
Walnut Creek Special Utility District

Annual Financial Report

December 31, 2023

Walnut Creek Special Utility District

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Report of Independent Auditors

The Board of Directors of
Walnut Creek Special Utility District

Opinion

We have audited the accompanying financial statements of Walnut Creek 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 Walnut Creek Special Utility District as of December 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Walnut Creek 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 Walnut Creek Special Utility District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 8, and budgetary comparison information, on pages 24 – 25, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Texas Supplementary Information on pages 27 – 38 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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.

HATTER & ASSOCIATES, LLP
Fort Worth, Texas
May 15, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Walnut Creek Special Utility District (the District), we offer readers of the 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the statement of net position, statement of revenues, expenses and change in net position, statement of cash flows, and notes to the financial statements. This report also contains required supplementary information, and other information in addition to the basic financial statements.

Proprietary fund. The District maintains one proprietary fund to account for its water operations. The basic financial statements consist of the following:

- *Statement of Net Position* – This statement is similar to the balance sheet for a business enterprise and presents the District's assets, liabilities, and net position on the accrual basis as of year-end.
- *Statement of Revenues, Expenses, and Changes in Net Position* – This statement is similar to the income statement for a business enterprise and presents the District's revenues and expenses during the year on the accrual basis.
- *Statement of Cash Flows* – This statement presents the District's sources of cash receipts and cash expended for operating, capital and financing, and investing activities during the year. The reconciliation of operating income to cash provided by operating activities identifies non-cash activities and changes in certain balance sheet accounts.
- *Notes to Financial Statements.* The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, and other information that further explains and supports the information in the financial statements. The budgetary comparison schedule can be found on page 24 through 25 and Texas Supplementary Information (TSI) can be found on pages 27 through 38 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by \$56,068,943 (net position) for the current year reported. Of this amount, \$5,330,117 is unrestricted and is available to meet the District's ongoing obligation to creditors. This compares to the previous year when assets exceeded liabilities by \$49,734,992.
- The District's net position increased by \$6,333,951 during the current year compared to an increase of \$8,643,996 in the previous year.
- Total capital assets (net of accumulated depreciation) amounted to \$56,162,360 at the current year ended December 31, 2023 compared to \$45,640,801 in the previous year.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Below are summaries of the District's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position.

Table A-1
Condensed Schedule of Net Position

	2023	2022	% Change
Assets:			
Current and non-current assets	\$ 56,900,667	\$ 23,678,306	140.3%
Capital assets	56,162,360	45,640,801	23.1%
Deferred outflows	105,686	139,219	-24.1%
	<u>\$ 113,168,713</u>	<u>\$ 69,458,326</u>	<u>62.9%</u>
Liabilities:			
Current liabilities	\$ 5,141,904	\$ 5,561,875	-7.6%
Long-term liabilities	51,957,866	14,161,459	266.9%
	57,099,770	19,723,334	189.5%
Net position:			
Invested in capital assets, net of related debt	43,348,752	34,004,046	27.5%
Restricted for debt service (expendable)	7,390,074	7,781,398	-5.0%
Unrestricted net position	5,330,117	7,949,548	-33.0%
	<u>56,068,943</u>	<u>49,734,992</u>	<u>12.7%</u>
	<u>\$ 113,168,713</u>	<u>\$ 69,458,326</u>	<u>62.9%</u>

Table A-2
Condensed Schedule of Revenues, Expenses, and Changes in Net Position

	2023	2022	% Change
Operating revenues:			
Water sales	\$ 10,725,910	\$ 9,634,079	11.3%
Other revenues	3,049,875	2,302,735	32.4%
	13,775,785	11,936,814	15.4%
Operating expenses	8,900,181	7,246,074	22.8%
Operating income	4,875,604	4,690,740	3.9%
Non-operating revenues (expenses):			
Interest income	1,216,199	233,924	419.9%
Interest expense	(643,718)	(308,739)	108.5%
Debt issuance cost	(1,677,588)	-	100.0%
System development revenue	2,563,454	4,028,071	-36.4%
	<u>1,458,347</u>	<u>3,953,256</u>	<u>-63.1%</u>
Change in net position	6,333,951	8,643,996	-26.7%
Net position at beginning of year	49,734,992	41,090,996	21.0%
Net Position at End of Year	<u>\$ 56,068,943</u>	<u>\$ 49,734,992</u>	<u>12.7%</u>

See accompanying report of independent auditors.

A significant portion of the District's net position (77%) reflects its investment in capital assets (e.g. land, buildings, equipment and vehicles, furniture and water distribution system), net of any related debt. The District uses these capital assets to provide services to residents of Parker and Wise Counties; consequently, these assets are not available for future spending.

An additional portion of the District's net position (13%) represents resources that are restricted primarily for debt service and other external restrictions on how they may be used. The remaining balance of unrestricted net position (10%) represents resources that may be used to meet the District's ongoing obligations to creditors.

Revenues, compared to the prior year, increased by about \$1,839,000, due primarily to an increase in volume of water sold and fees from new customers. Operating expenses increased about \$1,654,000 resulting primarily from an increase in personnel costs of about \$261,000, an increase in materials and supplies of about \$384,000, an increase in utilities of about \$183,000, an increase in repairs and maintenance of about \$380,000, an increase in contracted services of about \$97,000, an increase in depreciation of about \$176,000, and an increase in administrative and other expenses of about \$173,000. Non-operating interest income increased by about \$982,000 due to an increase in interest rates and increase in investment balances; system development fees decreased by about \$1,465,000, interest expense increased by about \$335,000 due to an increase in bonds outstanding, and debt issuance cost increased by about \$1,677,000 due to issuance of the 2023 revenue bonds. As a result, the District's net position increased by \$6,333,951 from the previous year.

FINANCIAL ANALYSIS OF ENTERPRISE FUND

A fund is a grouping of related accounts and is used to maintain control over resources that have been segregated for specific activities or objectives. The District's primary purpose is to provide treated water to customers in its service area for a fee much like a business enterprise. Accordingly, all of the District's activities are accounted for in one proprietary fund to ensure compliance with local and state finance-related legal requirements.

The District prepares an initial and a final budget each year. Differences between the District's original and final amended budgets for 2023 related primarily to an expected increase in other revenue of about \$494,000; an increase in materials and supplies, and improvements to the distribution system of about \$2,822,000; an increase in utilities, and repairs and maintenance of about \$206,000; an increase in personnel, administrative, and contracted services of about \$176,000; an increase in professional fees of about \$125,000; and an increase in expected interest income of \$620,000.

During 2023, actual operating revenue exceeded budget by about \$1,205,000 due primarily to higher than expected water sales of about \$431,000, and more other revenues of about \$774,000. Actual operating expenses were less than budgeted during 2023 by about \$3,483,000 due primarily to more personnel cost of about \$115,000, more water purchased of about \$194,000, less materials and supplies of about \$323,000, more utilities of about \$71,000, less repairs and maintenance of about \$21,000, more contracted services of about \$23,000, less professional fees of about \$461,000, less other operating expenses of about \$3,300,000, less administrative expenses of about \$27,000, and more depreciation expense of about \$246,000.

