

GASTONIA-SCURRY
SPECIAL UTILITY DISTRICT
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2021

MURREY PASCHALL & CAPERTON, PC
Certified Public Accountants

Gastonia-Scurry Special Utility District
Table of Contents
December 31, 2021

Annual Filing Affidavit

Financial Section

Independent Auditor's Report on Basic Financial Statements Page 1

Schedule of Findings and Questioned Costs Page 4

Status of Prior Audit Findings (none – omitted)
Corrective Actions Planned Page 5

Management's Discussion and Analysis Page 6

Basic Financial Statements:

Fund Financial Statements:

Statement of Net Assets-Utility Fund Page 10

Statement of Activities and Changes in Net Assets
-Utility Fund Page 11

Statement of Cash Flows-Utility Fund Page 12

Notes to Financial Statements Page 14

Required Supplementary Information:

Budgetary Comparison Schedule – Utility Fund Page 21

Other Supplementary Information:

Texas Supplementary Information (TSI)

TSI-1 Services and Rates Page 23

TSI-2 Enterprise Fund Expenditures Page 25

TSI-3 Temporary Investments Page 26

TSI-4 Taxes Levied and Receivable (n/a – omitted)

TSI-5 Long-Term Debt Service Requirements by Years Page 27

TSI-6 Change in Long-Term Bonded Debt Page 28

TSI-7 Comparative Schedule of Revenues and Expenses-
Utility Fund – Three Years Page 29

TSI-8 Board Members, Key Personnel and Consultants Page 30



ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF KAUFMAN

I, Ginny Rivers King of the
(Name of Duly Authorized District Representative)

GASTONIA-SCURRY 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 17th day of MAY its annual audit report for the fiscal year or period ended DECEMBER 31, 2021 and those copies of the annual audit report have been filed in the district office, located at:

8560 PAGE LANE, SCURRY, TEXAS 75158

(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: May 18, 2022 By: [Signature]
(Signature of District Representative)

Ginny Rivers King
(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 18 day of May
(SEAL)

Kristi Lowrance
(Signature of Notary)



My Commission Expires On: 02-01-2026
Notary Public in the State of Texas.

M **Murrey Paschall & Caperton PC**
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gastonia-Scurry Special Utility District
Scurry, Texas

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the business-type activities of the Gastonia-Scurry Special Utility District ("District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Gastonia-Scurry Special Utility District, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Gastonia-Scurry 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 opinions.

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 Gastonia-Scurry 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 and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 Gastonia-Scurry 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 Gastonia-Scurry 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 6-9 and 21 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 23-30 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.

Murrey Paschall & Caperton, PC

Murrey, Paschall & Caperton, P.C.

Certified Public Accountants

Forney, Texas

May 10, 2022

Gastonia-Scurry Special Utility District
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

Schedule
Reference
Number

Findings

(None noted)

Gastonia-Scurry Special Utility District
Corrective Actions Planned
For the Year Ended December 31, 2021

Schedule
Reference
Number

Actions Planned

(None)

Gastonia-Scurry Special Utility District
Management's Discussion and Analysis
December 31, 2021

This section of Gastonia-Scurry 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, 2021. Please read it in conjunction with the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities by \$15,820,379 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$15,686,748. Of the \$15,820,379 in net assets, \$5,349,378 (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 \$3,510,681 generated from charges for services, customer charges and fees for business-type activities exceeded expenses by \$133,631.

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 utility (business-type activities).

Gastonia-Scurry Special Utility District
Management's Discussion and Analysis
December 31, 2021

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 \$15,820,379. Of this amount, 66.19% 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. Please note, however, that even though the investments in capital assets are reported net of their related debt, the assets themselves cannot be used to liquidate this debt, and those funds 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

	Business-Type Activities	
Assets:	<u>2021</u>	<u>2020</u>
Cash and Investments	\$ 5,490,886	\$ 4,964,641
Other Assets	399,410	397,956
Capital Assets, net	<u>10,471,001</u>	<u>10,715,079</u>
Total assets	<u>\$ 16,361,297</u>	<u>\$ 16,077,676</u>
Liabilities:		
Current Liabilities	<u>\$ 540,918</u>	<u>\$ 390,928</u>
Total Liabilities	<u>540,918</u>	<u>390,928</u>
Net assets:		
Invested in capital assets, net of related debt	10,471,001	10,715,079
Unrestricted	<u>5,349,378</u>	<u>4,971,669</u>
Total net assets	<u>15,820,379</u>	<u>15,686,748</u>
Total Liabilities and Net Assets	<u>\$ 16,361,297</u>	<u>\$ 16,077,676</u>

Gastonia-Scurry Special Utility District
Management's Discussion and Analysis
December 31, 2021

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, 2021. Business-type activities increased the District's net assets by \$133,631.

