

WALNUT CREEK
SPECIAL UTILITY DISTRICT
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2024

MCPA, PC
Certified Public Accountants

Walnut Creek Special Utility District
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December 31, 2024

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF PARKER AND WISE

I, JAMES BLACKWOOD, GENERAL MANAGER of the

(Name of Duly Authorized District Representative)

WALNUT CREEK SPECIAL UTILITY DISTRICT

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the 21st day of APRIL its annual audit report for the fiscal year or period ended DECEMBER 31, 2024 and those copies of the annual audit report have been filed in the district office, located at:

1155 W. HIGHWAY 199 SPRINGTOWN, TEXAS 76082

(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

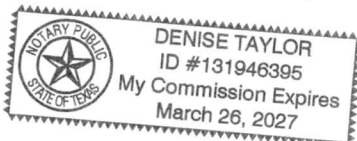
Date: 4/22/25 By: [Signature]
(Signature of District Representative)

James Blackwood, General Manager

(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 22nd day of April 2025
(SEAL)

[Signature]
(Signature of Notary)



My Commission Expires On: March 26, 2027
Notary Public in the State of Texas.

MCPA, PC

Certified Public Accountants

KYLE CAPERTON, CPA | ERIC PASCHALL, CPA | KYLE ALLIS, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Walnut Creek Special Utility District
Springtown, Texas

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the business-type activities of the Walnut Creek Special Utility District ("District"), as of and for the year ended December 31, 2024, 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 respective financial position of the business-type activities of the Walnut Creek Special Utility District, as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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. 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 the 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 the 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 opinions. 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 the 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 the 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, and budgetary comparison information on pages 6-10 and 28 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.

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information (TSI) schedules on pages 30-37 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 TSI schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

MCPA, PC

MCPA, P.C.
Certified Public Accountants
Forney, Texas
April 12, 2025

Walnut Creek Special Utility District
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

Schedule
Reference
Number

Findings

(None noted)

Walnut Creek Special Utility District
Corrective Actions Planned
For the Year Ended December 31, 2024

Schedule
Reference
Number

Actions Planned

(None)

Walnut Creek Special Utility District
Management's Discussion and Analysis
December 31, 2024

This section of Walnut Creek Special Utility District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2024. Please read it in conjunction with the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities by \$63,062,158 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$56,068,933. Of the \$63,062,158 in net assets, \$9,092,782 (unrestricted net assets) may be used to meet the District's ongoing obligations to customers and creditors.
- During the year, the District's operating revenues of \$13,355,728 generated from charges for services, customer charges and fees and investments for business-type activities exceeded expenses by \$3,532,283. Non-Operating contributions and gains/losses led to a total Change in Net Assets of \$6,993,215.

OVERVIEW OF THE FINANCIAL STATEMENTS

Three components of the District's annual financial report include: 1) management's discussion and analysis, 2) the basic financial statements, and 3) other supplementary information.

District-wide financial statements

The District's annual report includes two district-wide financial statements.

The first of these financial statements is the *Statement of Net Assets*. This is a statement of financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as *net assets*. Over time, the increases or decreases of net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

The second financial statement is the *Statement of Activities and Changes in Net Assets*, which reports how the District's net assets changed during the current fiscal year. All current year revenue and expenses are included regardless of when cash is received or paid.

Both financial statements distinguish the functions of the District that are principally supported by functions that collect user fees and charges (business-type activities) used to recover all or a significant portion of their costs. The District's utility operations are the only business-type activities.

Utility Funds are reported in the fund financial statements and generally reports services for which the District charges customers a fee. The District maintains one utility fund.

Notes to Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole.

The District's net assets at fiscal year-end are \$63,062,158. Of this amount, 78.55% reflects its investments in capital assets such as land, buildings, distribution system, improvements, machinery and equipment and construction in progress, less any debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to customers and are therefore not available for future spending. An additional portion of the District's net position (7.03%) 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 (14.42%) represents resources that may be used to meet the District's ongoing obligations to creditors. Please note, however, that even though the investments in capital assets are reported net of their related debt, that the capital assets themselves cannot be used to liquidate this debt, those resources must be provided from other sources. The following table provides a summary of the District's net assets at December 31:

SUMMARY OF NET ASSETS

Assets:	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 45,765,302	\$ 54,676,295
Other Current Assets	2,158,607	2,224,371
Non-Current Assets, net	<u>68,251,381</u>	<u>56,268,047</u>
Total assets	<u>\$ 116,175,290</u>	<u>\$ 113,168,713</u>
Liabilities:		
Current Liabilities	\$ 4,482,175	\$ 5,141,904
Long-term Liabilities	<u>48,630,957</u>	<u>51,957,866</u>
Total Liabilities	<u>53,113,132</u>	<u>57,099,770</u>
Net assets:		
Invested in capital assets, net of related debt	49,536,015	43,348,752
Restricted for debt services	4,433,361	7,390,074
Unrestricted	<u>9,092,782</u>	<u>5,330,117</u>
Total net assets	<u>63,062,158</u>	<u>56,068,943</u>
Total Liabilities and Net Assets	<u>\$ 116,175,290</u>	<u>\$ 113,168,713</u>

ANALYSIS OF THE DISTRICT'S OPERATIONS

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's changes in net assets for the year ended December 31, 2024. Business-type activities increased the District's net assets by \$6,993,215.

