

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019



CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**



EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

FINANCIAL STATEMENTS

Years ended December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
East Medina County Special Utility District

Report on the Financial Statements

We have audited the accompanying financial statements of East Medina County Special Utility District (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2020, and the respective changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the District as of December 31, 2019 were audited by other auditors whose report dated April 21, 2020 expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, schedule of changes in net pension liability (asset) on page 45, schedule of the District's pension contributions on page 46 and notes to required supplementary information on pages 47 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary schedules and other information are presented for purposes of additional analysis, as required by the Water District Financial Management Guide issued by the Texas Commission on Environmental Quality, and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

ABIP, PC

San Antonio, Texas
March 16, 2021

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

The management of East Medina County Special Utility District (the District) offers the readers of the District's basic financial statements this narrative overview and analysis of the financial performance of the District for the year ended December 31, 2020. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$10,550,225 (\$10,313,404 in 2019). This amount represents net position of \$8,793,953 (\$8,389,647 in 2019) of net investment in capital assets, \$518,902 (\$524,132 in 2019) restricted for debt service and capital improvements and \$1,237,370 (\$1,399,625 in 2019) in unrestricted net position.
- The District's total assets totaled \$18,379,214 (\$14,549,096 in 2019); of this amount, \$12,543,162 (\$12,466,598 in 2019) represents net capital assets and \$5,610,035 (\$1,759,518 in 2019) represents cash and cash equivalents under both current and restricted assets.
- Deferred outflows of resources totaled \$54,347 (\$69,840 in 2019), which is the deferred charge on refunding and pension amounts.
- Liabilities for the District totaled \$7,845,863 (\$4,269,222 in 2019), of which \$6,136,000 (\$2,672,000 in 2019) accounts for obligations under long-term bonds payable.
- Deferred inflows of resources totaled \$37,473 (\$36,310 in 2019), which relate to pension accounts.
- Operating revenues for the District totaled \$2,652,100 (\$2,140,366 in 2019) and exceeded operating expenses by \$469,619 (\$94,419 in 2019). The major revenue source is water sales.
- Nonoperating expenses exceeded nonoperating revenues by \$232,798 in 2020 (\$39,164 in 2019). This included interest expense that totaled \$285,271 (\$133,914 in 2019).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Three components comprise the District's basic financial statements: (1) business-type activities financial statements, (2) notes to financial statements and (3) required supplementary information. This report also contains supplementary schedules and other information, in addition to the basic financial statements themselves.

Enterprise Funds

Enterprise funds are used to report the same functions presented as business-type activities in the basic financial statements. The District has only one major enterprise fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Statements of Net Position

The statements of net position for the District are similar in many ways to the balance sheets presented as basic financial statements for private-sector companies. The statements of net position include all the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources. A major function of the statements of net position is to measure the ability of the District to meet its current and long-term obligations. Perhaps the biggest difference between the statements of net position and the private-sector balance sheets is in the reporting of the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. In the balance sheets of private-sector business, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is a measure of the value of the business that owners would realize if they sell their share.

Instead of measuring the owners' equity, state and local governments report the net value or net position in these major categories:

- Net investment in capital assets
- Restricted
- Unrestricted

Since the owners of the District are ultimately the citizens of the state of Texas and not an individual or group of investors, the Governmental Accounting Standards Board (GASB) believes it is more useful for the readers of the basic financial statements to know whether the net position of the District is invested in capital assets, is restricted for future use or if its future use is unrestricted.

Supplementary Schedules and Other Information

The basic financial statements are followed by a section of supplementary information. This section includes a budgetary comparison schedule. It provides detailed comparisons of expenses. Comparisons can be made between the original budget, final budget and actual costs for the year.

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TABLE A-1
The District's Net Position Information

	2020	2019	2018	Total Percentage Change	
				2020 to 2019	2019 to 2018
Current assets	\$ 5,126,977	\$ 1,384,355	\$ 1,446,350	270.35%	-4.29%
Restricted assets	695,405	698,143	694,926	-0.39%	0.46%
Noncurrent assets	13,670	-	125,656	100.00%	-100.00%
Capital assets, net	<u>12,543,162</u>	<u>12,466,598</u>	<u>11,573,981</u>	0.61%	7.71%
Total assets	<u>18,379,214</u>	<u>14,549,096</u>	<u>13,840,913</u>	26.33%	5.12%
Total deferred outflows of resources	<u>54,347</u>	<u>69,840</u>	<u>49,937</u>	-22.18%	39.86%
Current liabilities	409,846	404,435	205,405	1.34%	96.90%
Current liabilities payable from restricted assets	339,679	329,009	322,294	3.24%	2.08%
Noncurrent liabilities	<u>7,096,338</u>	<u>3,535,778</u>	<u>3,055,237</u>	100.70%	15.73%
Total liabilities	<u>7,845,863</u>	<u>4,269,222</u>	<u>3,582,936</u>	83.78%	19.15%
Total deferred inflows of resources	<u>37,473</u>	<u>36,310</u>	<u>48,765</u>	3.20%	-25.54%
Net position:					
Net investment in capital assets	8,793,953	8,389,647	8,142,554	4.82%	3.03%
Restricted for debt service	418,902	424,132	424,132	-1.23%	0.00%
Restricted for capital improvements	100,000	100,000	100,000	0.00%	0.00%
Unrestricted	<u>1,237,370</u>	<u>1,399,625</u>	<u>1,591,463</u>	-11.59%	-12.05%
Total net position	<u>\$ 10,550,225</u>	<u>\$ 10,313,404</u>	<u>\$ 10,258,149</u>	2.30%	0.54%

Current assets increased by \$3,742,622, which represents a 270.35% increase from 2019 to 2020. This is mainly due to issuance of a Series 2020 bond in the amount of \$3,780,000.

Deferred outflows of resources decreased by \$15,493, which represents a 22.18% decrease from 2019 to 2020 due to a change in the projected and actual earnings determined by the Texas County and District Retirement System.

Total liabilities increased by \$3,576,641, which is a 83.78% increase from 2019 to 2020. This is mainly due to issuance of Series 2020 bond in the amount of \$3,780,000. Total liabilities increased by \$686,286, which is a 19.15% increase from 2018 to 2019. This is mainly due to a new note payable and capital lease obligation entered into during fiscal year 2019.

Deferred inflows of resources increased by \$1,163, which represents a 3.2% increase from 2019 to 2020. Deferred inflows of resources decreased by \$12,455, which represents a 25.54% decrease from 2018 to 2019.

Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position serve a similar function to the statements of income for private-sector businesses. Unlike private-sector businesses, the District does not seek to earn a profit in the long-term. However, the District must cover its operations, maintenance and other costs annually from fees and charges, since the District does not levy or collect any tax revenue. The statements of revenues, expenses and changes in net position measure how well annual costs are covered by fees and charges (see Table A-2).

TABLE A-2
Statement of Revenues, Expenses, and Changes in Net Position

	2020	2019	2018	Total Percentage Change	
				2020 to 2019	2019 to 2018
Revenues:					
Water sales, net of bad-debt expense	\$ 2,096,151	\$ 1,701,971	\$ 1,613,625	23%	5.48%
Late fees and reconnection charges	110,513	116,351	133,535	-5%	-12.87%
Customer deposits	21,098	18,686	14,961	13%	24.90%
Connection fees, net of expense	159,654	151,741	69,884	5%	117.13%
Water acquisition fees	264,684	151,617	91,669	75%	65.40%
Interest income	12,824	43,699	43,678	-71%	0.05%
Gain on sale of asset	1,900	-	-	100%	0.00%
Other income	1,424	26,448	477,633	-95%	-94.46%
Lease income	36,325	26,325	72,225	38%	-63.55%
Capital contributions	-	-	174,025	100%	-100.00%
Total revenues	<u>2,704,573</u>	<u>2,236,838</u>	<u>2,691,235</u>	21%	-16.88%
Expenses:					
Salaries	673,362	611,558	538,175	10%	13.64%
Utilities	142,297	145,554	130,135	-2%	11.85%
Repairs and maintenance	201,403	208,619	180,954	-3%	15.29%
Vehicle expense	42,550	51,644	43,308	-18%	19.25%
Insurance	39,208	103,621	90,151	-62%	14.94%
Payroll taxes	50,617	52,937	41,747	-4%	26.80%
Professional services	189,822	98,932	108,842	92%	-9.10%
Retirement plan expense	19,431	21,958	21,803	-12%	0.71%
Edwards Aquifer Authority management fee	100,831	101,789	99,154	-1%	2.66%
Other administrative expenses	244,242	165,695	131,631	47%	25.88%
Depreciation	478,718	483,640	537,063	-1%	-9.95%
Loss on sale of asset	-	1,722	-	-100%	100.00%
Interest expense	<u>285,271</u>	<u>133,914</u>	<u>108,110</u>	113%	23.87%
Total expenses	<u>2,467,752</u>	<u>2,181,583</u>	<u>2,031,073</u>	13%	7.41%
Change in net position	236,821	55,255	660,162	329%	-91.63%
Net position at beginning of year	<u>10,313,404</u>	<u>10,258,149</u>	<u>9,597,987</u>	1%	6.88%
Net position at end of year	<u>\$ 10,550,225</u>	<u>\$ 10,313,404</u>	<u>\$ 10,258,149</u>	2%	0.54%

Financial Analysis

The District uses the accrual basis of accounting to ensure and demonstrate compliance with finance-related legal requirements.

- Total revenues increased by \$467,735, or 21% from 2019 to 2020 and decreased by \$454,397, or 16.88% from 2018 to 2019, due to fluctuations in other income and capital contributions.
- Other income revenues decreased by \$25,024, or 95% from 2019 to 2020 and decreased by \$451,185, or 94.46%, from 2018 to 2019, due to the Southwest Gulf Railroad Agreement, which was completed during fiscal year 2018.
- Capital contributions remained at \$-0- from 2019 to 2020 and decreased by \$174,025 from 2018 to 2019 because of development agreements that were entered into during fiscal year 2018 that resulted in construction costs being reimbursed that were completed in 2018.
- Total expenses increased by \$286,169, or 13%, from 2019 to 2020, primarily due to increased salaries, professional services, and other administrative expense. Total expenses increased by \$150,510, or 7.41% from 2018 to 2019, primarily due to increased salaries, repairs and maintenance and other administrative expense.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets totaled \$12,543,162 (\$12,466,598 in 2019). This investment in capital assets includes land, land improvements, water allotments, construction in progress, buildings, building improvements, machinery and equipment and plants and distribution system. Capital assets of the District were 68.25% (85.69% in 2019) of total assets (see Table A-3). More information about the District's capital assets is presented in the notes to financial statements.