SUMMARY OF CHANGES IN NET ASSETS

	<u>2021</u>	<u>2020</u>
OPERATING REVENUE		
Water Sales	\$ 3,130,190	\$ 3,064,522
Customer Charges/Fees	380,491	255,717
	3,510,681	3,320,239
TOTAL OPERATING REVENUE		
OPERATING EXPENSES		
Payroll and benefits	584,663	551,856
Water purchased	1,066,046	1,069,131
Field expenses	399,790	210,463
Operating expenses	221,033	164,976
Professional and legal fees	77,913	108,208
Insurance	148,853	154,528
Depreciation and amortization	830,176	661,436
	3,328,474	2,920,598
TOTAL OPERATING EXPENSES		
NET OPERATING REVENUE (EXPENSES)	182,207	399,641
NONOPERATING REVENUE (EXPENSES)		
Interest on investments	83,967	94,309
Bank and investment fees	(24,992)	(22,177)
Realized Gain (loss) on assets	(3,041)	481
Unrealized gain (loss) on investments	(104,510)	(10,735)
	(48,576)	61,878
NET NONOPERATING REVENUE (EXPENSES)		
NET REVENUE (EXPENSES)	\$ 133,631	\$ 461,519
BEGINNING NET ASSETS	15,686,748	15,225,229
PRIOR PERIOD ADJUSTMENT	-	-
ENDING NET ASSETS	\$ 15,820,379	\$ 15,686,748

Gastonia-Scurry Special Utility District
 Management's Discussion and Analysis
 December 31, 2021

CAPITAL ASSETS

The District's investment in capital assets for its business-type activities, net of depreciation and related debt, as of December 31, 2021 is \$10,471,001. These include land, buildings, improvements, machinery and equipment, infrastructure and construction in progress.

	<u>2021</u>	<u>2020</u>
Land	\$ 56,020	\$ 56,020
Building and Improvements	1,170,503	1,170,503
Vehicles	319,125	319,125
Machinery and Equipment	3,463,003	3,434,641
Distribution System	15,798,965	15,335,857
Construction in progress	<u>124,628</u>	<u>30,000</u>
Total at Historical Cost	20,932,244	20,346,146
Total Accumulated Depreciation	<u>(10,461,243)</u>	<u>(9,631,067)</u>
Net Capital Assets	<u>\$ 10,471,001</u>	<u>\$ 10,715,079</u>

ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGETS AND RATES

At this time, Gastonia-Scurry Special Utility District is aware that the North Texas Municipal Water District will be increasing their rates by 13% effective October 1, 2022.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the District's finances, comply with finance related laws and regulations, and demonstrate the District's commitment to accountability. If you have any questions about this report or would like to request additional information, requests should be addressed to Ginny Rivers-King, General Manager of the District at P.O. Box 68 (8560 Page Lane), Scurry, TX 75158 or by calling (972) 452-3388.

Gastonia-Scurry Special Utility District
Statement of Net Assets
Utility Fund
December 31, 2021

	Business-type Activities-Enterprise (Utility Fund)
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,135,804
Investments	4,355,082
Accounts receivable (net of allowance for uncollectibles)	295,371
Inventory	49,798
Prepaid and other assets	54,241
Total Current Assets	5,890,296
Non-current assets	
Capital assets (net, where applicable of accumulated depreciation)	10,471,001
Total Non-Current Assets	10,471,001
TOTAL ASSETS	\$ 16,361,297
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 147,328
Other liabilities	51,990
Customer deposits payable	341,600
Total current liabilities	540,918
TOTAL LIABILITIES	540,918
NET ASSETS	
Invested in capital assets, net of related debt	10,471,001
Unrestricted	5,349,378
TOTAL NET ASSETS	15,820,379
TOTAL LIABILITIES AND NET ASSETS	\$ 16,361,297

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

Gastonia-Scurry Special Utility District
Statement of Activities and Changes in Net Assets
Utility Fund
For the Year Ended December 31, 2021