SUMMARY OF CHANGES IN NET ASSETS

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES:		
Water sales	\$ 11,074,461	\$ 10,725,910
Customer charges/fees	<u>2,281,267</u>	<u>3,049,875</u>
Total operating revenues	<u>13,355,728</u>	<u>13,775,785</u>
OPERATING EXPENSES:		
Operating expenses	7,965,244	7,106,080
Depreciation and amortization	<u>1,985,608</u>	<u>1,794,918</u>
Total operating expenses	<u>9,950,852</u>	<u>8,900,998</u>
Net operating revenue (expenses)	<u>3,404,876</u>	<u>4,874,832</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,645,910	1,216,199
Interest expense	(2,418,491)	(643,718)
Debt issuance cost	-	(1,677,588)
Previously deferred funds	2,000,000	-
Gain (Loss) on disposal of assets	38,149	-
System development fees	<u>1,195,163</u>	<u>2,563,454</u>
Total nonoperating revenue (expenses):	<u>3,460,932</u>	<u>1,458,347</u>
NET REVENUES (EXPENSES)	<u>6,993,215</u>	<u>6,333,951</u>
NET POSITION - BEGINNING	<u>56,068,943</u>	<u>49,734,992</u>
NET POSITION - ENDING	<u>\$ 63,062,158</u>	<u>\$ 56,068,943</u>

CAPITAL ASSETS

The District's investment in capital assets for its business-type activities, net of depreciation and related debt, as of December 31, 2024 is \$68,051,820. These include land, buildings, improvements, machinery and equipment, infrastructure and construction in progress.

	<u>2024</u>	<u>2023</u>
Land	\$ 453,159	\$ 453,159
Buildings	603,033	603,033
Equipment and vehicles	1,202,893	1,185,419
Office furniture and equipment	140,255	128,842
Water distribution systems	71,467,606	68,243,954
Capital leased assets	2,858,631	2,858,631
Water rights	1,213,237	1,213,237
Construction in Progress	<u>13,319,175</u>	<u>2,790,844</u>
Total capital assets at Historical cost	91,257,989	77,477,119
Less accumulated depreciation for:		
Total accumulated depreciation	<u>(23,078,761)</u>	<u>(21,314,759)</u>
Capital assets, net	<u>\$ 68,179,228</u>	<u>\$ 56,162,360</u>

Capital assets are comprised of the various long-term assets through which the District receives, treats, and distributes the water to the residents and businesses of the area. Capital assets are depreciated over the estimated useful life of the assets and the District charges this depreciation as an operating expense. The District recognized \$1,985,608 of depreciation expense in 2024 compared to the prior year when depreciation was \$1,794,918. Capital asset items sold or deemed obsolete and any related accumulated depreciation are removed from the capital asset listing each year.

LONG-TERM DEBT

The District's outstanding bond debt of \$48,915,413 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.

	<u>2024</u>	<u>2023</u>
Revenue Bonds Series 2023	\$ 40,000,000	\$ 40,000,000
Refunding Bonds Series 2017	1,300,000	1,410,000
Refunding Bonds Series 2015	675,000	2,290,000
Revenue Bonds Series 2014	6,500,000	6,815,000
Unamortized premium	<u>440,413</u>	<u>460,444</u>
Total Long-term debt	<u>\$ 48,915,413</u>	<u>\$ 50,975,444</u>

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

ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGETS AND RATES

At this time, Walnut Creek Special Utility District is not aware of any decisions or conditions that would impact the District's operations through 2025.

The District's 2025 water sales are budgeted to steadily increase compared to actual 2024 revenue due to a rate increase that went into effect October 1, 2024 and a modest increase in connections.

The District's 2025 operating expenses are budgeted to decrease by about \$1,814,000 from actual 2024 expenses. The decrease is due primarily to an expected decrease in maintenance, material supplies and administrative expenses.

The District's net non-operating revenues and expenses are budgeted to be less than actual 2024 by about \$600k. The decrease is due primarily to an expected reduction in interest income as the 2023 invested bond funds (\$40M) are continually spent down on capital projects.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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 Assets
Utility Fund
December 31, 2024

	Business-type Activities-Enterprise (Utility Fund)
ASSETS	
Current assets:	
Cash in banks	\$ 7,643,867
Investments	3,415,874
Accounts receivable, net	978,574
Inventory	1,180,033
Total current assets	<u>13,218,348</u>
Non-current assets	
Restricted investments	34,705,561
Capital assets at cost	
Land	453,159
Buildings	603,033
Equipment and vehicles	1,202,893
Office furniture and equipment	140,255
Water distribution system	71,467,606
Capital leased asset	2,858,631
Water rights	1,213,237
Construction in progress	13,319,175
	<u>91,257,989</u>
Accumulated depreciation	<u>(23,078,761)</u>
	<u>68,179,228</u>
Deferred outflows	
Bond refunding costs, net	<u>72,153</u>
Total non-current assets	<u>102,956,942</u>
TOTAL ASSETS	<u><u>\$ 116,175,290</u></u>

The accompanying notes are an integral part of the financial statements.

Walnut Creek Special Utility District
Statement of Net Assets - continued
Utility Fund
December 31, 2024

	<u>Business-type Activities-Enterprise (Utility Fund)</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 310,939
Accrued expenses	118,186
Current portion of lease liability	241,878
Current liabilities payable from restricted assets:	
Interest payable	1,179,309
Current portion of revenue bonds payable	<u>1,065,000</u>
Total current liabilities	2,915,312
Non-current liabilities:	
Lease liability, net of current portion	780,544
Customer deposits payable	1,566,863
Revenue bonds payable, net of current portion	<u>47,850,413</u>
Total non-current liabilities	<u>50,197,820</u>
TOTAL LIABILITIES	<u>\$ 53,113,132</u>
NET ASSETS	
Invested in capital assets, net of related debt	49,536,015
Restricted for debt service (expendable)	4,433,361
Unrestricted	<u>9,092,782</u>
TOTAL NET ASSETS	<u>63,062,158</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 116,175,290</u>

The accompanying notes are an integral part of the financial statements.

