	Total Expenses ⁽²⁾	Net Revenues Available for Debt Service	Bond Debt Service Requirements ⁽³⁾	Coverage
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
2023	34,546,473	19,855,505	14,690,968	3,494,709	4.20

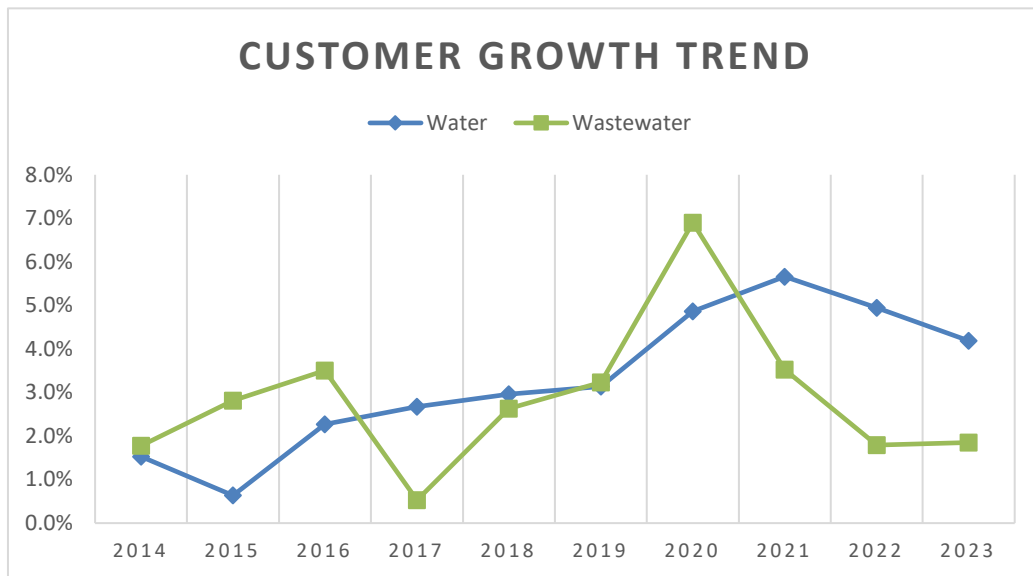
(1) Includes interest income and system development fees

(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
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
2023	19,469	2,311



Source: District Billing System

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

Fiscal Year Ended December 31	Estimated Population Johnson County	Personal Income Johnson County (in Thousands)	Per Capita Income Johnson County	Unemployment Rate Johnson County
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%
2023	202,906	10,330,042	52,837	3.5%

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
 U.S. Census Bureau (2023 Data)
 U.S. Bureau of Economic Analysis (2023 Data)
 Texas Workforce Commission (2023 Data)

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
HISTORICAL USAGE BY FUNCTION
 December 31, 2023 (unaudited)

HISTORICAL WATER USAGE (mgd)				
Fiscal Year Ended December 31	Average Daily Usage	Peak Day Usage	Total Usage	Number of Water Customers
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	6.36	12.73	2320.5	18,686
2023	6.59	14.08	2406.6	19,469

Source:
 District Billing System
 Monthly Operations Report

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

HISTORICAL WASTEWATER TREATMENT				
Fiscal Year Ended December 31	Average Day (MGD)	Max Day (MGD)	Total Treated (MG)	Number of Sewer Customers
2014	0.3	0.9	125.2	1,777
2015	0.4	1.3	162.4	1,827
2016	0.4	0.9	145.9	1,891
2017	0.3	0.7	106.7	1,901
2018	0.4	1.0	159.9	1,951
2019	0.5	1.1	178.1	2,014
2020	0.5	1.2	171.4	2,153
2021	0.5	1.2	172.8	2,229
2022	0.4	0.9	153.7	2,269
2023	0.5	0.8	176.8	2,311

Source:
 District Billing System
 Monthly Operations Report

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
FULL-TIME EMPLOYEES BY FUNCTION
 December 31, 2023 (unaudited)

Fiscal Year Ended December 31	Administrative	Water	Wastewater	Total
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
2023	33.5	24	4	61.5