	Business-type Activities-Enterprise (Utility Fund)
Operating revenues:	
Water sales	\$ 3,130,190
Customer charges/fees	380,491
Total operating revenues	3,510,681
Operating expenses:	
Payroll and benefits	584,663
Water purchased	1,066,046
Field expenses	399,790
Operating expenses	221,033
Professional and legal fees	77,913
Insurance	148,853
Depreciation and amortization	830,176
Total operating expenses	3,328,474
Operating income (loss)	182,207
Nonoperating revenue (expenses):	
Income on investments	83,967
Bank and investment fees	(24,992)
Realized gain (loss) on investments	(3,041)
Unrealized gain (loss) on investments	(104,510)
Total nonoperating revenue (expenses):	(48,576)
Change in net assets	133,631
Total net assets-beginning	15,686,748
Prior period adjustment:	-
Total net assets-ending	\$ 15,820,379

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

Gastonia-Scurry Special Utility District
Statement of Cash Flows
Utility Fund
For the Year Ended December 31, 2021

	Business-type Activities-Enterprise (Utility Fund)
Cash flows from operating activities:	
Receipts from customers and users	\$ 3,536,353
Payments to suppliers	(1,805,066)
Payments to employees	(584,663)
Net cash provided (used) by operating activities	1,146,624
Cash flows from noncapital financing activities:	
Cash provided (used) by noncapital financing activities	-
Net cash provided (used) by noncapital financing activities	-
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(586,098)
Transfer excess cash to Wells Fargo Investment	-
Transfer in from Wells Fargo Investment for capital assets	-
Net cash provided (used) by capital and related financing activities	(586,098)
Cash flows from investing activities:	
(Purchase) sale of investments	-
Misc Other (other banking fees)	(2,806)
Net cash provided (used) by investing activities	(2,806)
Net increase (decrease) in cash and cash equivalents	557,720
Cash and cash equivalents at beginning of year	578,084
Cash and cash equivalents at end of year	\$ 1,135,804

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

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

Operating income (loss)	\$	182,207
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization		830,176
(Increase) decrease in accounts receivable		372
(Increase) decrease in inventory		(8,872)
(Increase) decrease in prepaid expenses		(7,249)
Increase (decrease) in accounts payable and accrued expenses		124,690
Increase (decrease) in customer deposits		25,300
Total adjustments		<u>964,417</u>
Net cash provided by operating activities	\$	<u>1,146,624</u>

Noncash investing, capital and financing activities:

Fixed assets purchased on account	\$	-
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The accompanying notes are an integral part of the financial statements.

Gastonia-Scurry Special Utility District
Notes to Financial Statements
December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Approval of the voters within the District on November 17, 2007 established Gastonia-Scurry Special Utility District. The Gastonia-Scurry Special Utility District is an organization as set forth under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 65 of the Texas Water Code.

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) is a seven-member group elected by the public. The Board has governance responsibilities over all activities related to providing water services to customers within the jurisdiction of the Gastonia-Scurry Special Utility District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for financial 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. 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 upon receipt. 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 by the 26th of the following month, their water meter is subject to disconnect until the customer can bring their account current. 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.

Gastonia-Scurry Special Utility District
Notes to Financial Statements
December 31, 2021

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 general 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 all highly liquid investments with a maturity of three months or less from the acquisition date to be cash and cash equivalents.

Investments – The investments of the District are recorded at their fair value at December 31, 2021.

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. Based on collection history, management does not believe an allowance for loss is necessary.

Inventory and prepaid items – Inventories are valued using (FIFO) the first-in/first-out method. Governmental fund inventories are recorded as an expense as they are used rather when purchased.

Payments to vendors that are applicable to future periods are recorded in both the government-wide and the fund financial statements as prepaid items.

Capital Assets - The District's capital assets, which 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; renewals and 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.

Outlays for major (normally over \$5,000) capital asset additions and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the constructed assets less any interest earned on the invested proceeds over the same period.

Gastonia-Scurry Special Utility District
Notes to Financial Statements
December 31, 2021

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and Fixtures	5-10
Vehicles	5-10
Land Improvements	5-10
Equipment	7-10
Buildings	10-35
Distribution System	35

Depreciation expense for the year ended December 31, 2021 was \$830,176.

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, 2021, 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.

Retirement Plan – Gastonia-Scurry Special Utility District provides a Simple IRA plan for its employees. Under the plan, an employee can defer up to \$13,500 in 2021 and the District will match up to 3% of employee wages. For the year ended December 31, 2021 the District’s benefit expense was \$9,819.