During 2023, net non-operating revenues and expenses were less than budgeted by about \$303,000 due primarily to more interest income of about \$516,000 and more system development revenue of about \$1,288,000, net of more interest expense of about \$430,000, and debt issuance costs of about \$1,677,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets	2023	2022
Land	\$ 453,159	\$ 349,837
Buildings	603,033	603,033
Equipment and vehicles	1,185,419	1,115,335
Office furniture and equipment	128,842	120,205
Water distribution system	68,243,954	55,553,159
Capital lease assets	2,858,631	2,858,631
Construction in progress	2,790,844	3,347,205
Water rights	1,213,237	1,213,237
Accumulated depreciation	(21,314,759)	(19,519,841)
	\$ 56,162,360	\$ 45,640,801

Major changes to capital assets during the current fiscal year are as follows:

- Purchase of land, vehicles, furniture and equipment at a cost of \$182,043
- Improvements and extension of water distribution system and construction in progress of \$12,134,434

Long-Term Debt

The District's outstanding bond debt of \$50,975,444 represents water revenue and refunding bonds which are payable from the District's water system revenues and are secured solely by a pledge of those revenues.

	2023	2022
Revenue Bonds Series 2023	\$ 40,000,000	\$ -
Refunding Bonds Series 2017	1,410,000	1,515,000
Refunding Bonds Series 2015	2,290,000	3,805,000
Revenue Bonds Series 2014	6,815,000	7,115,000
Unamortized premium	460,444	390,773
Total Long-term debt	\$ 50,975,444	\$ 12,825,773

During 2023, the District issued Water System Revenue Bonds Series 2023 of \$40,000,000 to fund improvements and extension of the water distribution system.

Additional information on the District's long-term debt is disclosed in the notes to the financial statements.

BUDGET, ECONOMIC ENVIRONMENT, AND RATES

There were no changes to fees charged to residential and commercial customers during 2023.

The District's 2024 water sales are budgeted to decrease by about \$2,162,000 from actual 2023 revenue due primarily to expected enforcement of water restrictions, and other revenue is expected to decrease by about \$357,000 due to lower anticipated customer growth.

The District's 2024 operating expenses are budgeted to increase by about \$1,469,000 from actual 2023 expenses. The increase is due primarily to an expected increase in personnel and administrative expenses of about \$141,000, an increase in materials and supplies and repair and maintenance of about \$349,000, an increase in professional fees of about \$481,000, an increase in other operating expenses of about \$1,049,000, net of a decrease in utilities of about \$88,000, a decrease in water purchased of about \$144,000, a decrease in contracted services of about \$73,000, and a decrease in depreciation of about \$246,000.

The District's net non-operating revenues and expenses are budgeted to be less than actual 2023 by about \$1,413,000. The decrease is due primarily to an expected decrease in interest income of about \$516,000, a decrease in system development revenue of about \$1,513,000, a decrease in debt issuance cost of about \$1,677,000, net of an increase in interest expense of about \$1,061,000.

Request for Information

The financial report is designed to provide a general overview of Walnut Creek Special Utility District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's General Manager, P.O. Box 657, Springtown, Texas 76082.

Walnut Creek Special Utility District
Statement of Net Position
December 31, 2023

Assets

Current assets:

Cash in banks	\$ 3,965,985
Investments	3,240,361
Accounts receivable, net of allowance for doubtful accounts of \$19,876	1,287,784
Inventory	936,588
	<u>9,430,718</u>

Noncurrent assets:

Restricted investments	47,469,949
Capital assets, at cost:	
Land	453,159
Buildings	603,033
Equipment and vehicles	1,185,419
Office furniture and equipment	128,842
Water distribution system	68,243,954
Capital lease asset	2,858,631
Water rights	1,213,237
Construction in progress	2,790,844
	<u>77,477,119</u>
Accumulated depreciation	<u>(21,314,759)</u>
	56,162,360

Deferred outflows:

Bond refunding costs, net	105,686
	<u>\$ 113,168,713</u>

Liabilities

Current liabilities:

Accounts payable	\$ 324,107
Accrued liabilities	311,120
Current portion of lease payable	233,265
Customer deposits payable	1,465,374

Current liabilities payable from restricted assets:

Interest payable	768,038
Current portion of revenue bonds payable	2,040,000
	<u>5,141,904</u>

Non-current liabilities:

Deferred liability	2,000,000
Lease payable, net of current portion	1,022,422
Revenue bonds payable, net of current portion	48,935,444
	<u>51,957,866</u>
	57,099,770

Net Position

Invested in capital assets, net of related debt	43,348,752
Restricted for debt service (expendable)	7,390,074
Unrestricted net position	5,330,117
	<u>56,068,943</u>
	<u>\$ 113,168,713</u>

See accompanying notes to financial statements.

Walnut Creek Special Utility District
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended December 31, 2023

Operating Revenues	
Water sales	\$ 10,725,910
Other revenues	3,049,875
	<u>13,775,785</u>
Operating Expenses	
Personnel	2,253,860
Water purchased	1,544,211
Materials and supplies	938,151
Utilities	866,308
Repair and maintenance	636,630
Contracted services	383,849
Professional fees	99,191
Other operating expenses	73,122
Administrative	309,941
Depreciation	1,794,918
	<u>8,900,181</u>
Operating Income	4,875,604
Nonoperating Revenues (Expenses)	
Interest income	1,216,199
Interest expense	(643,718)
Debt issuance cost	(1,677,588)
System development revenue	2,563,454
	<u>1,458,347</u>
Change in Net Position	6,333,951
Net position, beginning of year	49,734,992
Net Position, End of Year	<u>\$ 56,068,943</u>

See accompanying notes to financial statements.

Walnut Creek Special Utility District
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash Flows From Operating Activities:

Cash received from customers	\$ 13,801,913
Cash payments to suppliers for goods and services	(4,274,459)
Cash paid to employees	(2,253,860)
Net cash provided by operating activities	<u>7,273,594</u>

Cash Flows From Capital And Related Financing Activities:

Purchases of capital assets	(12,316,477)
System development receipts	1,059,738
Proceeds from issuance of bonds	38,892,457
Payment of debt issuance costs	(81,507)
Net principal payments on long-term debt and capital lease	(2,144,959)
Interest paid on long-term debt and capital lease	(513,239)
Net cash used in capital and related financing activities	<u>24,896,013</u>

Cash Flows From Investing Activities:

Interest income received	<u>1,216,199</u>
Net cash provided by investing activities	<u>1,216,199</u>
Net change in cash and cash equivalents	33,385,806
Cash and cash equivalents, beginning of year	<u>21,290,489</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 54,676,295</u></u>

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:

Operating income	\$ 4,875,604
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,794,918
Admin fee paid from bond proceeds	400
Change in:	
Accounts receivable	(113,186)
Inventory	366,194
Accounts payable	127,458
Accrued liabilities	82,892
Customer deposits payable	139,314
Net Cash Provided by Operating Activities	<u><u>\$ 7,273,594</u></u>

Reconciliation of Cash and Cash Equivalents to Statement of Net Position

Cash in banks	\$ 3,965,985
Investments	3,240,361
Restricted investments	47,469,949
Total Cash and Cash Equivalents	<u><u>\$ 54,676,295</u></u>

Supplemental Cash Flow Information:

Amortization of bond premium	\$ 322,858
Amortization of bond refunding costs	33,533
Debt issuance costs paid directly from bond proceeds	1,596,081

See accompanying notes to financial statements.