TABLE A-3
Capital Assets

	2020	2019	2018	Total Percentage Change	
				2020 to 2019	2019 to 2018
Land	\$ 61,599	\$ 61,599	\$ 61,599	0.00%	0.00%
Land improvements	8,376	8,376	8,376	0.00%	0.00%
Water allotments	3,016,243	2,790,543	1,958,350	8.09%	42.49%
Water allotments-leased to others	693,975	693,975	956,475	0.00%	-27.44%
Construction in progress	44,996	74,833	46,885	-39.87%	59.61%
Buildings	362,557	362,557	388,840	0.00%	-6.76%
Building improvements	87,797	35,863	31,080	144.81%	15.39%
Machinery and equipment	1,493,702	1,416,003	805,052	5.49%	75.89%
Plant and distribution system	15,799,696	15,597,991	15,466,126	1.29%	0.85%
	21,568,941	21,041,740	19,722,783	2.51%	6.69%
Less accumulated depreciation	(9,025,779)	(8,575,142)	(8,148,802)		
Total capital assets	\$ 12,543,162	\$ 12,466,598	\$ 11,573,981	0.61%	7.71%

Long-Term Debt

The District had \$6,452,000 (\$2,982,000 in 2019) in bonds outstanding as shown in Table A-4. More detailed information about the District's debt is presented in the notes to financial statements.

TABLE A4
Long-Term Debt

	2020	2019	2018	Total Percentage Change	
				2020 to 2019	2019 to 2018
Bonds payable	\$ 6,452,000	\$ 2,982,000	\$ 3,285,000	116.36%	-9.22%
Notes payable, net of unamortized discount	423,146	528,477	151,987	-19.93%	247.71%
Capital lease obligation	511,391	570,180	-	-10.31%	100.00%
Total long-term debt including current maturities	\$ 7,386,537	\$ 4,080,657	\$ 3,436,987	81.01%	18.73%

ECONOMIC FACTORS AND THE 2021 BUDGET

The District will continue to follow Center for Disease Control (CDC) guidance as well as federal and state directives as it relates to the ongoing COVID-19 pandemic in 2021. All District employees are classified as Critical Infrastructure Essential Workers.

The District approved the current Capital Improvement Plan (CIP) in the spring of 2020. The District received \$3.8 million from the sale of Bonds in December 2020 to fund specific projects included in the CIP. Construction contracts for the approved projects are scheduled to be issued in early 2021.

The District has been identified to receive a \$350,000 Community Development Block Grant in 2021. District staff will work with the District Engineer to identify a project that meets the grant criteria for funding.

The District will retire bond debt originally issued in 2001 to fund elevated storage tanks and more than 20 miles of system improvements in 2021.

The District will lease water rights for a payment of \$19,233 for 345-acre feet of water entered into the Edwards Aquifer Authority (EAA) Voluntary Irrigation Suspension Program Option (VISPO) component of the Edwards Aquifer Habitat Conservation Program (HCP) in 2021.

The District will receive a payment of \$9,600 from EAA in 2021 for the annual payment associated with the remainder of a seven-year lease for 60-acre feet of water in the Aquifer Storage and Recovery (ASR) Program.

The District will receive a payment of \$10,000 from EAA in 2021 for 100-acre feet of water leased to EAA for the ASR Program.

The District will make the second of four payments for the purchase of 22.5-acre feet of unrestricted water rights in 2021. The District will make the third of five payments for the purchase of 118.071 acre-feet of unrestricted water rights in 2021. Each of these purchases were funded through the collection of water acquisition fees assessed to each new account.

The District completed the District wide conversion to radio-read meters in late 2019. The completion of this project was funded through a \$600,000 10-year installment loan approved by the Board in June 2019. The District fully converted to a new billing system in late 2019 that will permit customer online access to their accounts for review and payment of monthly service charges. As of December 2020, over 40% of customers provide payment through the online payment portal.

Staff plans to begin using electronic work orders to better track customer service issues in 2021.

The District will enter into an agreement with the Medina County Elections Department to manage the 2021 Directors election for the District. The District has made required improvements to the auxiliary office building to ensure ADA compliance for elections and classroom training programs for District staff.

The District will continue to work with the Medina County Emergency Services District (MCESD) to provide updated flush valves throughout the District to improve fire protection in the rural areas served by the District. The upgraded flush valves will provide locations where fire trucks can be filled for fighting fires. Funding for the required materials needed for designated truck fill locations has been requested through the MCESD.

District staff will work with the District Engineer and the surrounding small water systems to establish Emergency Interconnect and Mutual Aid Agreements to meet demands during an emergency.

District staff will work with the District Engineer and Attorney in 2021 to file a CCN Service Area Amendment with the Public Utilities Commission (PUC) for all property currently outside an approved CCN between the District and another Water CCN excluding a current City ETJ not already served by the District.

The District will continue to work with engineering services to review and propose potential updates to the Board for review and consideration associated with the costs of development, rates and fees.

The District has established a leadership succession plan for key staff members.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: East Medina County Special Utility District, Post Office Box 628, Devine, Texas 78016.



EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

STATEMENTS OF NET POSITION

December 31,

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,914,630	\$ 1,061,375
Certificates of deposit	-	109,556
Accounts receivable, net of allowance of \$5,000 for 2020 and 2019	144,785	164,985
Inventory	<u>67,562</u>	<u>48,439</u>
Total current assets	<u>5,126,977</u>	<u>1,384,355</u>
Noncurrent assets:		
Restricted cash equivalents - revenue bond covenant accounts	695,405	698,143
Net pension asset	<u>13,670</u>	-
	<u>709,075</u>	<u>698,143</u>
Capital assets:		
Land	61,599	61,599
Land improvements	8,376	8,376
Water allotments	3,016,243	2,790,543
Water allotments-leased to others	693,975	693,975
Buildings	362,557	362,557
Building improvements	87,797	35,863
Machinery and equipment	1,493,702	1,416,003
Plants and distribution system	15,799,696	15,597,991
Less accumulated depreciation	<u>(9,025,779)</u>	<u>(8,575,142)</u>
	12,498,166	12,391,765
Construction in progress	<u>44,996</u>	<u>74,833</u>
Net capital assets	<u>12,543,162</u>	<u>12,466,598</u>
Total noncurrent assets	<u>13,252,237</u>	<u>13,164,741</u>
Total assets	<u>18,379,214</u>	<u>14,549,096</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	1,852	3,706
Pension amounts	<u>52,495</u>	<u>66,134</u>
Total deferred outflows of resources	<u>54,347</u>	<u>69,840</u>
Total assets and deferred outflows of resources	<u>\$ 18,433,561</u>	<u>\$ 14,618,936</u>

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

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

STATEMENTS OF NET POSITION

December 31,

	<u>2020</u>	<u>2019</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 135,778	\$ 49,883
Accrued liabilities	62,341	61,486
Due to customers	18,753	46,668
Current portion of capital lease obligation	54,453	52,333
Notes payable net of unamortized discount, current portion	<u>138,521</u>	<u>194,065</u>
Total current liabilities	<u>409,846</u>	<u>404,435</u>
Current liabilities payable from restricted assets:		
Interest payable	23,679	19,009
Current maturities of long-term bond payable	<u>316,000</u>	<u>310,000</u>
	<u>339,679</u>	<u>329,009</u>
Noncurrent liabilities:		
Long-term bond payable, net of current maturities	6,136,000	2,672,000
Unamortized premium on bonds	218,775	-
Long-term portion of capital lease obligation	456,938	517,847
Notes payable net of unamortized discount, long-term portion	284,625	334,412
Net pension liability	<u>-</u>	<u>11,519</u>
Total noncurrent liabilities	<u>7,096,338</u>	<u>3,535,778</u>
Total liabilities	<u>7,845,863</u>	<u>4,269,222</u>
DEFERRED INFLOWS OF RESOURCES		
Pension amounts	<u>37,473</u>	<u>36,310</u>
Total deferred inflows of resources	<u>37,473</u>	<u>36,310</u>
Total liabilities and deferred inflows of resources	<u>7,883,336</u>	<u>4,305,532</u>
NET POSITION:		
Net investment in capital assets	8,793,953	8,389,647
Restricted for debt service	418,902	424,132
Restricted for capital improvements	100,000	100,000
Unrestricted	<u>1,237,370</u>	<u>1,399,625</u>
Total net position	<u>10,550,225</u>	<u>10,313,404</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 18,433,561</u>	<u>\$ 14,618,936</u>

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

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Water sales, net of bad debt expense of \$1,739 (\$5,326 in 2019)	\$ 2,096,151	\$ 1,701,971
Late fees and reconnection charges	110,513	116,351
Customer deposits	21,098	18,686
Connection fees, net of expense	159,654	151,741
Water acquisition fees	<u>264,684</u>	<u>151,617</u>
Total operating revenues	<u>2,652,100</u>	<u>2,140,366</u>
Operating expenses:		
Salaries	673,362	611,558
Utilities	142,297	145,554
Repairs and maintenance	201,403	208,619
Vehicle expense	42,550	51,644
Insurance	39,208	103,621
Payroll taxes	50,617	52,937
Professional services	189,822	98,932
Retirement plan expense	19,431	21,958
Edwards Aquifer Authority management fee	100,831	101,789
Other administrative expenses	244,242	165,695
Depreciation	<u>478,718</u>	<u>483,640</u>
Total operating expenses	<u>2,182,481</u>	<u>2,045,947</u>
Net operating income	<u>469,619</u>	<u>94,419</u>
Nonoperating revenues (expenses):		
Interest income	12,824	43,699
Gain (loss) on sale of asset	1,900	(1,722)
Other income	1,424	26,448
Lease income	36,325	26,325
Interest expense	<u>(285,271)</u>	<u>(133,914)</u>
Total nonoperating revenues (expenses), net	<u>(232,798)</u>	<u>(39,164)</u>
Increase in net position, before capital contributions	<u>236,821</u>	<u>55,255</u>
Change in net position	<u>236,821</u>	<u>55,255</u>
Net position at beginning of year	<u>10,313,404</u>	<u>10,258,149</u>
Net position at end of year	<u>\$ 10,550,225</u>	<u>\$ 10,313,404</u>