Walnut Creek Special Utility District
Statement of Activities and Changes in Net Assets
Utility Fund
For the Year Ended December 31, 2024

	Business-type Activities-Enterprise (Utility Fund)
OPERATING REVENUES:	
Water sales	\$ 11,074,461
Customer charges/fees	2,281,267
Total operating revenues	<u>13,355,728</u>
OPERATING EXPENSES:	
Payroll & benefits	2,803,825
Water purchased	1,645,812
Materials and supplies	564,668
Utilities	836,311
Repairs and maintenance	722,487
Professional fees	138,570
General and administrative	284,842
Other operating costs	841,322
Depreciation and amortization	<u>1,985,608</u>
Total operating expenses	<u>9,823,445</u>
Net operating revenue (expenses)	<u>3,532,283</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	2,645,910
Interest expense	(2,418,490)
Previously deferred funds	2,000,000
Gain / (loss) on sale of assets	38,349
System development fees	<u>1,195,163</u>
Total nonoperating revenue (expenses):	<u>3,460,932</u>
CHANGE IN NET ASSETS:	6,993,215
TOTAL NET ASSETS - BEGINNING	<u>56,068,943</u>
TOTAL NET ASSETS - ENDING	<u>\$ 63,062,158</u>

The accompanying notes are an integral part of the financial statements.

Walnut Creek Special Utility District
Statement of Cash Flows
Utility Fund
For the Year Ended December 31, 2024

	Business-type Activities-Enterprise (Utility Fund)
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 13,661,999
Payments to suppliers	(5,161,997)
Payments to employees	<u>(2,803,825)</u>
Net cash provided (used) by operating activities	<u>5,696,177</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(13,780,869)
System development receipts	1,195,163
Net principal payments on long-term debt and capital lease	(2,293,296)
Interest paid on long-term debt and capital lease	(2,418,490)
Cash received for capital asset disposals	<u>44,413</u>
Net cash provided (used) by capital and related financing activities	<u>(17,253,080)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>2,645,910</u>
Net cash provided (used) by investing activities	<u>2,645,910</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,910,993)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>54,676,295</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 45,765,302</u></u>

The accompanying notes are an integral part of the financial statements.

Walnut Creek Special Utility District
Statement of Cash Flows - continued
Utility Fund
For the Year Ended December 31, 2024

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	\$ 3,532,283
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	1,985,608
Change in assets and liabilities	
(Increase) decrease in accounts receivable	306,271
(Increase) decrease in inventory	(243,445)
Increase (decrease) in liabilities	<u>115,460</u>
Total adjustments	<u>2,163,894</u>
Net cash provided by operating activities	<u><u>\$ 5,696,177</u></u>

Reconciliation of Cash and Cash Equivalents to Statement of Net Position:

Cash in banks	\$ 7,643,867
Investments	3,415,874
Restricted investments	<u>34,705,561</u>
Total Cash and Cash Equivalents	<u><u>\$ 45,765,302</u></u>

Supplemental Cash Flow Information:

Amortization of bond premium	\$ 20,031
Amortization of bond refunding cost	33,533

The accompanying notes are an integral part of the financial statements.

Walnut Creek Special Utility District
Notes to Financial Statements
December 31, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles of the District follow.

Reporting Entity

The Board of Directors (Board), a five member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to providing water services within the jurisdiction of the Walnut Creek Special Utility District. Members of the Board are elected by the public to 3-year rotating terms; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District is not included in any other governmental "Reporting Entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units presented.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The proprietary financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are both measurable and available. Revenues are considered available within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if collected within sixty days after the current fiscal period. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. However, materials and supplies inventories are not considered expenditures until they are consumed. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the statement of net assets.

Walnut Creek Special Utility District
Notes to Financial Statements
December 31, 2024

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges for customers for sales or services and fees charged with the intention of recovering costs associated with connecting new customers. Principal operating expenses are the costs of providing the water services and include administrative expenses and depreciation of capital assets. All revenues and expenses not meeting these criteria are reported as general revenues and expenses.

Budget

The Board adopts an annual budget for the Utility Fund. It is prepared by the office manager of the District and adopted under a basis that is consistent with generally accepted accounting principles. Board approval is required for amendments, if any.

Other Significant Accounting Policies

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers 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.

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, 2024, the District did not own any types of securities other than those permitted by statute.

Receivables – Accounts receivable as presented in the statement of net assets reflect the amounts that management expects to collect from its customers net of allowance for uncollectible accounts. The balance at year-end reflects current active accounts only.

Inventory – Inventory consists primarily of replacement field parts and is carried at cost using the first-in, first-out method of valuation.

Capital Assets - The District's capital assets include buildings, property and equipment, vehicles, improvements and distribution system. Additions are recorded at cost or, if contributed property, at its estimated fair value at the time of contribution. Repairs and maintenance are directly expensed in the period incurred; significant improvements are capitalized and depreciated. Sales or dispositions of capital assets are recorded by removing the historical cost and related accumulated depreciation from the statement of net assets and any resulting gain or loss recorded as appropriate to non-operating income or expense.