Walnut Creek Special Utility District

Notes to Financial Statements

1. History and Summary of Significant Accounting Policies

Creation of District

Walnut Creek Special Utility District (the "District") was created on July 8, 1992, by an order of the Texas Water Commission in accordance with the Texas Water Code, Chapter 65. The Board of Directors held its first meeting on July 8, 1992. The District acquired all of the existing assets, property and equipment of the predecessor water supply corporation and assumed all of the related contracts, obligations, and indebtedness as of August 25, 1992.

Reporting Entity

The accompanying financial statements include all accounts maintained by the District and subject to oversight and control by the publicly elected Board of Directors. No other entity, component unit, or fiduciary fund exists that should be considered for inclusion as a component unit in accordance with criteria adopted by the Governmental Accounting Standards Board, and the District has no oversight responsibility for any other governmental entity.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles and statements issued by the Governmental Accounting Standards Board. The financial statements are derived from a set of self-balancing accounts maintained in a single proprietary enterprise fund, which is comprised of the assets, liabilities, net position, revenues, and expenses of the District. The District's proprietary fund distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses of the District consist of charges for services (including tap fees) and the cost of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

Measurement Focus and Basis of Accounting

The focus of proprietary fund measurement is on determination of operating income, changes in net assets, financial position, and cash flow. The applicable generally accepted accounting principles are those similar to businesses in the private sector. The proprietary fund financial statements are reported using the economics resources measurement focus and the accrual basis of accounting. Fees and charges are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses reported during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Amounts invested in Local Government Investment Cooperative (LOGIC), which is an external public funds investment pool, are considered cash and cash equivalents.

Inventory

Parts and supplies inventories are carried at cost using the first-in-first-out method.

Walnut Creek Special Utility District

Notes to Financial Statements

1. History and Summary of Significant Accounting Policies (continued)

Investments

The District's investment policy allows investments that are consistent with the State Public Funds Investment Act which may include, obligations of the U.S. Treasury, obligations of states, agencies, counties, cities and other political subdivisions, secured certificates of deposit, repurchase agreements, banker's acceptance, commercial paper, mutual funds, guaranteed investment contracts and investment pools. During the year ended December 31, 2023, the District did not own any types of securities other than those permitted by statute.

Accounts Receivable and Revenue Recognition

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance is estimated based on historical collection experience and management's judgment.

Revenues are recognized when earned. Metered water accounts are read and billed during the month on a monthly cycle by zone. Unbilled water charges are accrued for the period from the last meter reading through year-end and are included in accounts receivable. Unbilled accounts receivable amounted to \$246,828 at December 31, 2023.

Capital Assets

The District's capital assets consist of property, plant and equipment, which are recorded at historical cost, or if donated, the estimated fair value at the date of donation. The District capitalizes items greater than \$2,500 that have a useful life of more than one year. 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.

Property, plant and equipment, and water rights are depreciated using the straight-line method over the following estimated useful lives:

Water distribution system	5 – 50 years
Water rights	40 years
Buildings	15 – 30 years
Equipment and vehicles	3 – 10 years
Capital lease asset	10 years
Office furniture and equipment	3 – 7 years

Deferred Charges

The difference in costs incurred and the carrying value of bonds advance refunded is reported as a deferred outflow and is amortized as a component of interest expense using the straight-line method over the shorter of the remaining life of the old debt or life of the new bond issue.

Use of Restricted Resources

Certain resources set aside for repayment of loans, as well as certain resources set aside for construction of water facilities, are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants and other legal restrictions. 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.

Walnut Creek Special Utility District

Notes to Financial Statements

1. History and Summary of Significant Accounting Policies (continued)

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bonds payable are reported net of the applicable bond premiums and discounts, which are deferred and amortized as a component of interest expense over the life of the bonds. Bond issuance costs are expensed as incurred.

Proprietary Fund Net Position

Proprietary fund net position is comprised of the following three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation, plus any unspent debt proceeds for capital projects, less any debt that remains outstanding that was used to finance those assets.
- Restricted for debt service – consist of net assets 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 assets are reported in this category.

2. Cash Deposits and Investments

Deposits

The District’s cash deposits are maintained at financial institutions with FDIC insurance coverage and amounted to \$3,965,985 at December 31, 2023.

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. The District’s funds are required to be deposited and invested under the terms of a depository contract. The District’s deposits are required to be collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance. At December 31, 2023, the District’s deposits were held in Insured Cash Sweep accounts which are entirely covered by FDIC insurance, or collateralized with securities held by the bank’s agent in the District’s name.

Investments

The District invests in the Local Government Investment Cooperative (LOGIC), which is an external public funds investment pool with investment objectives to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. Investments in LOGIC are carried at amortized cost measured at net asset value and are exempt from fair value reporting.

Credit Risk and Concentration of Credit Risk for Investments

The District’s investments in LOGIC was rated “AAAm” by Standard and Poor’s and represents 100% of the District’s investment portfolio at December 31, 2023.

Walnut Creek Special Utility District
Notes to Financial Statements

2. Cash Deposits and Investments (continued)

Interest Rate Risk-Investments

The District's investments in LOGIC have a weighted average maturity of 53 days at December 31, 2023. These investments can generally be redeemed daily and are considered relatively low risk investments.

Investments are reported in the statement of net position as follows at December 31, 2023:

Investments	\$ 3,240,361
Restricted investments	47,469,949
	<u>\$ 50,710,310</u>

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. Restricted assets amounted to the following at December 31, 2023:

	<u>Investments</u>
Interest and sinking funds	\$ 6,242,020
Revenue bond reserve	1,916,092
Bond funds for capital projects	39,311,837
	<u>\$ 47,469,949</u>

4. Bond Refunding Costs

Bond refunding costs are related to issuance of the 2017 and 2015 series refunding bonds, and consist of the advance refunding costs to retire the prior bonds, which is reported as a deferred outflow. These costs are amortized over the 10 – 17 year term of the bonds. Amortization of advance refunding costs is included in interest expense and amounted to \$33,533 during 2023.