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

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,644,385	\$ 2,095,661
Cash paid to employees	(752,942)	(764,601)
Cash paid to suppliers	<u>(893,581)</u>	<u>(777,407)</u>
Net cash provided by operating activities	<u>997,862</u>	<u>553,653</u>
Cash flows from capital and related financing activities:		
Principal payments on bonds	(310,000)	(303,000)
Proceeds from equipment lease/purchase agreement	-	600,000
Notes payable payments	(217,831)	(196,821)
Payments on capital lease obligation	(58,789)	(29,820)
Purchase of capital assets	(328,451)	(631,915)
Upgrade to water distribution system	(201,705)	(119,750)
Construction of capital assets	(23,272)	(27,948)
Proceeds from sale of assets	1,900	4,800
Proceeds from bond issuance	3,780,000	-
Proceeds from leases	36,325	26,325
Proceeds from notes payable	112,500	-
Proceeds from other income	1,424	15,872
Premium on bonds	218,775	-
Interest paid	<u>(280,601)</u>	<u>(132,345)</u>
Net cash used in capital and related financing activities	<u>2,730,275</u>	<u>(794,602)</u>
Cash flows from investing activities:		
Certificate of deposit maturities	109,556	103,014
Interest received	<u>12,824</u>	<u>43,699</u>
Net cash provided by investing activities	<u>122,380</u>	<u>146,713</u>
Net increase (decrease) in cash and cash equivalents	3,850,517	(94,236)
Cash and cash equivalents at beginning of year	<u>1,759,518</u>	<u>1,853,754</u>
Cash and cash equivalents at end of year - including restricted cash equivalents of \$695,405 (\$698,143 in 2019)	<u>\$ 5,610,035</u>	<u>\$ 1,759,518</u>

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

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	<u>2020</u>	<u>2019</u>
Cash flows operating activities		
Operating income	\$ 469,619	\$ 94,419
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	478,718	483,640
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	20,200	(29,833)
(Increase) decrease in inventory	(19,123)	2,737
(Increase) decrease in deferred outflows - pension	13,639	(22,757)
Increase in payables	85,895	29,423
(Decrease) increase in accrued liabilities	855	16,831
(Decrease) increase in due to customers	(27,915)	(14,872)
Decrease (increase) in net pension asset/liability	(25,189)	6,520
Increase (decrease) in deferred inflows - pension	<u>1,163</u>	<u>(12,455)</u>
Net cash provided by operating activities	<u><u>\$ 997,862</u></u>	<u><u>553,653</u></u>
Supplemental disclosures of cash flow information:		
Purchase of water rights with note payable	<u><u>\$ 112,500</u></u>	<u><u>\$ 590,355</u></u>

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



EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(1) Summary of significant accounting policies

The financial statements of East Medina County Special Utility District (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the District's significant policies.

Reporting entity

The District was established on September 17, 1996. The District is the successor to the East Medina County Water Supply Corporation, which was incorporated in 1967. The District is a Political Subdivision of the State of Texas, organized under Chapters 49 and 65 of the Texas Water Code, for the purpose of furnishing potable water service to the southeast area of Medina County.

The District is governed by a seven-member Board of Directors (the Board) that is elected by the public. The District is not included in any other governmental reporting entity, as defined in section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. In addition, there are no other entities which should be combined as a component unit to constitute the reporting entity.

Measurement focus, basis of accounting, and financial statement presentation

The District accounts for its transactions as business-type activities. Operations are financed and operated in a manner similar to private business or where the Board has decided the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The financial statements of the District are prepared using the accrual basis of accounting with the economic resources measurement focus as prescribed by GASB. The District applies all applicable GASB pronouncements and presents its financial statements in accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. Under this approach, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District are reported in the statements of net position, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Revenue recognition

The District recognizes operating revenues as they are earned. The District's primary revenues are from customer billings. All customers have an automatic meter reader (AMR). AMR is the technology of automatically collecting water usage, diagnostic and status data from water meters and transferring that data to a central database for billing, troubleshooting and analyzing. The unbilled amounts for these customers is also included as part of the unbilled water sales total at year end.

Late fees and reconnect charges are recognized as operating revenues as they are earned. The revenue from late fees are penalties collected on customer accounts when monthly billings are not paid by specified dates stated in District policy. The revenue from reconnect charges are penalties collected to reconnect a customer account after service has been discontinued for nonpayment.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(1) Summary of significant accounting policies (continued)

Revenue recognition (continued)

Connection fees are revenue collected from customers requesting water service from the District. The fees collected are generally recognized as operating revenue. Portions of the fees collected are to provide funding for system maintenance, operations and systems development.

Water acquisition fees are revenues collected from customers requesting service from the District. These fees collected are for the purchase of Edwards Aquifer Water Rights as needed to meet system and operational demands for water and are generally recognized as operating revenue.

The District records deposits received from new customers as operating revenue when received, as all deposits are considered to be nonrefundable to the customer.

Capital contributions

Capital contributions consist of reimbursements from developers for the construction and extension of the water system to provide potable water. Capital contributions are recognized in the statements of revenues, expenses, and changes in net position, after total nonoperating revenues (expenses), when the related construction is incurred.

Revenue and expense classification

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. The principal operating revenues of the District are charges to customers for water usage. Operating expenses include the cost of service, administrative expenses and depreciation of capital items. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates and assumptions

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For the purpose of the statement of cash flows, the District considers as cash and cash equivalents, including restricted, all cash on hand, demand deposits and external investment pools with original maturities of three months or less at the time of purchase with the exception of certificates of deposit (CDs).

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(1) Summary of significant accounting policies (continued)

Accounts receivable and unbilled revenue

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. The accounts receivable balance also includes an accrual related to unbilled revenues, which reflects an estimate of revenues earned prior to year end that have not been billed.

Inventory

Inventory is stated at the lower of cost (average cost) or market (net realizable value). Inventory includes pipes, meters, connectors and materials and supplies.

Capital assets

Property, plant and equipment are stated at cost. The District's policy is to capitalize purchases of assets if the asset has a useful life of more than one year and an individual value of \$1,000 or greater. Depreciation is calculated on the straight-line method based on the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land improvements	10
Buildings	8 – 40
Building improvements	25
Machinery and equipment	3 – 20
Plants and distribution system	5 – 50

Water allotments

Water allotments are water rights purchased by the District and are recorded at cost. Since water allotments are considered to have no evident limited life, no amortization is recognized.

Compensated absences

The District pays any unused vacation leave time earned at the time an employee terminates employment with the District. The accrued vacation leave at December 31, 2020 and 2019 totaled \$23,985 and \$25,459, respectively, and is included in accrued liabilities. Sick leave does not vest or accrue; therefore, terminated employees are not paid for accumulated sick leave.

Net position

Net position represents the residual of assets and deferred outflows of resources less liabilities and deferred inflows of resources.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(1) Summary of significant accounting policies (continued)

Net position (continued)

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent borrowing proceeds, as applicable.

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position represents the remaining portion of net position.

A summary of the net investment in capital assets is as follows:

	December	
	2020	2019
Total capital assets, net of accumulated depreciation	\$ 12,543,162	\$ 12,466,598
Total long-term bonds payable and premium	(6,670,775)	(2,982,000)
Deferred charge on refunding	1,852	3,706
Notes payable - water rights	(423,146)	(528,477)
Capital lease obligation	(511,391)	(570,180)
Unspent borrowing proceeds	<u>3,854,251</u>	<u>-</u>
Net investment in capital assets	<u>\$ 8,793,953</u>	<u>\$ 8,389,647</u>

Restricted and unrestricted resources

It is the District's policy to use restricted resources first when an allowable restricted expense is made for purposes for which both restricted and unrestricted resources are available.

Retirement plan – pension

The net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS), and Agent Plan, and additions to/deductions from TCERS's fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows of resources/deferred inflow of resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses) until then. The District has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(1) Summary of significant accounting policies (continued)

Deferred outflows of resources/deferred inflow of resources (continued)

This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is contributions made to the pension plan during the fiscal year and other pension amounts. In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents and acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This item is the change in net pension asset/liability that is not immediately recognized in pension expense.

GASB Implementations

GASB Statement No. 88, *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placement*, issued March 2018. GASB Statement 88 clarifies which liabilities governments should include in their note disclosures related to debt. This statement defines debt that must be disclosed in the notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Governments must also disclose amounts of unused lines of credit, assets pledged as collateral for debt and the terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses. Within the notes, governments should separate information regarding direct borrowings and direct placements of debt from other debt. The District has implemented GASB Statement No. 88 for fiscal year ended December 31, 2019; however, other than enhanced disclosures in note 5, there was no impact to the financial statements from the adoption of this pronouncement.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued in June 2018, will be effective for the District beginning with its fiscal year ending December 31, 2020. However, the District elected to early adopt this statement with its fiscal year ended December 31, 2019. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the District beginning with its fiscal year ending December 31, 2022. GASB Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the District must report (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The statement provides exceptions from the single approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, nonlease components embedded in lease contracts (such as service agreements) and leases with related parties.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(1) Summary of significant accounting policies (continued)

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, will be effective for the District beginning with its fiscal year ending December 31, 2022. This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics and includes specific provision about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases* for interim financial reports.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

Management is current evaluating the impact, if any, on these pronouncements.