Walnut Creek Special Utility District
Notes to Financial Statements
December 31, 2024

Outlays for major (normally over \$5,000) capital asset additions and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water distribution systems	5-50
Water rights	40
Buildings	15-30
Equipment and vehicles	3-10
Capital leased assets	10
Office furniture and equipment	3-7

Depreciation expense for the year ended December 31, 2024 was 1,985,608.

Impairment of Long-lived Assets – The District reviews potential impairments of long-lived assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. An impairment loss is recognized if the sum of the expected, undiscounted future cash flows is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the excess of the net book value of the assets over the estimated fair value. As of December 31, 2024, no impairment of long-lived assets is necessary.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, actual results could vary from those estimates.

Revenue Recognition – In accordance with FASB ASC 606-10-50-12, the District recognizes revenue at the time that the client's water meter is read and billing invoice for water used is sent to the customer. Water bills are due and payable within 30 days of the invoice. When the invoice is sent by the District, an accounts receivable is recorded in their accounting system. Upon subsequent customer payment, the account receivable is reduced. If the customer does not pay or respond within 60 days, their water meter is locked until the customer can bring their account current. The District's adoption of FASB ASC 606 on January 1, 2020 had no significant impact on the timing of revenue recognition.

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
December 31, 2024

System Development Fees – Represents the value of construction reimbursements paid by customers or developers to upgrade or expand the District’s water system to accommodate the customer’s new development.

NOTE 2 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year:

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 453,159	\$ -	\$ -	\$ 453,159
Buildings	603,033	-	-	603,033
Equipment and vehicles	1,185,419	284,856	(267,382)	1,202,893
Office furniture and equipment	128,842	11,413	-	140,255
Water distribution systems	68,243,954	3,223,651	-	71,467,606
Capital leased assets	2,858,631	-	-	2,858,631
Water rights	1,213,237	-	-	1,213,237
Construction in Progress	<u>2,790,844</u>	<u>12,560,339</u>	<u>(2,032,008)</u>	<u>13,319,175</u>
Total capital assets at historical cost	77,477,19	16,080,260	(2,299,391)	91,257,988
Less accumulated depreciation for:				
Total accumulated depreciation	<u>21,314,759</u>	<u>(1,985,608)</u>	<u>221,606</u>	<u>23,078,761</u>
Business-type activities capital assets, net	<u>\$ 56,162,360</u>	<u>\$ 14,094,652</u>	<u>\$ (2,077,785)</u>	<u>\$ 68,179,227</u>

**Significant additions include 16'' water line extension, meter installations, vehicles purchased, various CIP projects funded through the 2023 revenue bond.*

**Significant disposal includes various vehicle disposals and trade-in's during 2024.*

NOTE 3 - DEPOSITS, SECURITIES AND INVESTMENTS

The District’s funds appear to be deposited and invested under the loan agreement with the financial institution. The agreement requires the depository to pledge approved securities in an amount significant to protect the District’s day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2024, it appears that District’s cash deposits were properly covered by FDIC insurance or by pledged collateral.

The District’s investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to be in compliance with the requirements of the Act.

Walnut Creek Special Utility District
Notes to Financial Statements
December 31, 2024

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of states or agencies having a national investment rating of "A" or greater,
- e. guaranteed or securitized certificates of deposit issued by a bank domiciled in the State of TX, or
- f. fully collateralized repurchase agreements.

District investments include investments 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.

The District's investments in LOGIC have a weighted average maturity of 51 days December 31, 2024. 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, 2024:

Investments	\$ 3,415,874
Restricted investments	<u>34,705,560</u>
	<u>\$ 38,121,435</u>

GASB Statement No. 40 requires determination as to whether the District was exposed to the following specific investment risks at year end and if necessary, certain related disclosures:

- Credit Risk

Credit risk is related to the risk that an issuer or other party to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At December 31, 2024, The District's investments in LOGIC was rated "AAAm" by Standard and Poor's and represents 100% of the District's investment portfolio.

- Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At December 31, 2024, the District was not exposed to custodial credit risk.

Walnut Creek Special Utility District
Notes to Financial Statements
December 31, 2024

- **Concentration of Credit Risk**
This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2024, the District was not exposed to concentrations of credit risk.
- **Interest Rate Risk**
This is the risk that changing interest rates will have an adverse effect on the fair value of an investment. At December 31, 2024, the District was not significantly exposed to interest rate risk
- **Foreign Currency Risk**
This is the risk that is associated with exchange rates and the possibility that they will adversely affect the fair value of an investment. At December 31, 2024, the District was not exposed to foreign currency risk.

NOTE 4 – RESTRICTED ASSETS

The District's revenue bonds proceeds, along with certain resources reserved for their repayment, are classified as restricted assets on the balance sheet due to limitations imposed by applicable bond covenants or other legal restrictions. Restricted assets totaled the following as of December 31, 2024:

	<u>Investments</u>
Interest and sinking funds	\$ 2,413,484
Revenue bond reserve	2,019,877
Bond funds for capital projects	<u>30,272,199</u>
	<u>\$ 34,705,560</u>

NOTE 5 – LONG-TERM DEBT

On October 18, 2023, the District issued \$40,000,000 in Water System Revenue Bonds, Series 2023, to finance 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 generated by the 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, with the objective of reducing overall debt service requirements and covering issuance costs. The bonds will mature semi-annually beginning January 10, 2018, through January 10, 2034. The debt is payable from the pledged revenues generated by the operation of the District's water system.

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

Walnut Creek Special Utility District
Notes to Financial Statements
December 31, 2024

On July 17, 2014, the District issued \$9,245,000 in Water System Revenue Bonds, Series 2014, to finance 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 generated by the operation of the District's water system.