Bond refunding costs consisted of the following at December 31, 2023:

Advance refunding costs	\$ 391,448
Less accumulated amortization	<u>(285,762)</u>
	<u>\$ 105,686</u>

Amortization is expected as follows for the years ending December 31:

2024	\$ 33,533
2025	8,017
2026	8,017
2027	8,017
2028	8,017
Thereafter	<u>40,085</u>
	<u>\$ 105,686</u>

Walnut Creek Special Utility District
Notes to Financial Statements

5. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Assets:				
Land	\$ 349,837	\$ 103,322	\$ -	\$ 453,159
Construction in progress	3,347,205	986,020	(1,542,381)	2,790,844
	<u>3,697,042</u>	<u>1,089,342</u>	<u>(1,542,381)</u>	<u>3,244,003</u>
Depreciable Assets:				
Buildings	603,033	-	-	603,033
Equipment and vehicles	1,115,335	70,084	-	1,185,419
Office furniture and equipment	120,205	8,637	-	128,842
Water distribution system	55,553,159	12,690,795	-	68,243,954
Capital lease asset	2,858,631	-	-	2,858,631
Water rights	1,213,237	-	-	1,213,237
	<u>61,463,600</u>	<u>12,769,516</u>	<u>-</u>	<u>74,233,116</u>
Accumulated Depreciation:				
Buildings	(241,389)	(19,663)	-	(261,052)
Equipment and vehicles	(824,641)	(107,906)	-	(932,547)
Office furniture and equipment	(83,223)	(12,130)	-	(95,353)
Water distribution system	(17,312,192)	(1,339,025)	-	(18,651,217)
Capital lease asset	(964,876)	(285,863)	-	(1,250,739)
Water rights	(93,520)	(30,331)	-	(123,851)
	<u>(19,519,841)</u>	<u>(1,794,918)</u>	<u>-</u>	<u>(21,314,759)</u>
Capital assets, net	<u>\$ 45,640,801</u>	<u>\$ 12,063,940</u>	<u>\$ (1,542,381)</u>	<u>\$ 56,162,360</u>

Depreciation expense amounted to \$1,794,918 during 2023.

6. Long-Term Debt

Revenue and Refunding Bonds

On October 18, 2023, the District issued \$40,000,000 in Water System Revenue Bonds, Series 2023 to construct major improvements to its distribution system. The bonds will mature semi-annually beginning January 10, 2025, through January 10, 2054. The debt is payable from the pledged revenues from operation of the District's water system.

On September 20, 2017, the District issued \$1,850,000 in Water System Revenue Refunding Bonds, Series 2017 to partially refund \$1,640,000 of the District's outstanding Series 2009 Water System Revenue Bonds in order to lower the overall debt service requirements and to pay costs associated with issuance of the bonds. The bonds will mature semi-annually beginning January 10, 2018, through January 10, 2034. The debt is payable from the pledged revenues from operation of the District's water system.

Walnut Creek Special Utility District

Notes to Financial Statements

6. Long-Term Debt (continued)

On January 13, 2015, the District issued Water System Revenue Refunding Bonds, Series 2015, in the amount of \$12,215,000. The bonds will mature semi-annually beginning January 10, 2016, through January 10, 2031. Proceeds from the sale of the bonds were used to refund \$10,885,000 of the District's outstanding Series 2005 Refunding Bonds and \$2,155,000 of the outstanding Series 2006 Bonds in order to lower the overall debt service requirements of the District and to pay the cost associated with the issuance of the bonds. The debt is payable from the pledged revenues from operation of the District's water system.

On July 17, 2014, the District issued Water System Revenue Bonds, Series 2014, in the amount of \$9,245,000 to construct major improvements to its distribution system. The bonds will mature semi-annually beginning January 10, 2015 through January 10, 2039. The debt is payable from the pledged revenues from operation of the District's water system.

In prior years, the District defeased various bond issues by placing the proceeds of the new bonds in irrevocable trusts, which are invested in U.S. Government Securities, and are designed to meet all future debt service payments on the refunded debt. Accordingly, the trust assets and the liability for the defeased bonds are not included in the District's financial statements. At December 31, 2023, \$4,340,000 of bonds outstanding are considered defeased.

Long-term debt consisted of the following at December 31, 2023:

Water System Revenue Bonds, Series 2023, interest rate ranges from 4.125% - 7.00%, issued on October 18, 2023. Due in annual installments beginning January 10, 2025 through January 10, 2054	\$ 40,000,000
Water System Revenue Refunding Bonds, Series 2017, interest rate ranges from 3.00% - 4.00%, issued on September 20, 2017. Due in annual installments beginning January 10, 2018 through January 10, 2034	1,410,000
Water System Revenue Refunding Bonds, Series 2015, interest rate ranges from 3.00% - 5.00%, issued on January 13, 2015. Due in annual installments beginning January 10, 2016 through January 10, 2031	2,290,000
Water System Revenue Bonds, Series 2014, interest rate ranges from 3.25% - 4.00%, issued on July 17, 2014. Due in annual installments beginning January 10, 2015 through January 10, 2039	6,815,000
	<u>50,515,000</u>
Unamortized premium	460,444
Total debt	50,975,444
Current maturities	<u>(2,040,000)</u>
Long-term debt net of current maturities	<u>\$ 48,935,444</u>

Walnut Creek Special Utility District
Notes to Financial Statements

6. Long-Term Debt (continued)

Long-term debt activity consists of the following for the year ended December 31, 2023:

Description	January 1, 2023	Additions	Retirements	December 31, 2023	Due within one year
			Refunding and Amortization		
Revenue Bonds Series 2023		\$40,000,000		40,000,000	
Refunding Bonds Series 2017	1,515,000	-	105,000	1,410,000	110,000
Refunding Bonds Series 2015	3,805,000	-	1,515,000	2,290,000	1,615,000
Revenue Bonds Series 2014	7,115,000	-	300,000	6,815,000	315,000
Unamortized premium	390,773	392,529	322,858	460,444	
Total Long-term debt	<u>\$ 12,825,773</u>	<u>\$ 40,392,529</u>	<u>\$ 2,242,858</u>	<u>\$ 50,975,444</u>	<u>\$ 2,040,000</u>

Bond debt service requirements are as follows for the years ending December 31:

	Principal	Interest	Total
2024	\$ 2,040,000	\$ 1,947,348	\$ 3,987,348
2025	1,065,000	2,331,631	3,396,631
2026	1,115,000	2,275,763	3,390,763
2027	1,140,000	2,216,662	3,356,662
2028	1,190,000	2,154,188	3,344,188
2029 - 2033	6,890,000	9,687,526	16,577,526
2034 - 2038	8,040,000	7,655,660	15,695,660
2039 - 2043	7,325,000	5,900,899	13,225,899
2044 - 2048	8,485,000	4,172,787	12,657,787
2049 - 2053	10,750,000	1,913,062	12,663,062
2054	2,475,000	58,781	2,533,781
Total Debt Service Requirement	<u>\$ 50,515,000</u>	<u>\$ 40,314,307</u>	<u>\$ 90,829,307</u>

Compliance with Debt Service Requirements

Provisions of the Bond Resolutions require the District to collect rates and charges which will be sufficient to produce Pledge Revenues of the System in each year at least equal to the amount required to maintain the Interest and Sinking Fund and the Reserve Fund so as to provide for the payment of principal and interest on all bonds then outstanding and to pay the maintenance and operating expenses of the District.