Source: District Payroll System

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Water										
Land	530,120	571,557	537,195	673,827	673,827	673,827	673,827	673,827	-	-
Buildings and Structures	-	-	-	-	-	-	-	-	75,663	12,298
Water Wells and Distribution System	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	64,689,950
Vehicles	-	-	-	-	-	-	-	-	239,712	472,800
Equipment	149,665	124,118	266,772	206,263	129,591	143,759	225,567	247,295	181,836	298,311
Master plan	18,921	14,380	9,839	5,298	757	-	-	-	-	-
Total Water	56,047,844	55,064,047	55,680,678	54,625,836	56,129,364	56,662,276	56,316,781	55,809,417	59,846,856	65,472,358
Wastewater										
Land	14,840	14,840	14,840	14,840	14,840	14,840	14,840	14,840	-	-
Buildings and Structures	26,393	24,741	22,710	20,522	5,926	21,714	20,528	17,103	14,700	-
Lift Stations and Distribution System	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	4,087,950
Wastewater Treatment Plant	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	1,119,307
Vehicles	96,980	86,369	38,980	29,549	20,118	25,482	22,378	-	270,435	253,478
Equipment	266,072	221,098	117,564	90,898	163,000	88,227	58,401	41,999	20,839	-
Master plan	9,447	7,348	5,249	3,149	875	-	-	-	-	-
Total Wastewater	5,340,784	5,122,732	5,753,032	5,505,446	6,637,378	6,529,151	5,905,150	5,917,123	5,823,613	5,460,734
General										
Land	152,329	152,329	186,691	186,691	186,691	186,691	186,691	860,519	875,358	875,358
Buildings and Structures	237,954	223,057	201,083	182,468	180,917	6,183,319	5,825,071	5,517,753	5,521,278	5,190,480
Vehicles	162,478	144,700	145,106	109,997	157,479	202,997	155,892	131,349	156,522	232,748
Equipment	81,806	104,402	89,661	59,796	59,887	235,507	192,689	332,926	270,298	212,107
Intangible-right-to-use software	-	-	-	-	-	-	-	-	-	166,614
Total General	634,567	624,488	622,541	538,952	584,973	6,808,515	6,360,343	6,842,546	6,823,456	6,677,307
Total Capital Assets	\$ 62,023,195	\$ 60,811,267	\$ 62,056,251	\$ 60,670,234	\$ 63,351,715	\$ 69,999,942	\$ 68,582,274	\$ 68,569,086	\$ 72,493,925	\$ 77,610,400

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.

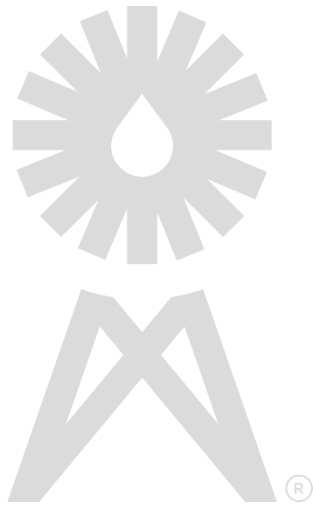
Source: District Fixed Asset System

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Water										
Water storage capacity-Elevated (MG)	5	5	5	5	5	5	5	5	5	5
Water storage capacity-Ground (MG)	9	9	9	9	9	9	9	9	9	9
Miles of water mains	926	926	926	932	937	925	933	945	954	966
Number of active wells	21	21	21	21	21	21	21	20	20	18
Production (MG)	1,634	1,619	1,550	1,666	1,896	1,954	2,089	2,183	2,673	2,692
Billed and unbilled consumption (MG)	1,442	1,375	1,288	1,422	1,661	1,612	1,737	1,837	2,321	2,407
Accountability Ratio	88.2%	84.9%	83.1%	85.3%	87.6%	82.5%	83.2%	84.2%	86.8%	89.4%
Available Supply Capacity (MG)	24.8	24.8	24.8	24.8	24.8	24.8	24.8	25.4	41.6	41.6
Wastewater										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of lift stations	8	8	8	8	7	7	7	7	7	9
Miles of sewer mains	45	45	45	45	48	48	49	49	51	53
Annual engineering maximum plant capacity (MG)	256	256	256	284	284	284	284	288	288	288
Amount treated annually (MG)	125	162	146	107	160	178	171	173	154	176
Unused capacity (MG)	131	94	110	177	124	106	113	115	134	112
Percent of capacity utilized	48.8%	63.3%	57.0%	37.7%	56.3%	62.6%	60.3%	60.1%	53.5%	61.1%

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

OVERALL COMPLIANCE AND
INTERNAL CONTROL SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Johnson County Special Utility District (the “District”) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated May 2, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

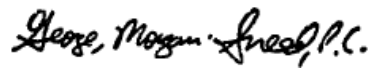
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Weatherford, Texas
May 2, 2024