Long-term debt consisted of the following at December 31, 2024:

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	1,300,000
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	675,000
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	6,500,000
	48,475,000
Unamortized premium	440,413
Total Debt	48,915,413
Current maturities	(1,065,000)
Long-term debt net of current maturities	<u>\$ 47,850,413</u>

The approximate maturities of long-term debt for years subsequent to December 31, 2024 are as follows:

Year Ending December 31	<u>Principal</u>	<u>Interest</u>
December 31, 2025	\$ 1,065,000	\$ 2,331,631
December 31, 2026	1,115,000	2,275,763
December 31, 2027	1,140,000	2,216,663
December 31, 2028	1,190,000	2,154,188
Due 2029 and thereafter	43,965,000	29,385,709
	<u>\$ 48,475,000</u>	<u>\$ 38,363,953</u>

Walnut Creek Special Utility District
Notes to Financial Statements
December 31, 2024

Long Term Debt Rollforward

	<u>December 31,</u> <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2024</u>	<u>Current</u> <u>maturities</u>
Revenue Bonds Series 2023	\$ 40,000,000	\$ -	\$ -	\$ 40,000,000	\$ 510,000
Refunding Bonds Series 2017	1,410,000	-	(110,000)	1,300,000	115,000
Refunding Bonds Series 2015	2,290,000	-	(1,615,000)	675,000	115,000
Revenue Bonds Series 2014	6,815,000	-	(315,000)	6,500,000	325,000
Unamortized premium	<u>460,444</u>	<u>-</u>	<u>(20,031)</u>	<u>440,413</u>	<u>-</u>
Total Long-term debt	\$ 50,975,444	\$ -	\$ (2,060,031)	\$ 48,915,413	\$ 1,065,000

The Bond Resolutions require the District to establish and maintain rates and charges sufficient to generate Pledged Revenues from the water system each year. These revenues must be at least equal to the amount necessary to fund the Interest and Sinking Fund and the Reserve Fund, ensuring the timely payment of principal and interest on all outstanding bonds, as well as covering the District's maintenance and operating expenses.

The Bond Resolutions also mandate the District to establish an Interest and Sinking Fund to cover scheduled interest and principal payments on the bonds. As of December 31, 2024, the District held \$2,413,484 in the Interest and Sinking Fund accounts. The next scheduled principal and interest payment for all bonds is \$3,396,631. The District is in full compliance with these requirements as the District has 5 years to fully set aside funds for the 2023 bonds.

The Bond Resolutions further require the District to maintain a Reserve Fund equal to the average annual debt service requirement. The Reserve Fund is intended to cover principal and interest payments on the Revenue Bonds if there are insufficient funds in the Interest and Sinking Fund. As of December 31, 2024, the District had \$2,019,877 in the Reserve Fund, which exceeds the average annual debt service requirement. In connection with the 2023 bond issuance, the District was granted a 5-year period to build up reserves to meet this requirement. The District is in full compliance with these provisions.

The District is in compliance with the required debt service coverage ratio at December 31, 2024 as follows:

Operating Revenue	\$ 13,355,728
Operating expenses excluding depreciation	<u>7,837,837</u>
Net revenue Available for debt services	\$ 5,517,891
 Average annual debt service requirement	 \$ 3,530,256
 Debt coverage ratio (net revenue available for debt services divided by average annual debt service)	 1.56
Debt Coverage Ratio Requirement	1.25

Walnut Creek Special Utility District
Notes to Financial Statements
December 31, 2024

NOTE 6 – BOND REFUNDING COSTS

Bond refunding costs are associated with the issuance of the 2017 and 2015 series refunding bonds and include the advance refunding costs incurred to retire the prior bonds. These costs are reported as a deferred outflow and are amortized over the 10 to 17-year term of the bonds. The amortization of advance refunding costs is included in interest expense and amounted to \$33,533 for the year 2024.

The breakdown of bond refunding costs as of December 31, 2024, is as follows:

Advance refunding costs	\$ 391,448
Less accumulated amortization	<u>(319,295)</u>
	<u>\$ 72,153</u>

Amortization is expected as follows for the years ending December 31, 2024:

2025	\$ 8,017
2026	8,017
2027	8,017
2028	8,017
2029 and thereafter	<u>40,085</u>
	<u>\$ 72,153</u>

NOTE 7 – CAPITAL LEASE

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

The following is a schedule of future payments required under the lease as of December 31, 2024:

Year Ending December 31	<u>Principal</u>	<u>Interest</u>
December 31, 2025	\$ 241,878	\$ 37,748
December 31, 2026	250,808	28,818
December 31, 2027	260,067	19,558
December 31, 2028	<u>269,669</u>	<u>9,956</u>
	<u>\$ 1,022,422</u>	<u>\$ 96,080</u>

Walnut Creek Special Utility District
Notes to Financial Statements
December 31, 2024

Capital Lease Rollforward

	<u>December 31,</u> <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2024</u>	<u>Current</u> <u>maturities</u>
Capital lease	\$ 1,255,687	\$ -	\$ (233,265)	\$ 1,022,422	\$ 241,878

NOTE 8 – OTHER INFORMATION

A. Risk management

The District is subject to various risks of loss, including those related to torts, theft of or damage to assets, errors and omissions, employee injuries, and natural disasters. To mitigate these risks, the District has obtained insurance coverage from the Texas Municipal League Intergovernmental Risk Pool (contract number 3480, with a term ending December 31, 2024), which provides coverage for general liabilities and other related risks. There were no significant reductions in coverage during the past year, and no settlements exceeding insurance coverage occurred in either of the past two years.