Provisions of the Bond Resolutions require the District to establish an Interest and Sinking Fund in order to pay the scheduled interest and principal on the bonds. At December 31, 2023, the District had \$6,242,020 in the interest and sinking fund accounts and the next scheduled principal and interest payment is \$2,808,038 for all bonds. The District is in compliance with these requirements.

Walnut Creek Special Utility District
Notes to Financial Statements

6. Long-Term Debt (continued)

Provisions of the Bond Resolutions require the District to establish a Reserve Fund equal to the average annual debt service requirement. The Reserve Fund shall be used to pay principal and interest on the Revenue Bonds at any time when there is not sufficient money available in the Interest and Sinking Fund. At December 31, 2023, the District had \$1,916,092 in reserve fund accounts, which exceeds the average annual debt service requirement. The District is in compliance with these requirements.

The District is in compliance with the required debt service coverage ratio at December 31, 2023 as follows:

Operating revenues	\$ 13,775,785
Operating expenses excluding depreciation	<u>7,105,263</u>
Net revenues available for debt service	<u>\$ 6,670,522</u>
Average annual debt service requirements	\$ 2,929,978
Debt coverage ratio (net revenues available for debt service divided by average annual debt service)	2.28
Debt Coverage Ratio Required	1.25

Capital Lease

The District has a long-term lease agreement to finance the purchase, installation, and retrofit of certain water meters and related cellular connections in the distribution system with a total cost of \$2,903,190. The District made a down payment of \$600,000 on September 27, 2018, with the remaining liability due in 10 annual installments of principal and interest of \$279,625 at 3.692% interest. The District has the option to purchase the water meters for \$1 at the end of the lease in 2028.

Description	January 1, 2023	Additions	Principal Payments	December 31, 2023	Due within one year
Capital lease	\$ 1,480,646	\$ -	\$ 224,959	\$ 1,255,687	\$ 233,265

The lease is collateralized by capital lease assets of \$1,607,892 (net of accumulated amortization of \$1,250,739). Amortization expense of \$285,863 is included in depreciation expense.

The following is a schedule of future payments required under the lease as of December 31, 2023:

Years ending December 31:	Interest	Principal
2024	\$ 46,360	\$ 233,265
2025	37,748	241,877
2026	28,817	250,808
2027	19,558	260,067
2028	9,956	269,670
	<u>\$ 142,439</u>	<u>\$ 1,255,687</u>

Interest expense on long-term debt amounted to \$643,718 during the year ended December 31, 2023.

Walnut Creek Special Utility District

Notes to Financial Statements

7. Retirement Plan

The District currently maintains a Savings Incentive Matching Plan (Simple IRA) for its qualifying employees, which is administered by Edward Jones. The District will match up to 3% of compensation contributed by employees to the plan each year and retains the right to amend the plan. Participants are 100% vested in contributions to the plan. The District's cost for this defined contribution plan amounted to \$20,716 during 2023.

8. Deferred Liability

In 1997, the District entered into an agreement with Mitchell Energy Corporation, (subsequently acquired by Devon Energy Corporation) whereby Devon Energy Corporation would assist the District in the cost of constructing certain improvements and extensions to its water system in Wise County, Texas. Under the terms of the agreement, Devon Energy Corporation conveyed \$3,000,000 to the District. In prior years, \$1,000,000 of this amount was converted to a grant from Devon Energy Corporation and reported as income. The remainder of the funds was expended for the design, construction, and acquisition of the capital improvements to the water system. The remaining \$2,000,000 will be converted to subordinated revenue bonds at a future date when the District reaches certain customer levels.

9. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchased insurance coverage from Texas Municipal League Intergovernmental Risk Pool (contract number 3480, term through December 31, 2023) to cover general liabilities and mitigate certain other risks. There were no significant reductions in coverage in the past year and there were no settlements exceeding insurance coverage for each of the past two years.

Property and liability insurance coverage is as follows for the year ended December 31, 2023:

Type		
General liability	\$ 2,000,000	Each occurrence
	\$ 4,000,000	Annual aggregate
Errors and omissions	\$ 2,000,000	Each occurrence
	\$ 4,000,000	Annual aggregate
Automobile liability	\$ 1,000,000	Each occurrence
	\$ 25,000	Each person
Real and personal property	\$ 17,670,824	Limit
Boiler and machinery	\$ 100,000	Per accident
Mobile equipment	\$ 434,481	Limit
Public employee dishonesty	\$ 100,000	Per occurrence
Forgery or alteration	\$ 25,000	Per occurrence
Cyber liability and data breach	\$ 2,000,000	Annual aggregate

Walnut Creek Special Utility District

Notes to Financial Statements

10. Water Service Rates

The District's water service rates in effect at December 31, 2023 are as follows:

Residential:

Minimum 5/8" x 3/4" meter	\$	35.70
Minimum usage		2,000 gallons
Additional water usage (per 1,000 gallons over minimum):		
2,001 to 10,000 gallons	\$	6.11
10,001 to 20,000 gallons	\$	6.95
20,001 and above	\$	7.90

Commercial:

Minimums:

5/8" x 3/4" meter	\$	40.70
1" meter	\$	51.95
1 1/2" meter	\$	85.65
2" meter	\$	130.70
3" meter	\$	395.70
4" meter	\$	530.70
Additional water usage (per 1,000 gallons over minimum):		
2,001 to 10,000 gallons	\$	6.35
10,001 to 20,000 gallons	\$	7.05
20,001 and above	\$	8.00

Water service rates charged to municipalities range from \$5.91 to \$7.08 per 1,000 gallons.

11. Purchase of Water and Economic Dependency

On May 14, 1992, the District signed an agreement with Tarrant Regional Water District to purchase up to 2,200 acre-feet of raw water per year. During 2019, the District paid \$1,213,237 to purchase rights to an additional 1,120 acre-feet per year. The amount paid for purchased water under the agreement for the year ended December 31, 2023, was \$1,544,211.

12. Compensated Absences

Full-time employees accrue five days of vacation credits after completing one year of employment. After one year, vacation leave credits vary depending on length of tenure with the District. Vacation leave credits cannot be taken, nor will it be paid, upon separation during the one-year period.

Employees accrue sick leave benefits each year. Unused sick leave benefits will carry over to the subsequent year not to exceed fifteen days. Unused sick leave is not paid upon separation. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Walnut Creek Special Utility District

Notes to Financial Statements

13. Commitments and Contingent Liabilities

The production of treated water requires the use of chemicals. Some of the chemicals are classified as hazardous. The District actively monitors the use of these chemicals. The District complies with all laws and regulations concerning the use of these chemicals for the production of treated water.