(2) Cash, cash equivalents and CDs

Cash and cash equivalents

The funds of the District must be deposited under the terms and contents of which are set out in the Texas Water Code No. 49.156. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(2) Cash, cash equivalents and CDs

Cash and cash equivalents (continued)

At December 31, 2020 and 2019, the carrying amount of the District's deposits was \$55,745 and \$126,647, respectively, and the bank balance was \$62,669 and \$132,823, respectively. The District's cash deposits at December 31, 2020 and 2019, were entirely covered by FDIC insurance.

Investments

The District is required by Texas Government Code Chapter 2256, the Public Funds Investment Act (PFIA), to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for CDs. The PFIA determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the Treasury, certain United States agencies and the state of Texas; (2) CDs; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts and (10) common trust funds.

Public funds investment pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and are subject to the provisions of PFIA, Chapter 2256 of the Texas Government Code. In addition to other provisions of the PFIA designed to promote liquidity and safety of principal, it requires Pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

Local Government Investment Cooperative (LOGIC) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the PFIA, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the PFIA. The fund is rated AAAM or equivalent rating from at least one nationally recognized rating agency. Class A Units of LOGIC are currently rated "AAAM" by Standard and Poor's. The fund seeks to maintain a dollar-weighted average portfolio maturity that does not exceed 60 days (or fewer days if required to maintain its rating). The fund seeks to maintain a net asset value (NAV) of \$1.00 per unit. The maximum final stated maturity is 397 days. Withdrawals from LOGIC and transfers to another pool may be made on any business day with deadlines and provisions. For liquidity and to respond to unusual market conditions, LOGIC may hold all or most of its total assets in cash for temporary defensive purposes. The District's investments managed through LOGIC are valued and recorded at amortized cost in accordance with GASB Statement No. 70, *Certain External Investment Pools and Pool Participants*. The carrying value of these investments at amortized cost totaled \$5,451,512 in 2020 and \$1,530,577 in 2019.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(2) Cash, cash equivalents and CDs (continued)

Public funds investment pools (continued)

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAM by Standard and Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. The portfolio is a government-repurchase agreement (REFP) pool, utilizing primarily United States Treasury securities, United States agency securities and REPO collateralized obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the United States or its agencies or its instrumentalities. Consistent with the investment pool, the District values and records these investments at fair value. The values of these investments are at NAV per share and totaled \$102,078 and \$101,594 as of December 31, 2020 and 2019, respectfully.

Fair value measurements: The District categorizes its investments measured at fair value within the hierarchy established by U.S. GAAP. Investments valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input: Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input: Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input: Inputs that are unobservable for the asset or liability which are typically based upon the District's own assumptions as there is little, if any, related market activity.

Hierarchy: The fair value hierarchy gives the highest priority to level 1 inputs and the lowest priority to level 3 inputs.

Inputs: If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by investing in investment pools that have no stated maturity date; therefore, the funds are always available to meet operational needs.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(2) Cash, cash equivalents and CDs (continued)

Public funds investment pools (continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the specific investments and their maturity.

Description	Maturity	Days of Maturity	NAV as of December 31,	
			2020	2019
TexSTAR investment fund	N/A	Daily	\$ 102,078	\$ 101,594

Custodial credit risk for investments: Generally, custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The District's investments held at TexSTAR and LOGIC are not exposed to custodial credit as of December 31, 2020 and 2019.

Concentration of credit risk: Generally, concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The District did not hold any investments subject to concentration of credit risk.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) by the District's investment policy and the PFIA. The actual rating as of year end for this investment is as follows:

Description	Minimum Legal Rating	Investment Rating	Rating Organization Standard & Poor's	2020		2019	
				NAV	Percent Invested	NAV	Percent Invested
TexSTAR investment fund	AAA	AAAm		\$ 102,078	100.00%	\$ 101,594	100.00%

Certificate of deposits: The District also invests in CDs. As of December 31, 2020 and 2019, the District had no CDs and one CD respectively. The 2019 CD was measured at fair value and classified as a level 1 investment and matured on March 21, 2020, with a balance of \$109,558.

(3) Restricted cash equivalents

The District's bond agreements require the establishment and maintenance of several reserve funds. A description of these funds is as follows:

Bond interest and sinking fund: The District is required to make monthly deposits into this fund in sufficient amounts to pay the semiannual interest and principal due on the long-term bonds payable. At December 31, 2020 and 2019, the balance of the fund totaled \$176,503 and \$174,011, respectively.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(3) Restricted cash equivalents (continued)

Reserve fund: The District is required to maintain an amount equal to the maximum annual principal and interest requirements on all outstanding bonds. Amounts are to be used only if needed to meet debt service requirements of the long-term bonds payable. At December 31, 2020 and 2019, the balance of the fund totaled \$418,902 and \$424,132, respectively.

Capital improvements fund: Under the 2009 Bonds, the District is required to maintain an amount not less than \$100,000 in the Capital Improvements Fund. Monies in this fund are to be used to pay for costs of improvements, enlargements, extensions, additions, replacements, or other capital expenses of the District for unexpected or extraordinary repairs or replacements and unexpected or extraordinary expenses of operations and maintenance for which other funds are not available. The balance of the fund at December 31, 2020 and 2019, totaled \$100,000.

Components of restricted cash equivalents are as follows:

	December 31,	
	2020	2019
Restricted for debt service		
Bond interest and sinking fund	\$ 176,503	\$ 174,011
Reserve fund	<u>418,902</u>	<u>424,132</u>
	595,405	598,143
Restricted for capital improvements		
Capital improvements fund - 2009 bonds	<u>100,000</u>	<u>100,000</u>
Total restricted cash equivalents	<u>\$ 695,405</u>	<u>\$ 698,143</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(4) Capital assets

The following table summarizes the changes in the components of capital assets as of December 31, 2020.

	Balance at January 1, 2020	Additions	Deletions	Transfers	Balance at December 31, 2020
Capital assets, not being depreciated					
Land	\$ 61,599	\$ -	\$ -	\$ -	\$ 61,599
Water allotments	2,790,543	225,700	-	-	3,016,243
Water allotment - leased to others	693,975	-	-	-	693,975
Construction in progress	74,833	23,272	(53,109)	-	44,996
Total capital assets not being depreciated	<u>3,620,950</u>	<u>248,972</u>	<u>(53,109)</u>	<u>-</u>	<u>3,816,813</u>
Capital assets, being depreciated					
Land improvements	8,376	-	-	-	8,376
Buildings	362,557	-	-	-	362,557
Buildings improvements	35,863	51,934	-	-	87,797
Machinery and equipment	1,416,003	105,779	(28,080)	-	1,493,702
Plants and distribution system	<u>15,597,991</u>	<u>201,705</u>	<u>-</u>	<u>-</u>	<u>15,799,696</u>
Total capital assets being depreciated	<u>17,420,790</u>	<u>359,418</u>	<u>(28,080)</u>	<u>-</u>	<u>17,752,128</u>
Less accumulated depreciation for					
Land improvements	(2,748)	(838)	-	-	(3,586)
Buildings	(193,776)	(8,307)	-	-	(202,083)
Buildings improvements	(3,197)	(3,843)	-	-	(7,040)
Machinery and equipment	(439,698)	(113,352)	28,080	-	(524,970)
Plants and distribution system	<u>(7,935,723)</u>	<u>(352,377)</u>	<u>-</u>	<u>-</u>	<u>(8,288,100)</u>
Total accumulated depreciation	<u>(8,575,142)</u>	<u>(478,717)</u>	<u>28,080</u>	<u>-</u>	<u>(9,025,779)</u>
Total capital assets, being depreciated - net	<u>8,845,648</u>	<u>(119,299)</u>	<u>-</u>	<u>-</u>	<u>8,726,349</u>
Total capital assets - net	<u>\$ 12,466,598</u>	<u>\$ 129,673</u>	<u>\$ (53,109)</u>	<u>\$ -</u>	<u>\$ 12,543,162</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(4) Capital assets (continued)

The following table summarizes the changes in the components of capital assets as of December 31, 2019.

	Balance at January 1, 2019	Additions	Deletions	Transfers	Balance at December 31, 2019
Capital assets, not being depreciated					
Land	\$ 61,599	\$ -	\$ -	\$ -	\$ 61,599
Water allotments	1,958,350	569,693	-	262,500	2,790,543
Water allotment - leased to others	956,475	-	-	(262,500)	693,975
Construction in progress	<u>46,885</u>	<u>27,948</u>	<u>-</u>	<u>-</u>	<u>74,833</u>
Total capital assets not being depreciated	<u>3,023,309</u>	<u>597,641</u>	<u>-</u>	<u>-</u>	<u>3,620,950</u>
Capital assets, being depreciated					
Land improvements	8,376	-	-	-	8,376
Buildings	388,840	-	-	(26,283)	362,557
Buildings improvements	31,080	4,783	-	-	35,863
Machinery and equipment	805,052	660,606	(63,823)	14,168	1,416,003
Plants and distribution system	<u>15,466,126</u>	<u>119,750</u>	<u>-</u>	<u>12,115</u>	<u>15,597,991</u>
Total capital assets being depreciated	<u>16,699,474</u>	<u>785,139</u>	<u>(63,823)</u>	<u>-</u>	<u>17,420,790</u>
Less accumulated depreciation for					
Land improvements	(1,910)	(838)	-	-	(2,748)
Buildings	(185,139)	(8,637)	-	-	(193,776)
Buildings improvements	(287)	(2,910)	-	-	(3,197)
Machinery and equipment	(408,737)	(88,261)	57,300	-	(439,698)
Plants and distribution system	<u>(7,552,729)</u>	<u>(382,994)</u>	<u>-</u>	<u>-</u>	<u>(7,935,723)</u>
Total accumulated depreciation	<u>(8,148,802)</u>	<u>(483,640)</u>	<u>57,300</u>	<u>-</u>	<u>(8,575,142)</u>
Total capital assets, being depreciated - net	<u>8,550,672</u>	<u>301,499</u>	<u>(6,523)</u>	<u>-</u>	<u>8,845,648</u>
Total capital assets - net	<u>\$ 11,573,981</u>	<u>\$ 899,140</u>	<u>\$ (6,523)</u>	<u>\$ -</u>	<u>\$ 12,466,598</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(5) Long-term bonds payable