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 and Improvements	\$ 56,020	\$ -	\$ -	\$ 56,020
Distribution System	15,335,857	463,108	-	15,798,965
Buildings and Improvements	1,170,503	-	-	1,170,503
Vehicles	319,125	-	-	319,125
Machinery and Equipment	3,434,641	28,362	-	3,463,003
Construction in Progress	<u>30,000</u>	<u>509,993</u>	<u>(415,365)</u>	<u>124,628</u>
Total capital assets at historical cost	20,346,146	1,001,463	(415,365)	20,932,244
Less accumulated depreciation for:				
Total accumulated depreciation	<u>9,631,067</u>	<u>830,176</u>	<u> </u>	<u>10,461,243</u>
Business-type activities capital assets, net	<u>\$ 10,715,079</u>	<u>\$ 171,287</u>	<u>\$ (415,365)</u>	<u>\$ 10,471,001</u>

* 2021 Completed Hwy 34 CL2 Project, installed 2 new hydrants, upgraded pump starters (VFD) and also purchased a new mower, trailer and office laptops.

* 2021 CIP began the CUSI upgrade to UMS and the FM 148 relocation project.

Gastonia-Scurry Special Utility District
Notes to Financial Statements
December 31, 2021

NOTE 3 - DEPOSITS, SECURITIES AND INVESTMENTS

The District has adopted the provision of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement requires certain investments to be reported at their fair value rather than cost or amortized cost, and earnings on the investments are recorded as investment revenue and changes in fair value are recorded as unrealized gains or losses on investments.

District investments are being held by Wells Fargo Advisors. All investments are currently invested in cash, money market funds, and fixed income investments, such as certificate of deposits, municipal securities, preferred securities, and government securities. 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.

Investments can be categorized according to three levels of custodial credit risk, they are:

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the financial institution's trust department or agency in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the financial institution, or by its trust department or agent but not in the District's name.

The following table categorizes the District's investment at December 31, 2021, utilizing the levels of custodial credit risk as described above:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Wells Fargo Advisors	\$ 4,355,082	\$ -	\$ -	\$ 4,355,082
Total	<u>\$ 4,355,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,355,082</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, 2021, the District was not significantly exposed to credit risk.
- **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.

Gastonia-Scurry Special Utility District
Notes to Financial Statements
December 31, 2021

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, 2021, the District was not exposed to custodial credit risk.

- **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, 2021, 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, 2021, 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, 2021, the District was not exposed to foreign currency risk.

NOTE 4 – OTHER INFORMATION

A. Risk management

At any given time, the District is exposed to risks of loss related to torts; theft of, physical damage to, or destruction of its assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance coverage in an amount that management believes is sufficient to cover these risks is maintained.

B. Commitments

The District has entered into a contract with the North Texas Municipal Water District in which the District purchases water for distribution to its customers. The overall agreement is for 40 years through the year 2029, but each year new purchase rates are provided by NTMWD.

C. Customer Deposits

Each new customer of the District is required to pay \$100, representing a refundable deposit to secure payment of the customer's water bill. At December 31, 2021, the District was obliged to its customers in the amount of \$341,600.

D. Litigation

The District does not appear to be involved in any litigation that would result in the need for a liability to be recorded as of December 31, 2021.

Gastonia-Scurry Special Utility District
Notes to Financial Statements
December 31, 2021

E. Accrued Vacation

Employees of the District are entitled to paid vacation and sick days depending on length of service and other factors. Accumulated unpaid time off as of year-end 2021 was \$7,021. The maximum allowable accumulation of unused vacation leave is fifteen days (120 hours); the maximum allowable accumulation of unused sick leave is 30 days (240 hours).

F. Financial Assistance Program

In response to the COVID pandemic and various other factors, the board approved a \$50,000 reserve fund be established to assist customers directly impacted by financial loss.

NOTE 5 – SUBSEQUENT EVENTS

Gastonia-Scurry Special Utility District has evaluated subsequent events through May 10, 2022, the date which the financial statements were available to be issued and noted the following.

The District has submitted a request to an exception and adjustment to the Alternative Capacity Requirement to the Texas Commission of Environmental Quality as of February 2022. The purpose of this request is to take the current capacity requirements per connection from a 0.43 to a 0.34 to ultimately bring the capacity percentage down significantly by 21%. The District has also purchased approximately 8% of the 4-1 Joint Venture capacity from Rose Hill SUD in January 2022 (bringing total ownership in the Joint Venture up to 50%) to also raise the total water capacity by roughly 4% according to engineering specifications. The District is also diligently working on another take point from North Texas Municipal Utility District.