14. Evaluation of Subsequent Events

Subsequent events were evaluated through May 15, 2024, which is the date the financial statements were available to be issued.

Budgetary Comparison Schedule

**Walnut Creek Special Utility District
Budgetary Comparison Schedule – Proprietary Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Water sales	\$ 10,294,713	\$ 10,294,713	\$ 10,725,910	\$ 431,197
Other revenues	1,781,900	2,275,900	3,049,875	773,975
	12,076,613	12,570,613	13,775,785	1,205,172
Expenses				
Personnel	2,124,600	2,139,200	2,253,860	(114,660)
Water purchased	1,350,000	1,350,000	1,544,211	(194,211)
Materials and supplies	658,800	1,261,450	938,151	323,299
Utilities	783,250	794,875	866,308	(71,433)
Repairs and maintenance	463,800	658,200	636,630	21,570
Contracted services	263,700	360,500	383,849	(23,349)
Professional fees	435,200	560,000	99,191	460,809
Other operating expenses	1,153,525	3,373,050	73,122	3,299,928
Administrative	272,050	336,800	309,941	26,859
Depreciation and amortization	1,549,400	1,549,400	1,794,918	(245,518)
	9,054,325	12,383,475	8,900,181	3,483,294
Operating income	3,022,288	187,138	4,875,604	4,688,466
Non-operating Revenues and Expenses				
Interest income	80,000	700,000	1,216,199	516,199
Interest expense	(213,889)	(213,889)	(643,718)	(429,829)
Debt issuance cost			(1,677,588)	(1,677,588)
System development revenue	1,275,000	1,275,000	2,563,454	1,288,454
	1,141,111	1,761,111	1,458,347	(302,764)
Change in net position	4,163,399	1,948,249	6,333,951	4,385,702
Net position beginning of year	49,734,992	49,734,992	49,734,992	
Net Position End of Year	\$ 53,898,391	\$ 51,683,241	\$ 56,068,943	

See notes to the budgetary comparison schedule – proprietary fund, and report of independent auditors.

Walnut Creek Special Utility District
Notes to the Budgetary Comparison Schedule - Proprietary Fund
For the Year Ended December 31, 2023

Budget Policies

The annual operating budget is adopted on a basis consistent with generally accepted accounting principles for the proprietary fund. All annual appropriations lapse at fiscal year-end.

The Board of Directors follow the following procedures in establishing budgetary data reflected in the financial statements:

- a. Prior to the beginning of the fiscal year, proposed operating budget is submitted by the General Manager to the Board for the fiscal year commencing the following January 1. The operating budget includes proposed expenses and the means of financing them for the proprietary fund.
- b. The budget may be amended with the approval of the Board of Directors.
- c. Budgetary control is maintained at the line-item level, subject to adjustments permitted as described above.

Analysis of Significant Budget Variances

During 2023, actual operating revenue exceeded budget by about \$1,205,000 due primarily to higher than expected water sales of about \$431,000, and more other revenues of about \$774,000. Actual operating expenses were less than budgeted during 2023 by about \$3,483,000 due primarily to more personnel cost of about \$115,000, more water purchased of about \$194,000, less materials and supplies of about \$323,000, more utilities of about \$71,000, less repairs and maintenance of about \$21,000, more contracted services of about \$23,000, less professional fees of about \$461,000, less other operating expenses of about \$3,300,000, less administrative expenses of about \$27,000, and more depreciation expense of about \$246,000.

During 2023, net non-operating revenues and expenses were less than budgeted by about \$303,000 due primarily to more interest income of about \$516,000 and more system development revenue of about \$1,288,000, net of more interest expense of about \$430,000, and debt issuance costs of about \$1,677,000.

Texas Supplementary Information

4

**Walnut Creek Special Utility District
TSI-1. Schedule of Services and Rates
December 31, 2023**

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

- | | | |
|--|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input checked="" type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system, and/or wastewater services
(other than emergency interconnect) | | |

2. Retail Service Providers

a. Retail Rates for a 5/8" - 3/4" meter:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rates per 1,000 Gallons Over Minimum Use	Usage Levels (gallons)
Water:	\$ 35.70	2,000	N	\$ 6.11	2,001 to 10,000
				\$ 6.95	10,001 to 20,000
				\$ 7.90	Above 20,000

Total charges per 10,000 gallons usage:

Water: \$ 84.58

b. Water Connections:

Meter Size	Total Connections	Active Connections
<= 3/4"	10,886	10,582
1"	58	54
1 1/2"	8	8
2"	44	42
3"	11	11
4"	12	12
6"	5	5
8"	0	0
10"	0	0
Total	11,024	10,714

**Walnut Creek Special Utility District
TSI-1. Schedule of Services and Rates (Continued)
December 31, 2023**

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

Gallons pumped into system:	1,383,149,000
Gallons billed to customers:	1,256,210,500
Water Accountability Ratio: (Gallons billed/Gallons pumped)	0.90822536

4. Location of District:

County(ies) in which District is located: Parker and Wise

Is the District located entirely within one county? No

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

City(ies) in which the District is located: N/A

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJs in which the District is located: Springtown, Boyd, Paradise, and Reno

Are Board members appointed by an office outside the District?

If yes, by whom? No

**Walnut Creek Special Utility District
 TSI-2. Schedule of Proprietary Fund Expenses
 For the Year Ended December 31, 2023**

Operating Expenses

Personnel Expenses (including benefits)*:

Wages	\$ 1,752,430
Payroll taxes	127,953
Health Insurance	352,761
Retirement expense	<u>20,716</u>
	2,253,860
Water purchased	1,544,211
Materials and supplies	938,151
Utilities	866,308
Repairs and maintenance	636,630
Contracted services	383,849
Professional fees:	
Audit	54,610
Legal	37,831
Engineer/consultant	<u>6,750</u>
	99,191
Other operating expenses	73,122
Administrative:	
Insurance	127,147
Postage	70,570
Office supplies	19,264
Other administrative expenses	<u>92,960</u>
	309,941
Depreciation	<u>1,794,918</u>
Total operating expenses	<u><u>\$ 8,900,181</u></u>

* Number of persons employed by the District at year-end: 33

**Walnut Creek Special Utility District
 TSI-3. Schedule of Temporary Investments
 December 31, 2023**

Identification or Certificate Number	Interest Rate	Maturity Date	Balance At End of Year	Accrued Interest Receivable At End of Year
Proprietary Fund:				
LOGIC Savings	5.5538%	none	\$ 3,240,361	-
LOGIC Construction	5.5538%	none	71,728	-
LOGIC Interest & Sinking	5.5538%	none	6,242,020	-
LOGIC Reserve Fund	5.5538%	none	1,916,092	-
LOGIC Bond Construction	5.5538%	none	39,240,109	-
			<u>\$ 50,710,310</u>	<u>\$ -</u>

**Walnut Creek Special Utility District
TSI-4. Taxes Levied and Receivable
December 31, 2023**

The District does not levy or receive any tax monies.