The following is a summary of bond transactions for fiscal year 2020:

Bonds	Original Amount	Interest Rate	Balance at January 1, 2020	Issued	Deductions	Balance at December 31, 2020	Payable Within One Year
Series 2009-R	\$ 975,000	4.38%	\$ 869,000	\$ -	\$ 14,000	\$ 855,000	\$ 14,000
Series 2013	1,566,000	1.72%	408,000	-	201,000	207,000	207,000
Series 2014	2,250,000	3.25%-4.50%	1,705,000	-	95,000	1,610,000	95,000
Series 2020	3,780,000	2.00%-5.00%	-	3,780,000	-	3,780,000	-
Totals			<u>\$ 2,982,000</u>	<u>\$ 3,780,000</u>	<u>\$ 310,000</u>	<u>\$ 6,452,000</u>	<u>\$ 316,000</u>

The following is a summary of bond transactions for fiscal year 2019:

Bonds	Original Amount	Interest Rate	Balance at January 1, 2019	Issued	Deductions	Balance at December 31, 2019	Payable Within One Year
Series 2009-R	\$ 975,000	4.38%	\$ 882,000	\$ -	\$ 13,000	\$ 869,000	\$ 14,000
Series 2013	1,566,000	1.72%	608,000	-	200,000	408,000	201,000
Series 2014	2,250,000	3.250%-4.500%	1,795,000	-	90,000	1,705,000	95,000
Totals			<u>\$ 3,285,000</u>	<u>\$ -</u>	<u>\$ 303,000</u>	<u>\$ 2,982,000</u>	<u>\$ 310,000</u>

Long-term bonds payable is as follows:

	December 31,	
	2020	2019
\$975,000, Series 2009-R Waterworks System Revenue Bonds-serial bonds due in annual installments from \$9,000 to \$52,000 through July 1, 2049; bearing interest at 4.375%.	\$ 855,000	\$ 869,000
\$1,566,000, Series 2013 Waterworks System Revenue Refunding Bonds-serial bonds due in annual installments from \$191,000 to \$207,000 through July 1, 2021; bearing interest at 1.720%.	207,000	408,000
\$2,250,000, Series 2014 Waterworks System Revenue Bonds-serial bonds due in annual installments from \$85,000 to \$160,000 through July 1, 2033; bearing interest of 3.250% to 4.500%.	1,610,000	1,705,000
\$3,780,000, Series 2020 Waterworks System Revenue Bonds-serial bonds due in annual installments from \$40,000 to \$295,000 through July 1, 2045; bearing interest of 2.0% to 5.0%.	<u>3,780,000</u>	<u>-</u>
	6,452,000	2,982,000
Less current maturities	<u>316,000</u>	<u>310,000</u>
Total	<u>\$ 6,136,000</u>	<u>\$ 2,672,000</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(5) Long-term bonds payable (continued)

In 2009, the District was approved for a Rural Development loan from the United States Department of Agriculture (USDA) Rural Development Office. The USDA Rural Development Office funded the loan through the issuance of direct borrowing in the amount of \$975,000 for the purpose of constructing improvements and extensions to the District's existing waterworks system and to pay costs of issuance related to the bonds. The balance at December 31, 2020 and 2019, totaled \$855,000 and \$869,000.

On April 9, 2013, the District issued a direct borrowing in the amount of \$1,566,000 in the Waterworks System Revenue Refunding Bonds, Series 2013 with an interest rate of 1.72%. The bonds were issued to refund \$1,685,000 in Waterworks System Revenue Bonds, Series 2001, which had interest rates of 3.20% to 3.70%. This refunding reduced its total debt service payments over the next eight years by \$111,514 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$103,655. The balance at December 31, 2020 and 2019, totaled \$207,000 and \$408,000, respectively.

On January 7, 2014, the District issued a public sale of \$2,250,000 in Waterworks System Revenue Refunding Bonds, Series 2014 with interest rates of 3.25% to 4.50%, with an overall average rate of 4.04%. The balance at December 31, 2020 and 2019, totaled \$1,610,000 and \$1,705,000, respectively.

On December 14, 2020, the District issued a public sale of \$3,780,000 in Waterworks System Revenue Refunding Bonds, Series 2020 with interest rates of 2.00% to 5.00% with an overall average rate of 2.11%. The balance at December 31, 2020 and 2019, totaled \$3,780,000 and \$-0-, respectively.

In accordance with the bond resolutions, the collateral for the bonds are the pledged revenues of the system. The District is required, at all times, to fix, maintain, charge and collect for services rendered by the District, rates and charges which will produce gross revenues not less than (i) 1.25 times the amount required to pay all principal and interest requirements for such fiscal year plus (ii) 1.00 times the amount required to pay all budgeted operations and maintenance expenses and to make all other deposits now or hereafter required to be made into the funds created by the bond resolutions. The District is required to adjust its rates if its annual audit shows that these covenants are not met. Additionally, the bonds do not include accelerated payment clauses.

Aggregate maturities of the bonds outstanding at December 31, 2020, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 316,000	\$ 160,008	\$ 476,008
2022	155,000	198,863	353,863
2023	161,000	191,706	352,706
2024	171,000	185,594	356,594
2025	177,000	179,070	356,070
2026-2030	995,000	782,310	1,777,310
2031-2035	1,225,000	541,720	1,766,720
2036-2040	1,432,000	336,488	1,768,488
2041-2045	1,624,000	161,688	1,785,688
2045-2049	196,000	21,875	217,875
	<u>\$ 6,452,000</u>	<u>\$ 2,759,322</u>	<u>\$ 9,211,322</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(6) Notes payable

The following is a summary of notes payable transactions for fiscal year 2020:

Notes Payable	Interest Rates	Original Issue	Balance at Janaury 1, 2020	Additions	Deductions	Balance at December 31, 2020	Payable Within One Year
Water rights - 60 acre ft	1.814%	\$ 315,000	\$ 78,750	\$ -	\$ 78,750	\$ -	\$ -
Water rights - 118 acre ft	1.814%	590,355	472,284	-	118,071	354,213	118,071
Water rights - 22.5 acre ft	1.814%	112,850	-	112,500	28,125	84,375	28,125
			<u>\$ 551,034</u>	<u>\$ 112,500</u>	<u>\$ 224,946</u>	<u>\$ 438,588</u>	<u>\$ 146,196</u>

The following is a summary of notes payable transactions for fiscal year 2019:

Notes Payable	Interest Rates	Original Issue	Balance at Janaury 1, 2019	Additions	Deductions	Balance at December 31, 2019	Payable Within One Year
Water rights - 60 acre ft	1.814%	\$ 315,000	\$ 157,500	\$ -	\$ 78,750	\$ 78,750	\$ 78,750
Water rights - 118 acre ft	1.814%	590,355	-	590,355	118,071	472,284	118,071
			<u>\$ 157,500</u>	<u>\$ 590,355</u>	<u>\$ 196,821</u>	<u>\$ 551,034</u>	<u>\$ 196,821</u>

The District issued a note payable on August 2, 2016, with a face amount of \$315,000 for the acquisition of water rights, as discussed in note 8. The balance of this note payable is due in annual installments of \$78,750 over a four-year period beginning January 5, 2017 and is secured by the related water rights ending on January 5, 2020. This note is noninterest-bearing and has been recorded, net of discount of \$11,025, imputed at a rate of 1.814%. At December 31, 2020 and 2019, the carrying value of this note payable, net of the unamortized discount of \$-0- and \$2,756, is \$-0- and \$75,994, respectively.

The District issued a note payable on November 1, 2019, with a face amount of \$590,355 for the acquisition of water rights. The balance of this note payable is due in annual installments of \$118,071 over a five-year period beginning November 1, 2019. This note is noninterest-bearing and has been recorded, net of \$20,662, imputed at a rate of 1.814%. At December 31, 2020 and 2019, the carrying value of this note payable, net of the unamortized discount of \$341,742, is \$452,493.

The District issued a note payable on September 1, 2020, with a face amount of \$112,500 for the acquisition of water rights. The balance of this note payable is due in annual installments of \$28,125 over a four-year period beginning September 1, 2020. This note is noninterest-bearing and has been recorded, net of \$2,971, imputed at a rate of 1.814%. At December 31, 2020, the carrying value of this note payable, net of the unamortized discount is \$81,404.

Aggregate maturities required on long-term debt at December 31, 2020, were as follows:

Years Ending December 31,	Principal
2021	\$ 146,196
2022	146,196
2023	146,196
	438,588
Less amount of uumamortized discount on notes payable	(15,442)
Total notes payable, net of unamortized discount	<u>\$ 423,146</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(7) Leases

Capital leases: The District entered into a Municipal Equipment Lease/Purchase agreement with a bank on June 20, 2019, with a face amount of \$600,000 for the acquisition of water systems equipment. This agreement is recorded as a capitalized lease obligation in the accompanying financial statements. The balance of this capitalized lease obligation is due in monthly installments over a 10-year period beginning July 10, 2019. This obligation is interest-bearing at a rate of 3.31%. At December 31, 2020 and 2019, the carrying value of this obligation is \$511,391 and \$570,180, respectively.

The following is a summary of leased property under capital lease, by major class, included in capital assets in the accompanying statements of net position.

	December 31,	
	2020	2019
Equipment - automatic meter reading (AMRs)	\$ 498,753	\$ 498,753
Less accumulated depreciation	(35,447)	(10,526)
Net equipment	<u>\$ 463,306</u>	<u>\$ 488,227</u>

Depreciation on leased equipment under the capital lease is included in depreciation expense in the accompanying statement of revenues, expenses, and changes in net position.

Operating lease: The District leases copier equipment pursuant to noncancelable operating lease agreement expiring through 2022.