REQUIRED SUPPLEMENTARY INFORMATION

Gastonia-Scurry Special Utility District
 Budgetary Comparison Schedule
 Utility Fund
 For the Year Ended December 31, 2021

	Proposed Budget	Final Budget	Actual	Variance
Revenues:				
Charges for services	\$ 3,057,000	\$ 3,057,000	\$ 3,130,190	\$ 73,190
Other revenue	384,515	348,250	380,491	32,241
	<u>3,441,515</u>	<u>3,405,250</u>	<u>3,510,681</u>	<u>105,431</u>
Expenses:				
Payroll and benefits	552,400	552,400	584,663	32,263
Water purchased	1,150,000	1,150,000	1,066,046	(83,954)
Field expenses	207,050	211,450	399,790	188,340
Operating expenses	180,200	174,900	221,033	46,133
Professional and legal fees	22,000	22,000	77,913	55,913
Insurance	148,200	158,200	148,853	(9,347)
Depreciation and amortization	650,000	648,000	830,176	182,176
Total operating expenses	<u>2,909,850</u>	<u>2,916,950</u>	<u>3,328,474</u>	<u>411,524</u>
Nonoperating revenue (expenses):				
Investment income	85,000	80,000	83,967	3,967
Bank and investment fees	(22,500)	(22,500)	(24,992)	(2,492)
Market Changes on Investments	-	-	(107,551)	(107,551)
Total nonoperating expenses	<u>62,500</u>	<u>57,500</u>	<u>(48,576)</u>	<u>(106,076)</u>
Change in net assets	594,165	545,800	133,631	(412,169)
Net assets - beginning	<u>15,686,748</u>	<u>15,686,748</u>	<u>15,686,748</u>	<u>-</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets - ending	<u>\$ 16,280,913</u>	<u>\$ 16,232,548</u>	<u>\$ 15,820,379</u>	<u>\$ (412,169)</u>

See independent auditor's report.

TEXAS SUPPLEMENTARY INFORMATION (TSI)
(Other Supplementary Information)

Gastonia-Scurry Special Utility District
 Services and Rates
 December 31, 2021

1. Services provided by the District:

- | | | |
|--|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input 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 |
- Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- Other (specify): _____

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

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons over Minimum	Usage Levels
WATER:	\$ 35.00	1,500	N	\$ 6.61	1,501 to 4,000
				\$ 8.11	4,001 to 7,000
				\$ 9.61	7,001 to 10,000
				\$ 11.11	10,001 up

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage (with reg fee): Water: \$105.04

Water Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	x 1.0	-
≤ 3/4"	3,395	3,395	x 1.0	3,395
1"	25	25	x 2.5	63
1 1/2"	-	-	x 5.0	-
2"	10	10	x 8.0	80
3"	-	-	x 15.0	-
Total Water	3,430	3,430		3,538
Total Wastewater	-	-	x 1.0	-

See independent auditor's report.

Gastonia-Scurry Special Utility District
 Services and Rates (continued)
 December 31, 2021

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

Gallons pumped into system:	308,504,000
Gallons billed to customers:	251,209,831
Water Accountability Ratio:	81.43%

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

5. Location of District: 8560 Page Ln. Scurry, TX 75158

County(ies) in which district is located. Kaufman

Is the District located entirely in one county? Yes No

City(ies) in which District is located: Scurry, Talty, Crandall

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

ETJs in which District is located. Crandall, Kaufman, Scurry, Talty

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

If yes, by whom? n/a

See independent auditor's report.

Gastonia-Scurry Special Utility District
 Enterprise Fund Expenditures
 December 31, 2021

Personnel Expenditures (including benefits)*	\$ 584,663
Professional Fees:	
Audit and Accounting	11,700
Legal	66,212
Engineering	21,538
Purchased Services For Resale:	
Bulk Water	1,066,046
Utilities	49,961
Repairs and Maintenance	
Distribution Expense	246,404
Field and Equipment	103,169
Repairs	50,217
Administrative Expenditures:	
Operating Insurance	39,652
Health Insurance	109,200
Office and Administrative	149,536
Other Expenditures	
Depreciation & Amortization	<u>830,176</u>
TOTAL OPERATING EXPENDITURES	<u>\$ 3,328,474</u>

* Number of persons employed by the District: 9 Full-Time 1 Part-Time

See independent auditor's report.