A. Commitments

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.

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, 2024, was \$1,645,812.

B. 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 \$25,854 during 2024.

C. Customer Deposits

Each new customer of the District is required to pay a refundable deposit to secure payment of the customer's water bill. The balance of these deposits as of December 31, 2024 and 2023 was \$1,566,863 and \$1,465,374, respectively.

Walnut Creek Special Utility District
Notes to Financial Statements
December 31, 2024

D. Deferred Revenue

In 1997, the District entered into an agreement with Mitchell Energy Corporation (subsequently acquired by Devon Energy Corporation) to assist in funding certain improvements and extensions to the District's 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 the total was converted to a grant and recognized as income. The remaining \$2,000,000 was expended for the design, construction, and acquisition of capital improvements to the water system, with the understanding that it would be converted to subordinated revenue bonds at a future date, contingent upon the District achieving certain customer levels.

During the current fiscal year, it was confirmed that the conditions required to convert the remaining \$2,000,000 to a grant had been satisfied in a prior year. Accordingly, the \$2,000,000 has been recognized as revenue in the current year's financial statements.

E. 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.

F. Litigation

The District does not appear to be involved in any litigation that would require a loss contingency to be recorded as of December 31, 2024.

NOTE 9 – SUBSEQUENT EVENTS

Walnut Creek Special Utility District has evaluated subsequent events through April 12, 2025, the date which the financial statements were available to be issued. There do not appear to be any events occurring after year end that could have a material effect on the financial statements at year end as presented.

REQUIRED SUPPLEMENTARY INFORMATION

Walnut Creek Special Utility District
 Budgetary Comparison Schedule
 Utility Fund
 For the Year Ended December 31, 2024

	Final Budget	Actual	Variance
OPERATING REVENUES:			
Water sales	\$ 10,700,000	\$ 11,074,461	\$ 374,461
Customer charges/fees	<u>2,202,440</u>	<u>2,281,267</u>	<u>78,827</u>
Total operating revenues	<u>12,902,440</u>	<u>13,355,728</u>	<u>453,288</u>
OPERATING EXPENSES:			
Payroll & benefits	2,713,208	2,803,825	90,617
Water purchased	1,800,000	1,645,812	(154,188)
Materials and supplies	669,315	564,668	(104,647)
Utilities	865,825	836,311	(29,514)
Repairs and maintenance	982,948	722,487	(260,461)
Professional fees	221,000	138,570	(82,430)
General and administrative	256,544	284,842	28,298
Other operating costs	1,594,500	841,322	(753,178)
Depreciation and amortization	<u>2,000,000</u>	<u>1,985,608</u>	<u>(14,392)</u>
Total operating expenses	<u>11,103,340</u>	<u>9,823,445</u>	<u>(1,279,895)</u>
Net operating revenue (expenses)	<u>1,799,100</u>	<u>3,532,283</u>	<u>1,733,183</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	2,650,000	2,645,910	(4,090)
Interest expense	(2,438,336)	(2,418,490)	19,846
Previously deferred funds	-	2,000,000	2,000,000
Gain / (loss) on sale of assets	-	38,349	38,349
System development fees	<u>1,635,000</u>	<u>1,195,163</u>	<u>(439,837)</u>
Total nonoperating revenue (expenses):	<u>1,846,664</u>	<u>3,460,932</u>	<u>1,614,268</u>
CHANGE IN NET ASSETS:	<u>\$ 3,645,764</u>	<u>\$ 6,993,215</u>	<u>\$ 3,347,451</u>

See Independent Auditor's Report.

TEXAS SUPPLEMENTARY INFORMATION (TSI)
(Other Supplementary Information)

Walnut Creek Special Utility District
Services and Rates
December 31, 2024

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input checked="" type="checkbox"/> Wholesale Water	<input type="checkbox"/> Drainage
<input type="checkbox"/> Retail Wholesaler	<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 service (other than emergency interconnect)		
<input type="checkbox"/> Other (specify): _____		

2. Retail Rates Based on 5/8" Meter:

Most prevalent type of meter (if not a 5/8"): _____

	<u>Minimum</u> <u>Charge</u>	<u>Minimum</u> <u>Usage</u>	<u>Flat</u> <u>Rate</u> <u>Y/N</u>	<u>Rate per 1000</u> <u>Gallons over</u> <u>Minimum</u>	<u>Usage</u> <u>Levels</u>
<u>WATER:</u>	\$ 35.70	0	N	\$ 6.11	0 up-to 5,000
				\$ 6.95	5,001 up-to
				\$ 7.45	10,001 up-to
				\$ 7.90	15,001 up-to
				\$ 9.00	20,001 up

District employs winter averaging for wastewater usage? ___ Yes ☒ NoTotal charges per 10,000 gallons usage: Water: \$101.00 (plus \$0.50 user fee tax)

Water Retail Connections:

<u>Meter Size</u>	<u>Total</u> <u>Connections</u>	<u>Active</u> <u>Connections</u>	<u>ESFC</u> <u>Factor</u>	<u>Active</u> <u>ESFCs</u>
Unmetered	1	-	x 1.0	-
≤ 3/4"	11,440	11,097	x 1.0	11,097
1"	62	60	x 2.5	150
1 1/2"	9	9	x 5.0	45
2"	48	47	x 8.0	376
3"	14	14	x 15.0	210

See independent auditor's report.