Future minimum lease payments under noncancelable operating lease and future minimum lease payments under a capital lease together as of December 31, 2020, are as follows:

Years ending December 31,	<u>Capital Lease</u>	<u>Operating Lease</u>
2021	\$ 54,453	\$ 4,188
2022	56,283	3,839
2023	58,174	-
2024	60,129	-
2025	62,150	-
Thereafter	<u>220,202</u>	<u>-</u>
Future minimum lease payments	511,391	<u>\$ 8,027</u>
Less current portion of capitalized lease obligation	<u>(54,453)</u>	
Long-term portion of capitalized lease obligation	<u>\$ 456,938</u>	

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(8) Water allotments held for lease to others

Water allotments leased to others under both long-term and short-term agreements consist of the following at December 31, 2020 and 2019:

	Balance at January 1, 2020	Additions	Deletions	Balance at December 31, 2020
Water allotments leased	\$ 693,975	\$ -	\$ -	\$ 693,975

	Balance at January 1, 2019	Additions	Deletions	Balance at December 31, 2019
Water allotments leased	\$ 956,475	\$ -	\$ 262,500	\$ 693,975

The District is the lessor of water rights under agreements expiring in various years through 2026 as follows:

- * Sixty acre-feet (a/f) per annum of unrestricted irrigation groundwater from Edwards Aquifer: The lease payments begin on January 5, 2017, and ends on January 5, 2024. The aforementioned lease has a corresponding note payable discussed in note 6. The lease is payable in annual installments of \$9,600 over the remaining seven-year period. Lease payments received for the years ended December 31, 2020 and 2019, were \$9,600.
- * A Voluntary Irrigation Suspension Program Option (VISPO) wherein the District is compensated to forbear making withdrawals from the Edwards Aquifer during times of certain droughts: The District agrees to a forbearance of 150 a/f per annum of base irrigation groundwater and 150 a/f per annum of unrestricted irrigation groundwater. VISPO agreement was initiated in 2001 and ends on December 31, 2026. Lease payments received for each of the years ended December 31, 2020 and 2019 totaled \$8,625. An additional VISPO agreement was initiated on January 2, 2019, and ends on January 1, 2024, with annual lease payments of \$8,100.
- * In 2016, the District received a check in the amount of \$36,000 for an annual renewal lease of 300 a/f of water rights to the EEA portion of the San Antonio Water System ASR. This one-year lease program was renewed for 2018; however, it will not be available for renewal beyond 2018.

At December 31, 2020, future minimum lease payments under leases to others are as follows:

Years ending December 31,

2021	\$ 26,325
2022	28,230
2023	28,230
2024	10,530
2025	21,060
	<u>\$ 114,375</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(9) Retirement plan

Texas County and District Retirement System (TCDRS): The District provides retirement, disability, and death benefits for all its employees through a nontraditional defined benefit pension plan in the statewide TCDRS. The board of trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system, which consists of 677 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a Comprehensive Annual Financial Report (CAFR) on a calendar-year basis. The TCDRS CAFR can be downloaded at <http://www.tcdrs.org>.

The plan provisions are adopted and may be amended by the governing body of the District within the options available in the Texas state statutes governing TCDRS (the TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum and who are not eligible to retire are not entitled to any amounts contributed by their employer.

Benefits provided: Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act, so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute.

At retirement or death, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

In addition, the District offers the TCDRS group term life program, which provides a payment equal to the employee's final annual salary to his/her beneficiary.

Employees covered by benefit terms: At December 31, 2019 and 2018, the following employees were covered by the benefit terms:

	2019	2018
Inactive employees or beneficiaries currently receiving benefits	1	1
Inactive employees entitled to, but not yet receiving benefits	8	6
Active employees	13	13
	<u>22</u>	<u>20</u>

Contributions: Plan members and the District are required to contribute at a rate set by statute. The contribution requirements of plan members and the District are established and may be amended. For 2020 and 2019, the contribution rate for the plan members was 5% of gross pay. The District pays a matching portion to the pension plan totaling 4.28% of gross pay for 2020 and 4.08% for 2019, which totaled \$28,824 and \$26,449, respectively.

Net pension asset/liability: The District's net pension asset/liability was measured as of December 2019 and 2018, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(9) Retirement plan (continued)

Actuarial assumptions: The actuarial assumptions that determined the total pension asset/liability as of December 31, 2019 and 2018, were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB Statement No. 68.

The total pension asset/liability in the December 31, 2019 and 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% as of December 31, 2019 and 2018
Salary increase	3.25% (including inflation plus average merit of 1.6% and productivity of 0.5% for December 31, 2019 and 2018)

Investment rate of return	8.10 % as of December 31, 2019 and 2018
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Mortality rates were based on the following:

- * Depositing members – 90% of the RP-2104 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014 for December 31, 2019 and 2018.
- * Service retirees, beneficiaries and nondepositing members – 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014 for December 31, 2019 and 2018.
- * Disabled retirees – 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014 for December 31, 2019 or 2018.

Long-term expected rate of return on assets for December 31, 2019: The long-term expected rate of return on TCDRS' assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant. The numbers shown are based on April 2020 information for a 10-year time horizon. The valuation assumption for long-term expected return is reassessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(9) Retirement plan (continued)

Long-term expected rate of return on assets for December 31, 2019 (continued):

Asset Class	Benchmark	Target Allocation ¹	Geometric Real Rate of Return ²
United States Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity and Venture Capital Index ³	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Developed Markets	MSCI World Ex USA (net)	7.00%	5.20%
International Equities-Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁴	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index plus 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁵	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

1 – Target asset allocation adopted at the June 2020 TCDRS’ board meeting.

2 – Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80% per investment consultant’s 2020 capital market assumptions.

3 – Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

4 – Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

5 – Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Long-term expected rate of return on assets for December 31, 2018: The long-term expected rate of return on TCDRS’ assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS’ investment consultant. The numbers shown are based on January 2019 information for a 10-year time horizon. The valuation assumption for long-term expected return is reassessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(9) Retirement plan (continued)

Long-term expected rate of return on assets for December 31, 2018 (continued):

Asset Class	Benchmark	Target Allocation ¹	Geometric Real Rate of Return ²
United States Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity and Venture Capital Index ³	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed Markets	MSCI World Ex USA (net)	10.00%	5.40%
International Equities-Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁴	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Invexplus 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁵	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

1 – Target asset allocation adopted at the April 2018 TCDRS' board meeting.

2 – Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95% per investment consultant's 2018 capital market assumptions.

3 – Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

4 – Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

5 – Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount rate: The discount rate used to measure the total pension asset/liability was 8.1%. In order to determine the discount rate to be used by the employer, the TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

TCDRS has a funding policy where the unfunded actuarial accrued liability shall be amortized as a level percent of pay over 20 year closed layered periods. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost. Any increased cost due to the adoption of a cost of living adjustment (COLA) is required to be funded over a period of 15 years, if applicable, for December 31, 2019 and 2018.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(9) Retirement plan (continued)

Based on these assumptions, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years. Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension asset/liability of the employer is equal to the long-term assumed rate of return on investments, the municipal bond rate does not apply.

Sensitivity analysis: The following presents the net pension asset/liability of the District, calculated using the discount rate of 8.1%, as well as what the District's net pension asset/liability would be if it were calculated using a discount rate that is 1.0 percentage point lower (7.1%) or 1.0 percentage point higher (9.1%) than the current rate:

	1.0% Decrease	Current	1.0% Increase
<u>Discount Rate Sensitivity at December 31, 2020</u>	<u>7.1%</u>	<u>Discount Rate</u>	<u>8.1%</u>
			<u>9.1%</u>
Net pension liability (asset)	<u>\$ 53,432</u>	<u>\$ (13,670)</u>	<u>\$ (70,324)</u>

	1.0% Decrease	Current	1.0% Increase
<u>Discount Rate Sensitivity at December 31, 2019</u>	<u>7.1%</u>	<u>Discount Rate</u>	<u>8.1%</u>
			<u>9.1%</u>
Net pension liability (asset)	<u>\$ 65,811</u>	<u>\$ 11,519</u>	<u>\$ (34,288)</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(9) Retirement plan (continued)

Changes in net pension liability (asset): The following represents a schedule of changes in the net pension liability (asset) based on the measurement date of December 31, 2019:

Changes in Net Pension Liability (Asset)			
Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at beginning of the year	\$ 378,922	\$ 367,403	\$ 11,519
Changes for the year			
Service cost	49,287	-	49,287
Interest on total pension liability ¹	34,529	-	34,529
Effect of plan changes ²	-	-	-
Effect of economic/demographic (gains) or losses	12,119	-	12,119
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(2,749)	(2,749)	-
Benefit payments	(1,172)	(1,172)	-
Administrative expenses	-	(369)	369
Member contributions	-	32,628	(32,628)
Net investment income	-	60,279	(60,279)
Employer contributions	-	26,624	(26,624)
Other ³	-	1,962	(1,962)
Balances at end of the year	<u>\$ 470,936</u>	<u>\$ 484,606</u>	<u>\$ (13,670)</u>

1 – Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

2 – No plan changes valued.

3 – Related to allocation of system-wide items.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(9) Retirement plan (continued)

Changes in net pension liability (asset): The following represents a schedule of changes in the net pension liability (asset) based on the measurement date of December 31, 2018:

Changes in Net Pension Liability (Asset)			
Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at beginning of the year	\$ 302,472	\$ 320,511	\$ (18,039)
Changes for the year			
Service cost	43,776	-	43,776
Interest on total pension liability ¹	28,000	-	28,000
Effect of plan changes ²	-	-	-
Effect of economic/demographic (gains) or losses	5,846	-	5,846
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	(1,172)	(1,172)	-
Administrative expenses	-	(295)	295
Member contributions	-	26,911	(26,911)
Net investment income	-	(5,401)	5,401
Employer contributions	-	25,296	(25,296)
Other ³	-	1,553	(1,553)
Balances at end of the year	<u>\$ 378,922</u>	<u>\$ 367,403</u>	<u>\$ 11,519</u>

1 – Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

2 – No plan changes valued.

3 – Related to allocation of system-wide items.