Walnut Creek Special Utility District
TSI-5 Long-Term Debt Service Requirements by Years
December 31, 2023

Water System Revenue Bonds, Series 2014

Due During Fiscal Years Ending	Principal Due January 10	Interest Due	
		January 10, July 10	Total
2024	\$ 315,000	\$ 262,175	\$ 577,175
2025	325,000	250,975	575,975
2026	335,000	239,006	574,006
2027	350,000	226,162	576,162
2028	360,000	212,400	572,400
2029	375,000	197,700	572,700
2030	395,000	182,300	577,300
2031	410,000	166,200	576,200
2032	425,000	149,500	574,500
2033	440,000	132,200	572,200
2034	460,000	114,200	574,200
2035	500,000	95,000	595,000
2036	500,000	75,000	575,000
2037	520,000	54,600	574,600
2038	540,000	33,400	573,400
2039	565,000	11,300	576,300
	<u>\$ 6,815,000</u>	<u>\$ 2,402,118</u>	<u>\$ 9,217,118</u>

Water System Revenue Refunding Bonds, Series 2015

Due During Fiscal Years Ending	Principal Due January 10	Interest Due	
		January 10, July 10	Total
2024	\$ 1,615,000	\$ 61,738	\$ 1,676,738
2025	115,000	19,637	134,637
2026	115,000	16,188	131,188
2027	85,000	13,081	98,081
2028	85,000	10,319	95,319
2029	90,000	7,475	97,475
2030	95,000	4,469	99,469
2031	90,000	1,462	91,462
	<u>\$ 2,290,000</u>	<u>\$ 134,369</u>	<u>\$ 2,424,369</u>

See report of independent auditors.

Walnut Creek Special Utility District
TSI-5 Long-Term Debt Service Requirements by Years (continued)
December 31, 2023

Water System Revenue Refunding Bonds, Series 2017

Due During Fiscal Years Ending	Principal Due January 10	Interest Due January 10, July 10	Total
2024	\$ 110,000	\$ 41,200	\$ 151,200
2025	115,000	37,275	152,275
2026	120,000	33,750	153,750
2027	120,000	30,150	150,150
2028	120,000	26,550	146,550
2029	130,000	22,800	152,800
2030	130,000	18,900	148,900
2031	135,000	14,925	149,925
2032	140,000	10,800	150,800
2033	145,000	6,525	151,525
2034	145,000	2,175	147,175
	<u>\$ 1,410,000</u>	<u>\$ 245,050</u>	<u>\$ 1,655,050</u>

Walnut Creek Special Utility District
TSI-5 Long-Term Debt Service Requirements by Years (continued)
December 31, 2023

Water System Revenue Bonds, Series 2023			
Due During Fiscal Years Ending	Principal Due January 10	Interest Due	
		January 10, July 10	Total
2024	\$ -	\$ 1,582,235	\$ 1,582,235
2025	510,000	2,023,744	2,533,744
2026	545,000	1,986,819	2,531,819
2027	585,000	1,947,269	2,532,269
2028	625,000	1,904,919	2,529,919
2029	675,000	1,859,419	2,534,419
2030	720,000	1,810,594	2,530,594
2031	775,000	1,758,269	2,533,269
2032	830,000	1,702,094	2,532,094
2033	890,000	1,641,894	2,531,894
2034	955,000	1,577,319	2,532,319
2035	1,020,000	1,513,294	2,533,294
2036	1,080,000	1,450,294	2,530,294
2037	1,135,000	1,394,484	2,529,484
2038	1,185,000	1,345,894	2,530,894
2039	1,235,000	1,294,469	2,529,469
2040	1,290,000	1,240,006	2,530,006
2041	1,350,000	1,181,412	2,531,412
2042	1,410,000	1,119,312	2,529,312
2043	1,475,000	1,054,400	2,529,400
2044	1,545,000	986,450	2,531,450
2045	1,615,000	915,350	2,530,350
2046	1,690,000	839,931	2,529,931
2047	1,775,000	758,694	2,533,694
2048	1,860,000	672,362	2,532,362
2049	1,950,000	581,875	2,531,875
2050	2,045,000	486,994	2,531,994
2051	2,145,000	387,481	2,532,481
2052	2,250,000	283,100	2,533,100
2053	2,360,000	173,612	2,533,612
2054	2,475,000	58,781	2,533,781
	<u>\$ 40,000,000</u>	<u>\$ 37,532,770</u>	<u>\$ 77,532,770</u>

See report of independent auditors.

Walnut Creek Special Utility District
TSI-5 Long-Term Debt Service Requirements by Years (continued)
December 31, 2023

Annual Requirement for All Series			
Due During Fiscal Years Ending	Principal Due January 10	Interest Due	
		January 10, July 10	Total
2024	\$ 2,040,000	\$ 1,947,348	\$ 3,987,348
2025	1,065,000	2,331,631	3,396,631
2026	1,115,000	2,275,763	3,390,763
2027	1,140,000	2,216,662	3,356,662
2028	1,190,000	2,154,188	3,344,188
2029	1,270,000	2,087,394	3,357,394
2030	1,340,000	2,016,263	3,356,263
2031	1,410,000	1,940,856	3,350,856
2032	1,395,000	1,862,394	3,257,394
2033	1,475,000	1,780,619	3,255,619
2034	1,560,000	1,693,694	3,253,694
2035	1,520,000	1,608,294	3,128,294
2036	1,580,000	1,525,294	3,105,294
2037	1,655,000	1,449,084	3,104,084
2038	1,725,000	1,379,294	3,104,294
2039	1,800,000	1,305,769	3,105,769
2040	1,290,000	1,240,006	2,530,006
2041	1,350,000	1,181,412	2,531,412
2042	1,410,000	1,119,312	2,529,312
2043	1,475,000	1,054,400	2,529,400
2044	1,545,000	986,450	2,531,450
2045	1,615,000	915,350	2,530,350
2046	1,690,000	839,931	2,529,931
2047	1,775,000	758,694	2,533,694
2048	1,860,000	672,362	2,532,362
2049	1,950,000	581,875	2,531,875
2050	2,045,000	486,994	2,531,994
2051	2,145,000	387,481	2,532,481
2052	2,250,000	283,100	2,533,100
2053	2,360,000	173,612	2,533,612
2054	2,475,000	58,781	2,533,781
	<u>\$ 50,515,000</u>	<u>\$ 40,314,307</u>	<u>\$ 90,829,307</u>

See report of independent auditors.