<u>Meter Size</u>	<u>Total</u> <u>Connections</u>	<u>Active</u> <u>Connections</u>	<u>ESFC</u> <u>Factor</u>	<u>Active</u> <u>ESFCs</u>
4"	14	14	x 25.0	350
6"	5	5	x50.0	250
8"	-	-	x80	-
10"	-	-	x110	-
Total Water	11,593	11,246	-	12,478
Total Wastewater	-	-	x 1.0	-

3. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system: 1,410,086,995

Gallons billed to customers: 1,139,930,600

Gallons lost to leaks/repairs: 12,955,866

Gallons lost: 257,200,509

Water Accountability Ratio: 81.76%

4. Standby Fees: District does not levy standby fees.

5. Location of District: 1155 W Highway 199, Springtown, TX 76082

County(ies) in which district is located. Parker & Wise

Is the District located entirely in one county? Yes X No

City(ies) in which District is located: None

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely X Partly Not at all

Is the general membership of the Board appointed by an office outside the District?
 Yes X No

If yes, by whom? n/a

See independent auditor's report.

Walnut Creek Special Utility District
Enterprise Fund Expenditures
December 31, 2024

Personnel Expenditures (including benefits)*	\$ 2,803,825
Professional Fees:	
Legal & Accounting	97,806
Engineering	40,764
Purchased Services For Resale:	
Bulk Water	1,645,812
Utilities	836,311
Material and supplies	564,668
Repairs and Maintenance	
Field and Equipment	711,936
Office Maintenance	10,551
Administrative Expenditures:	284,842
Other Expenditures	
Other operating expenses	841,322
Depreciation & Amortization	<u>1,985,608</u>
TOTAL OPERATING EXPENDITURES	<u>\$ 9,823,445</u>
NON-OPERATING EXPENDITURES	
Interest Expense	<u>\$ 2,418,481</u>

* Number of persons employed by the District: 36 Full-Time 0 Part-Time

See independent auditor's report.

Walnut Creek Special Utility District
Temporary Investments
December 31, 2024

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
LOGIC Savings	4.6254%	N/A	\$ 3,415,874
LOGIC Construction	4.6254%	N/A	75,613
LOGIC Interest & Sinking	4.6254%	N/A	2,413,484
LOGIC Reserve Fund	4.6254%	N/A	2,019,877
LOGIC Bond Construction	4.6254%	N/A	<u>30,196,586</u>
	Total		<u>\$ 38,121,435</u>

See independent auditor's report.

Walnut Creek Special Utility District
Long-Term Debt Service Requirements
December 31, 2024

The District has outstanding debt with multiple institutions.

- On October 18, 2023, the District issued \$40,000,000 in Water System Revenue Bonds, Series 2023, to finance 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 generated by the 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, with the objective of reducing overall debt service requirements and covering issuance costs. The bonds will mature semi-annually beginning January 10, 2018, through January 10, 2034. The debt is payable from the pledged revenues generated by the operation of the District's water system.
- On January 13, 2015, the District issued \$12,215,000 in Water System Revenue Refunding Bonds, Series 2015. The bonds will mature semi-annually beginning January 10, 2016, through January 10, 2031. Proceeds from the bond issuance were used to refund \$10,885,000 of the District's outstanding Series 2005 Refunding Bonds and \$2,155,000 of the Series 2006 Bonds, in order to lower overall debt service requirements and cover the costs associated with the issuance of the bonds. The debt is payable from the pledged revenues generated by the operation of the District's water system.
- On July 17, 2014, the District issued \$9,245,000 in Water System Revenue Bonds, Series 2014, to finance 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 generated by the operation of the District's water system.

Maturities of long-term obligations at year end are as follows:

Year Ending December 31	<u>Principal</u>	<u>Interest</u>
December 31, 2025	\$ 1,065,000	\$ 2,331,631
December 31, 2026	1,115,000	2,275,763
December 31, 2027	1,140,000	2,216,663
December 31, 2028	1,190,000	2,154,188
Due 2029 and thereafter	43,965,000	29,385,709
	<u>\$ 48,475,000</u>	<u>\$ 38,363,953</u>

See independent auditor's report.

Walnut Creek Special Utility District
Change in Long-Term Bonded Debt
December 31, 2024

During the year ended December 31, 2024, the following changes occurred in long-term notes:

	<u>December</u> <u>31, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>December</u> <u>31, 2024</u>	<u>Current</u> <u>Maturities</u>
Revenue Bonds Series 2023	\$ 40,000,000	\$ -	\$ -	\$ 40,000,000	\$ 510,000
Refunding Bonds Series 2017	1,410,000	-	(110,000)	1,300,000	115,000
Refunding Bonds Series 2015	2,290,000	-	(1,165,000)	675,000	115,000
Revenue Bonds Series 2014	6,815,000	-	(315,000)	6,500,000	325,000
Unamortized premium	<u>460,444</u>	<u>-</u>	<u>(20,031)</u>	<u>440,413</u>	<u>-</u>
Total Long-term debt	<u>\$ 50,975,444</u>	<u>\$ -</u>	<u>\$ (2,060,031)</u>	<u>\$ 48,915,413</u>	<u>\$ 1,065,000</u>

	<u>Series</u> <u>2014</u>	<u>Series</u> <u>2015</u>	<u>Series</u> <u>2017</u>	<u>Series</u> <u>2023</u>
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
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:	<u>Revenue Bonds *</u>	<u>Refunding Bonds **</u>
Amount authorized	\$ 49,245,000	\$ 14,065,000
Amount issued	<u>49,245,000</u>	<u>14,065,000</u>
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.

See independent auditor's report.