Pension expense and deferred inflows and outflows of resources related to pensions: For the fiscal year December 31, 2020, the District recognized pension expense of \$18,613. At December 31, 2020, the deferred inflows and outflows related to pensions are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 28,809	\$ 22,156
Changes of assumptions	-	1,515
Net difference between projected and actual earnings	<u>8,664</u>	<u>-</u>
Subtotal	37,473	23,671
Contributions made subsequent to measurement date	<u>-</u>	<u>28,824</u>
Total	<u>\$ 37,473</u>	<u>\$ 52,495</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(9) Retirement plan (continued)

Pension expense and deferred inflows and outflows of resources related to pensions: For the fiscal year December 31, 2019, the District recognized pension expense of \$20,793. At December 31, 2019, the deferred inflows and outflows related to pensions are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 36,310	\$ 16,824
Changes of assumptions	-	1,925
Net difference between projected and actual earnings	-	20,936
Subtotal	36,310	39,685
Contributions made subsequent to measurement date	-	26,449
Total	<u>\$ 36,310</u>	<u>\$ 66,134</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Years ended December 31,	
2020	\$ (1,995)
2021	(2,663)
2022	(3,183)
2023	(5,805)
Thereafter	(156)
Total	<u>\$ (13,802)</u>

(10) Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters and worker's compensation for which the District carries insurance. There have been no significant reductions in insurance coverage for these risks of loss since the prior year, and there have been no settlements in excess of the insurance coverage for any of the past three fiscal years.

The District utilizes TML Intergovernmental Risk Pool to provide for its workers' compensation, general and auto liability and property insurance coverage.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(11) Subsequent event

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue having an adverse impact on the economies and financial markets of many countries, including geographical area in which the District operates.

In light of the uncertain and rapidly evolving coronavirus situation, the District has taken precautionary measures intended to minimize the risk of the virus to employees, customers and the communities in which the District operates. At the current time, the District is unable to quantify the potential ongoing effects of this pandemic on its future financial statements.

The District has evaluated subsequent events through March 16, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION



EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)

Years ended December 31,

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 49,287	\$ 43,776	\$ 43,338	\$ 43,928	\$ 34,349	\$ 31,137
Interest on total pension liability	34,529	28,000	25,626	19,886	18,284	11,917
Effect of plan changes	-	-	-	-	(7,543)	14,605
Effect of assumption changes or inputs	-	-	1,136	-	2,146	-
Effect of economic/demographic (gains) or losses	12,119	5,846	(25,210)	122	(34,803)	31,317
Benefit payments	<u>(3,920)</u>	<u>(1,172)</u>	<u>(30,320)</u>	<u>-</u>	<u>-</u>	<u>(4,208)</u>
Net change in total pension liability	92,015	76,450	14,570	63,936	12,433	84,768
Total pension liability at beginning of year	<u>378,922</u>	<u>302,472</u>	<u>287,902</u>	<u>223,966</u>	<u>211,533</u>	<u>126,765</u>
Total pension liability at end of year (a)	<u>470,937</u>	<u>378,922</u>	<u>302,472</u>	<u>287,902</u>	<u>223,966</u>	<u>211,533</u>
Plan fiduciary net position						
Employer contributions	26,624	25,296	21,492	26,353	24,464	16,558
Member contributions	32,628	26,911	23,775	25,340	23,299	21,902
Investment income (loss) net of investment expense	60,279	(5,401)	39,132	14,760	(1,044)	7,414
Refunds of contributions	(3,920)	(1,172)	(30,320)	-	-	(4,208)
Administrative expenses	(369)	(295)	(213)	(161)	(128)	(100)
Other	<u>1,962</u>	<u>1,553</u>	<u>198</u>	<u>4,247</u>	<u>(15)</u>	<u>(9)</u>
Net change in fiduciary net position	117,204	46,892	54,064	70,539	46,576	41,557
Fiduciary net position at beginning of year	<u>367,403</u>	<u>320,511</u>	<u>266,447</u>	<u>195,908</u>	<u>149,332</u>	<u>107,775</u>
Fiduciary net position at end of year (b)	<u>484,607</u>	<u>367,403</u>	<u>320,511</u>	<u>266,447</u>	<u>195,908</u>	<u>149,332</u>
Net pension liability (asset) at end of year - (a)-(b)	<u>\$ (13,670)</u>	<u>\$ 11,519</u>	<u>\$ (18,039)</u>	<u>\$ 21,455</u>	<u>\$ 28,058</u>	<u>\$ 62,201</u>
Fiduciary net position as a percentage of total pension liability	0.00%	96.96%	105.96%	92.55%	87.47%	70.60%
Pensionable covered payroll	<u>\$ 652,557</u>	<u>\$ 538,225</u>	<u>\$ 475,492</u>	<u>\$ 506,794</u>	<u>\$ 465,974</u>	<u>\$ 438,030</u>
Net pension (asset) liability as a percentage of covered payroll	-2.09%	2.14%	-3.79%	4.23%	6.02%	14.20%

Per GASB Statement No. 68, the required supplementary information should include 10-year fiscal history built prospectively; historical information prior to implementation of GASB Statement No. 68 in 2015 is not available.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS

Years ended December 31,

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution (1)</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (2)</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2011	\$ 11,218	\$ 11,265	\$ (47)	\$ 306,492	3.7%
2012	14,605	14,634	(29)	399,046	3.7%
2013	14,168	14,168	-	381,656	3.7%
2014	16,558	16,558	-	438,030	3.8%
2015	24,464	24,464	-	465,974	5.2%
2016	26,353	26,353	-	506,794	5.2%
2017	21,492	21,492	-	475,492	4.5%
2018	25,296	25,296	-	538,225	4.7%
2019	26,624	26,624	-	652,557	4.1%

- (1) TCDRS calculates actuarially determine contributions on a calendar-year basis. GASB Statement No. 68 indicates the employer should report employer contribution amount on a fiscal year basis.
- (2) Payroll is calculated based on contributions as reported to TCDRS.

The District did not participate prior to fiscal year 2011; therefore, a 10-year fiscal history will be included prospectively.

Year ended December 31, 2020

* only changes that affect the benefit amount and that are effective 2015 and later are shown in the notes to schedule.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year ended December 31, 2020

Demographic Assumptions

Retirement age

Annual Rates of Service Retirement*					
Age	% Male	% Female	Age	% Male	% Female
40-44	4.5	4.5	62	20	20
45-49	9	9	63	15	15
50	10	10	64	15	15
51	9	9	65	25	25
52	9	9	66	25	25
53	9	9	67	22	22
54	10	10	68	20	20
55	10	10	69	20	20
56	10	10	70	22	22
57	10	10	71	22	22
58	12	12	72	22	22
59	12	12	73	22	22
60	12	12	74**	22	22
61	12	12			

* Deferred members are assumed to retire (100% probability) at the later of: (a) age 60 (b) earliest retirement eligibility.

** For all eligible members ages 75 and later, retirement is assumed to occur immediately.

Other terminations of employment: The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year ended December 31, 2020

Withdrawals: Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to the plan are shown in the table below. For nondepositing members who are not vested, 100% are assumed to elect a withdrawal.

Probability of Withdrawal			
<u>Years of Service</u>	<u>% Probability</u>	<u>Years of Service</u>	<u>% Probability</u>
0	100	15	40
1	100	16	38
2	100	17	36
3	100	18	33
4	100	19	30
5	100	20	28
6	100	21	26
7	100	22	24
8	100	23	22
9	100	24	20
10	45	25	18
11	44	26	16
12	43	27	14
13	42	28	12
14	41	29*	10

* Members with more than 29 years of service are not assumed to refund.

Mortality rates:

- Depositing members – 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
- Service retirees, beneficiaries and nondepositing members – 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
- Disabled retirees – 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.



**SUPPLEMENTARY SCHEDULES AND OTHER INFORMATION
(UNAUDITED)**



EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

BUDGETARY COMPARISON SCHEDULE – ENTERPRISE FUND (UNAUDITED)

Year ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operating revenues:				
Water sales, net of bad-debt expense	\$ 1,840,000	\$ 1,840,000	\$ 2,096,151	\$ 256,151
Late fees and reconnection charges	100,000	100,000	110,513	10,513
Customer deposits	18,000	18,000	21,098	3,098
Connection fees, net of expense	110,700	110,700	159,654	48,954
Water acquisition fees	<u>98,000</u>	<u>98,000</u>	<u>264,684</u>	<u>166,684</u>
Total operating revenue	<u>2,166,700</u>	<u>2,166,700</u>	<u>2,652,100</u>	<u>485,400</u>
Operating expenses:				
Salaries	719,426	719,426	673,362	46,064
Utilities	135,000	135,000	142,297	(7,297)
Repairs and maintenance	270,000	270,000	201,403	68,597
Vehicle expense	61,000	61,000	42,550	18,450
Insurance	45,000	45,000	39,208	5,792
Payroll taxes	62,000	62,000	50,617	11,383
Professional services	200,000	200,000	189,822	10,178
Retirement plan expense	28,933	28,933	19,431	9,502
Edwards Aquifer Authority management fee	86,000	86,000	100,831	(14,831)
Other administrative expenses	265,000	265,000	244,242	20,758
Depreciation	<u>514,756</u>	<u>514,756</u>	<u>478,718</u>	<u>36,038</u>
Total operating expenses	<u>2,387,115</u>	<u>2,387,115</u>	<u>2,182,481</u>	<u>204,634</u>
Nonoperating revenues (expenses):				
Interest income	50,000	50,000	12,824	(37,176)
Gain on sale of asset	-	-	1,900	1,900
Other income	-	-	1,424	1,424
Lease income	36,325	36,325	36,325	-
Interest expense	<u>(128,000)</u>	<u>(272,775)</u>	<u>(285,271)</u>	<u>(12,496)</u>
Total nonoperating revenues (expenses), net	<u>(41,675)</u>	<u>(186,450)</u>	<u>(232,798)</u>	<u>(46,348)</u>
Change in net position	<u>(262,090)</u>	<u>(406,865)</u>	<u>236,821</u>	<u>643,686</u>
Net position at beginning of year	<u>10,313,404</u>	<u>10,313,404</u>	<u>10,313,404</u>	<u>-</u>
Net position at end of year	<u>\$ 10,051,314</u>	<u>\$ 9,906,539</u>	<u>\$ 10,550,225</u>	<u>\$ 643,686</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES (UNAUDITED)

Year ended December 31, 2020

1. Services provided by the District: Retail Water
- 2a. Retail rates based on 5/8 meter from January 1, 2020 through November 30, 2020:

	Miniumum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 100 Gallons Over Minimum	Usage Levels
Water *	\$ 28.56	N/A	Y	\$ 0.19	100 to 2,000
				0.50	2,100 to 10,000
				0.55	10,100 to 20,000
				0.60	20,100 to 30,000
				0.70	30,100 to 40,000
				0.75	40,100 to 50,000
				0.80	50,100 and above

Retail rates based on 5/8 meter beginning December 1, 2020:

	Miniumum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 100 Gallons Over Minimum	Usage Levels
Water *	\$ 28.56	N/A	Y	\$ 0.19	100 to 2,000
				0.50	2, 001 to 10,000
				0.55	10,001 to 20,000
				0.60	20,001 to 30,000
				0.70	30,001 to 40,000
				0.75	40,001 to 50,000
				0.80	50,001 and above

* includes the Texas Commission on Environment Quality 0.5% of 1.0% regulatory fee.
Commercial, industrial and agricultural accounts: \$5.00 extra per month

All customers will be assessed the Texas Commission on Environmental Quality 0.5 of 1.0% customer assessment fee. This fee is calculated on the water usage charge and is included in the rate charts.