Walnut Creek Special Utility District
TSI-6. Analysis of Change in Long-Term Bonded Debt
December 31, 2023

	Bond Issues				Total
	Series 2014	Series 2015	Series 2017	Series 2023	
Interest rate	3.50% - 4.00%	3.00% - 5.00%	3.00% - 4.00%	4.125% - 7.00%	
Dates interest payable	1/10, 7/10	1/10, 7/10	1/10, 7/10	1/10, 7/10	
Maturity date	1/10/2039	1/10/2031	1/10/2034	1/10/2054	
Beginning bonds outstanding	\$ 7,115,000	\$ 3,805,000	\$ 1,515,000		\$ 12,435,000
Bonds sold during 2023	-	-	-	40,000,000	\$ 40,000,000
Bonds retired during 2023	(300,000)	(1,515,000)	(105,000)		\$ (1,920,000)
Ending Bonds Outstanding	<u>\$ 6,815,000</u>	<u>\$ 2,290,000</u>	<u>\$ 1,410,000</u>	<u>\$ 40,000,000</u>	<u>\$ 50,515,000</u>
Interest expense during 2023	\$ 250,785	\$ (164,315)	\$ 37,405	\$ 465,030	\$ 588,905

Paying Agent's Name and City: (a) (a) (a) (b)
(a) BOKF, N.A. dba Bank of Texas, Austin Texas
(b) BOKF, N.A. Dallas, Texas

Bond Authority:	Revenue Bonds*	Refunding Bonds**
Amount authorized	\$ 49,245,000	\$ 14,065,000
Amount issued	49,245,000	14,065,000
Remaining To Be Issued	<u>\$ -</u>	<u>\$ -</u>

* Includes bonds series 2014 and 2023 secured with pledged revenues of the water system.

** Includes bonds series 2015 and 2017, secured with pledged revenues of the water system.

Debt service fund cash and temporary investments balances at year end	<u>\$ 1,916,092</u>
Average annual debt service (principal and interest) for remaining term of all bonds	<u>\$ 2,929,978</u>

**Walnut Creek Special Utility District
TSI-7. Comparative Schedule of Revenues and Expenses - Proprietary Fund
For Each of the Five Years Ended December 31:**

	Amounts					Percent of Total Revenues				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
Operating Revenues										
Water sales	\$ 10,725,910	\$ 9,634,079	\$ 8,113,948	\$ 7,438,480	\$ 6,715,400	77.86%	80.71%	79.63%	81.65%	80.93%
Other revenues	3,049,875	2,302,735	2,075,622	1,671,647	1,582,435	22.14	19.29	20.37	18.35	19.07
	<u>13,775,785</u>	<u>11,936,814</u>	<u>10,189,570</u>	<u>9,110,127</u>	<u>8,297,835</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
Operating Expenses										
Personnel	2,253,860	1,993,003	1,768,385	1,644,623	1,436,234	16.36	16.70	17.35	18.05	17.31
Water purchased	1,544,211	1,487,208	1,032,351	1,008,201	909,072	11.21	12.46	10.13	11.07	10.96
Materials and supplies	938,151	554,519	471,202	355,112	358,060	6.81	4.65	4.62	3.90	4.32
Utilities	866,308	683,434	509,611	329,617	360,876	6.29	5.73	5.00	3.62	4.35
Repairs and maintenance	636,630	256,375	184,996	190,924	176,121	4.62	2.15	1.82	2.10	2.12
Contracted services	383,849	286,821	262,995	199,697	219,339	2.79	2.40	2.58	2.19	2.64
Professional fees	99,191	80,360	103,109	42,013	168,483	0.72	0.67	1.01	0.46	2.03
Other operating expenses	73,122	54,368	79,960	25,788	37,374	0.53	0.46	0.78	0.28	0.45
Administrative	309,941	230,955	224,501	169,236	168,624	2.25	1.93	2.20	1.86	2.03
Depreciation and amortization	1,794,918	1,619,031	1,396,282	1,313,430	1,076,801	13.03	13.56	13.70	14.42	12.98
	<u>8,900,181</u>	<u>7,246,074</u>	<u>6,033,392</u>	<u>5,278,641</u>	<u>4,910,984</u>	<u>64.61</u>	<u>60.71</u>	<u>59.19</u>	<u>57.95</u>	<u>59.19</u>
Operating Income	4,875,604	4,690,740	4,156,178	3,831,486	3,386,851	35.39	39.29	40.81	42.05	40.81
Nonoperating Revenues (Expenses)										
Interest income	1,216,199	233,924	36,269	113,520	403,422	8.83	1.96	0.36	1.25	4.86
Interest expense	(643,718)	(308,739)	(428,402)	(605,781)	(685,819)	(4.67)	(2.59)	(4.20)	(6.65)	(8.27)
Debt issue costs	(1,677,588)	-	-	-	-	(12.18)	-	-	-	-
Gain (loss) on disposal of assets	-	-	3,397	18,700	-	-	-	0.03	0.21	-
System development revenue	2,563,454	4,028,071	2,149,738	2,084,337	1,436,128	18.61	33.74	21.10	22.88	17.31
	<u>1,458,347</u>	<u>3,953,256</u>	<u>1,761,002</u>	<u>1,610,776</u>	<u>1,153,731</u>	<u>10.59</u>	<u>33.11</u>	<u>17.29</u>	<u>17.69</u>	<u>13.90</u>
Change in net position	<u>\$ 6,333,951</u>	<u>\$ 8,643,996</u>	<u>\$ 5,917,180</u>	<u>\$ 5,442,262</u>	<u>\$ 4,540,582</u>	<u>45.98%</u>	<u>72.40%</u>	<u>58.10%</u>	<u>59.74%</u>	<u>54.71%</u>
Total Active Retail Water Connections	10,714	10,057	9,359	8,698	8,195					

See report of independent auditors.

**Walnut Creek Special Utility District
TSI-8. Board Members, Key Personnel, and Consultants
December 31, 2023**

Names	Term of Office (Elected or Appointed or Date Hired	Fees of Office Paid 2023	Expense Reimbursements 2023	Title at Year End
Board Members:				
Mike Gilley	(Elected) 5/2022-5/2025	\$ 2,000	\$ -	President
Al Garrett	(Appointed) 1/2021-5/2024	\$ 2,100	\$ -	Vice President
Beth Correll	(Elected) 5/2022-5/2025	\$ 2,000	\$ -	Secretary/ Treasurer
Jim Cox	(Elected) 5/2022-5/2025	\$ 1,900	\$ -	Director
Frank Henderson	(Elected) 3/2023-5/2024	\$ 1,600	\$ -	Director
Key Administrative Personnel:				
James Blackwood	6/29/2023	\$ 85,275		General Manager
Consultants:				
Taylor, Olson, Adkins, Sralla, Elam, LLP	1/1/2015	\$ 4,379		Attorney
Terrill & Waldrop, PLLC	5/12/2023	\$ 11,563		Attorney
Hatter & Associates, LLP	10/15/2012	\$ 54,610		Auditor
E.S. & C.M., Inc.	5/1/2003	\$ 1,413,624		Engineer/ Consultant
John K. Swaim, CPA	1/1/2021	\$ 14,725		Financial/ Consultant

See report of independent auditors.