Walnut Creek Special Utility District
Comparative Schedule of Revenues and Expenses
Utility Fund
For the Three Years Ended December 31, 2024

	AMOUNTS			PERCENT OF FUND TOTAL REVENUE		
	2024	2023	2022	2024	2023	2022
OPERATING REVENUES:						
Water sales	\$ 11,074,461	\$ 10,726,471	\$ 9,634,079	82.92%	77.86%	80.71%
Customer charges/fees	2,281,267	3,049,359	2,302,735	17.08%	22.14%	19.29%
Total operating revenues	13,355,728	13,775,830	11,936,814	100.00%	100.00%	100.00%
OPERATING EXPENSES:						
Payroll & benefits	2,803,825	2,363,886	1,993,003	20.99%	17.16%	16.70%
Water purchased	1,645,812	1,544,211	1,487,208	12.32%	11.21%	12.46%
Materials and supplies	564,668	755,024	554,519	4.23%	5.48%	4.65%
Utilities	836,311	879,070	683,434	6.26%	6.38%	5.73%
Repairs and maintenance	722,487	816,691	256,375	5.41%	5.93%	2.15%
Professional fees	138,570	99,191	80,360	1.04%	0.72%	0.67%
General and administrative	284,842	237,874	230,955	2.13%	1.73%	1.93%
Other operating costs	841,322	409,361	341,189	6.30%	2.97%	2.86%
Depreciation and amortization	1,985,608	1,794,918	1,619,031	14.87%	13.03%	13.56%
Total operating expenses	9,823,445	8,900,226	7,246,074	73.55%	64.61%	60.70%
Net operating revenue (expenses)	3,532,283	4,875,604	4,690,740	26.45%	35.39%	39.30%
NON-OPERATING REVENUES (EXPENSES)						
Interest income	2,645,910	1,216,199	233,924	19.81%	8.83%	1.96%
Interest expense	(2,418,490)	(643,718)	(308,739)	-18.11%	-4.67%	-2.59%
Previously deferred funds	2,000,000	-	-	14.97%	0.00%	0.00%
Debt issuance cost	-	(1,677,588)	-	0.00%	-12.18%	0.00%
Gain / (loss) on sale of assets	38,349	-	-	1.37%	0.00%	0.00%
System development fees	1,195,163	2,563,454	4,028,071	8.95%	18.61%	33.74%
Total nonoperating revenue (expenses):	3,460,932	1,458,347	3,953,256	26.99%	10.59%	33.12%
NET REVENUES (EXPENSES)	\$ 6,993,215	\$ 6,333,951	\$ 8,643,996	53.44%	45.98%	72.41%

See independent auditor's report

Walnut Creek Special Utility District
Board Members, Key Personnel and Consultants
December 31, 2024

Complete District Mailing Address: PO Box 657, Springtown, Texas

District Telephone Number: 817-220-7707

Submission Date of the most recent District Registration Form: June 8, 2023

Limit on Fees of Office that a Director may receive during a fiscal year: No Limit

Names:	Term of Office (Elected or <u>Date Hired</u>)	Fees of Office Paid <u>12/31/24</u>	Expense Reimburse ments <u>12/31/24</u>	Title at <u>Year End</u>
<u>Board Members:</u>				
Mike Gilley	5/2022-5/2025	\$ 1,700	\$ -	President
Jim Cox	5/2022-5/2025	1,600	-	Vice President
Beth Correll	5/2022-5/2025	1,400	-	Secretary/Treasurer
Mark Green	5/2024-5/2027	1,300	-	Director
Bill Roesicke	5/2024-5/2027	1,400	-	Director

Key Administrative
Personnel:

James Blackwood	6/29/23	\$ 105,000	General Manager
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Consultants:

T.O.A.S.E., LLP	1/1/2015	\$ 449	Attorney
Hatter & Assc., LLP	10/15/2012	58,942	Auditor
E.S. & C.M., Inc.	5/1/2003	1,071,166	Engineer/Consultant
John K. Swaim, CPA	1/1/2021	12,563	Financial/Consultant

See independent auditor's report.

MCPA, PC

Certified Public Accountants

KYLE CAPERTON, CPA | ERIC PASCHALL, CPA | KYLE ALLIS, CPA

April 12, 2025

To the Board of Directors and Management
Walnut Creek Special Utility District

We have audited the financial statements of the business type activities of the Walnut Creek Special Utility District (District) as of and for the year ended December 31, 2024, and have issued our report thereon dated April 12, 2025. Professional standards require that we advise you of the following matters relating to our audit.

OUR RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENT AUDIT

As communicated in our engagement letter dated September 12, 2024, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

PLANNED SCOPE AND TIMING OF THE AUDIT

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE

The engagement team has complied with all relevant ethical requirements regarding independence.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of the District's Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Walnut Creek Special Utility District are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive estimate affecting the Walnut Creek Special Utility District's financial statements was:

Management's estimate of the depreciation of the District's fixed assets is based upon management's estimate of the specific assets useful life and the cost of the assets is depreciated accordingly. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgement and are particularly sensitive because of their significance to financial statement users.

The disclosure of Capital Assets in Note 2 to the financial statements as these represent significant current and future projects of the District.

The financial statement disclosures are neutral, consistent, and clear.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no unusual transactions noted.

Significant Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

These included adjustments to:

- Adjustment to true up payroll accrual at year-end
- Adjustment to reclass previously deferred revenue
- Reclass to move completed CIP projects to Capital Asset

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 12, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

OTHER MATTERS

We applied certain limited procedures to the MD&A, Budget and Actual schedules, as well as the Texas Supplementary Information Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

RESTRICTION ON USE

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

Very truly yours,

MCPA, PC

MCPA, P.C.