Gastonia-Scurry Special Utility District
 Temporary Investments
 December 31, 2021

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at Year End</u>
Wells Fargo Financial:				
Cash and Money Market	0.01%	n/a	\$ 911,829	\$ -
Certificate of Deposits	variable	variable	853,865	1,957
Municipal Securities	variable	variable	2,397,507	12,111
Mutual Funds	variable	variable	191,881	-
	Total		<u>\$ 4,355,082</u>	<u>\$ 14,068</u>

See independent auditor's report.

Gastonia-Scurry Special Utility District
Long-Term Debt Service Requirements
December 31, 2021

The district has no outstanding bonding indebtedness.

See independent auditor's report.

Gastonia-Scurry Special Utility District
Change in Long-Term Bonded Debt
December 31, 2021

The district has no outstanding bonding indebtedness.

See independent auditor's report.

Gastonia-Scurry Special Utility District
Comparative Schedule of Revenues and Expenses
Utility Fund

For the Three Years Ended December 31, 2021

	AMOUNTS		PERCENT OF FUND TOTAL REVENUE	
	2021	2020	2021	2019
OPERATING REVENUE				
Water Sales	\$ 3,130,190	\$ 2,756,269	89.16%	80.82%
Customer Charges/Fees	380,491	654,234	10.84%	19.18%
TOTAL OPERATING REVENUE	3,510,681	3,410,503	100.00%	100.00%
OPERATING EXPENSES				
Payroll and benefits	584,663	502,132	16.65%	14.72%
Water purchased	1,066,046	1,049,651	30.37%	30.78%
Field expenses	399,790	264,882	11.39%	7.77%
Operating expenses	221,033	159,748	6.30%	4.68%
Professional and legal fees	77,913	21,360	2.22%	0.63%
Insurance	148,853	143,935	4.24%	4.22%
Depreciation and amortization	830,176	608,392	23.65%	17.84%
TOTAL OPERATING EXPENSES	3,328,474	2,750,100	94.81%	80.64%
NET OPERATING REVENUE (EXPENSES)	182,207	660,403	5.19%	19.36%
NONOPERATING REVENUE (EXPENSES)				
Interest on investments	83,967	77,965	2.39%	2.29%
Bank and investment fees	(24,992)	(19,340)	-0.71%	-0.57%
Misc Other	-	-	0.00%	0.00%
Realized Gain (loss) on assets	(3,041)	60,372	-0.09%	1.77%
Unrealized gain (loss) on investments	(104,510)	15,182	-2.98%	0.45%
NET NONOPERATING REVENUE (EXPENSES)	(48,576)	134,179	-1.38%	3.93%
NET REVENUE (EXPENSES)	\$ 133,631	\$ 794,582	3.81%	23.30%

See independent auditor's report

Gastonia-Scurry Special Utility District
 Board Members, Key Personnel and Consultants
 December 31, 2021

Complete District Mailing Address: P.O. Box 68 Scurry, TX 75158

District Telephone Number: 972-452-3388

Submission Date of the most recent District Registration Form: November 2021

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 37,500

	Term of Office (Elected or Appointed or <u>Date Hired</u>)	Fees of Office Paid <u>12/31/21</u>	Expense Reimbursements <u>12/31/21</u>	Title at <u>Year End</u>
<u>Board Members</u>				
<u>(Current):</u>				
Rick Burginger	2021-2023	\$ 2,500	\$ -	President
Ginny Rivers King	2021-2023	2,400	1,780	Vice President
Ernest Martzen	2021-2024	1,250	-	Secretary
Deonna Autenrieth	2021-2022	2,000	-	Treasurer
Jeremy Rhoades	2021-2024	1,350	-	Director
Drew Sloan	2021-2022	300	-	Director
Joe Hatcher	2020-2022	2,100	-	Director
<u>(Former)</u>				
Karla Strachan	2019-2021	\$ -	\$ -	Former President
Angel McKinnon	2018-2021	450	-	Former Vice President
Allen Hiller	2018-2021	800	-	Former Director
Mike Grucholski	2019-2021	900	-	Former Director
Jimmy Weaver	2021-2021	1,050	-	Former Treasurer
<u>Key Administrative</u>				
<u>Personnel:</u>				
Charise Chamberlain	6/01/2000	61,770	-	Former - GM
Ginny Rivers King	11/1/2021	1,780	-	Interim - GM
<u>Consultants:</u>				
MPC, P.C.		11,700	-	Auditor
Brown & Hofmeister LLP		47,766	-	Attorney
Velvin & Weeks		18,137	-	Engineers

See independent auditor's report.