District employs winter averaging for wastewater usage: N/A
Total water charges per 10,000 gallons usage (including surcharges): N/A

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES (UNAUDITED)

Year ended December 31, 2020

- 2b. Retail service providers: Number of retail water connections withing the District as of year end. Provide actual numbers as noted:

	Active Connections
Single family	2,918
Multi-family	-
Commercial, agricultural, and industrial	103
Other - recreation centers, government and Volunteer Fire Department	-
Total	3,021

3. Total water consumption during the fiscal year:

Gallons pumped into system: 368,137,000
Gallons billed to customers: 240,661,800
Gallons used for flushing and unmetered water: 4,368,000
Water loss: 86,978,580
Percent of loss: 24%
Water accountability ratio: 30.94%

4. Standby fees: Does the District assess standby fees? No

Debt service	Total levy	N/A
	Total collected	N/A
	Percentage collected	N/A
Operating and maintenance	Total levy	N/A
	Total collected	N/A
	Percentage collected	N/A

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? N/A

5. Location of District:

County in which District is located:	Medina County
Is the District located entirely within one county?	Yes
Is the District located within a city?	No
Is the District located within a city's extraterritorial jurisdiction (ETJ)?	Partially
ETJ's in which the District is located:	Castroville, Devine, La Coste, Lytle and Natalia
Are board members appointed by an office outside the District:	No
If yes, by whom?	N/A
Number of persons employed by the District:	12 full-time; 1 part-time

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

**SCHEDULE OF ENTERPRISE FUND EXPENSES
(UNAUDITED)**

Year ended December 31, 2020

Operating expenses:	
Personnel	\$ 743,410
Utilities	142,297
Repairs and maintenance	201,403
Vehicle expense	42,550
Insurance	39,208
Professional services:	
Auditing	49,950
Engineering	117,193
Legal	21,179
Financial advisor	1,500
Edwards Aquifer Authority management fee	100,831
Other administrative expenses	244,242
Depreciation	<u>478,718</u>
 Total operating expenses	 <u><u>\$ 2,182,481</u></u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

**SCHEDULE OF TEMPORARY INVESTMENTS
(UNAUDITED)**

Year ended December 31, 2020

<u>Type</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
NONE				\$ <u>-</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS
(UNAUDITED)

Year ended December 31, 2020

Due During the Fiscal Years Ending	Series 2009-R		
	Principal Due July 1	Interest Due January 1 and July 1	Total
2021	\$ 14,000	\$ 37,405	\$ 51,405
2022	15,000	36,794	51,794
2023	16,000	36,138	52,138
2024	16,000	35,438	51,438
2025	17,000	34,738	51,738
2026	18,000	33,994	51,994
2027	19,000	33,206	52,206
2028	20,000	32,375	52,375
2029	21,000	31,500	52,500
2030	22,000	30,580	52,580
2031	23,000	26,619	49,619
2032	24,000	28,613	52,613
2033	25,000	27,563	52,563
2034	26,000	26,469	52,469
2035	27,000	25,331	52,331
2036	29,000	24,150	53,150
2037	30,000	22,881	52,881
2038	31,000	21,569	52,569
2039	33,000	20,213	53,213
2040	34,000	18,769	52,769
2041	36,000	17,281	53,281
2042	38,000	15,706	53,706
2043	40,000	14,044	54,044
2044	42,000	12,294	54,294
2045	43,000	10,456	53,456
2046	46,000	8,575	54,575
2047	48,000	6,562	54,562
2048	50,000	4,462	54,462
2049	<u>52,000</u>	<u>2,276</u>	<u>54,276</u>
Totals	<u>\$ 855,000</u>	<u>\$ 676,001</u>	<u>\$ 1,531,001</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS
(UNAUDITED)

Year ended December 31, 2020

Due During the Fiscal Years Ending	Series 2013		
	Principal Due July 1	Interest Due January 1 and July 1	Total
2021	\$ 207,000	\$ 3,560	\$ 210,560
Totals	<u>\$ 207,000</u>	<u>\$ 3,560</u>	<u>\$ 210,560</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS
(UNAUDITED)

Year ended December 31, 2020

Due During the Fiscal Years Ending	Series 2014		
	Principal Due July 1	Interest Due January 1 and July 1	Total
2021	\$ 95,000	\$ 63,763	\$ 158,763
2022	100,000	59,488	159,488
2023	105,000	54,987	159,987
2024	110,000	51,575	161,575
2025	110,000	48,000	158,000
2026	115,000	44,425	159,425
2027	120,000	40,256	160,256
2028	125,000	35,906	160,906
2029	135,000	30,906	165,906
2030	140,000	25,506	165,506
2031	145,000	19,906	164,906
2032	150,000	13,563	163,563
2033	<u>160,000</u>	<u>7,000</u>	<u>167,000</u>
Totals	<u>\$ 1,610,000</u>	<u>\$ 495,281</u>	<u>\$ 2,105,281</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS
(UNAUDITED)

Year ended December 31, 2020

Due During the Fiscal Years Ending	Series 2020		
	Principal Due July 1	Interest Due January 1 and July 1	Total
2021	\$ -	\$ 55,280	\$ 55,280
2022	40,000	102,581	142,581
2023	40,000	100,581	140,581
2024	45,000	98,581	143,581
2025	50,000	96,332	146,332
2026	50,000	93,831	143,831
2027	50,000	91,331	141,331
2028	55,000	88,831	143,831
2029	50,000	86,081	136,081
2030	55,000	83,582	138,582
2031	55,000	80,831	135,831
2032	60,000	78,081	138,081
2033	60,000	75,081	135,081
2034	230,000	72,081	302,081
2035	240,000	60,582	300,582
2036	245,000	55,781	300,781
2037	250,000	50,881	300,881
2038	255,000	45,881	300,881
2039	260,000	40,781	300,781
2040	265,000	35,582	300,582
2041	275,000	30,281	305,281
2042	280,000	24,438	304,438
2043	285,000	18,488	303,488
2044	290,000	12,431	302,431
2045	295,000	6,269	301,269
Totals	<u>\$ 3,780,000</u>	<u>\$ 1,584,480</u>	<u>\$ 5,364,480</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS
(UNAUDITED)

Year December 31, 2020

Due During the Fiscal Years Ending	All Bonded Debt		
	Principal Due July 1	Interest Due January 1 and July 1	Total
2021	\$ 316,000	\$ 160,008	\$ 476,008
2022	155,000	198,863	353,863
2023	161,000	191,706	352,706
2024	171,000	185,594	356,594
2025	177,000	179,070	356,070
2026	183,000	172,250	355,250
2027	189,000	164,793	353,793
2028	200,000	157,112	357,112
2029	206,000	148,487	354,487
2030	217,000	139,668	356,668
2031	223,000	127,356	350,356
2032	234,000	120,257	354,257
2033	245,000	109,644	354,644
2034	256,000	98,550	354,550
2035	267,000	85,913	352,913
2036	274,000	79,931	353,931
2037	280,000	73,762	353,762
2038	286,000	67,450	353,450
2039	293,000	60,994	353,994
2040	299,000	54,351	353,351
2041	311,000	47,562	358,562
2042	318,000	40,144	358,144
2043	325,000	32,532	357,532
2044	332,000	24,725	356,725
2045	338,000	16,725	354,725
2046	46,000	8,575	54,575
2047	48,000	6,562	54,562
2048	50,000	4,462	54,462
2049	52,000	2,276	54,276
Totals	<u>\$ 6,452,000</u>	<u>\$ 2,759,322</u>	<u>\$ 9,211,322</u>

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

SCHEDULE OF CHANGES IN LONG-TERM BONDED DEBT
(UNAUDITED)

Year ended December 31, 2020

	Bonds				
	Series 2009-R	Series 2013	Series 2014	Series 2020	Total
Interest rate	4.375%	1.720%	3.250%-4.500%	2.00%-5.00%	N/A
Dates interest payable	1-1; 7-1	1-1; 7-1	1-1; 7-1	1-1; 7-1	N/A
Maturity dates	7/1/2049	7/1/2021	7/1/2033	7/1/2045	N/A
Beginning bonds outstanding	\$ 869,000	\$ 408,000	\$ 1,705,000	\$ -	\$ 2,982,000
Bonds sold during the fiscal year	-	-	-	3,780,000	3,780,000
Bonds retired during the fiscal year	<u>14,000</u>	<u>201,000</u>	<u>95,000</u>	<u>-</u>	<u>310,000</u>
Ending bonds outstanding	<u>\$ 855,000</u>	<u>\$ 207,000</u>	<u>\$ 1,610,000</u>	<u>\$ 3,780,000</u>	<u>\$ 6,452,000</u>
Interest paid during fiscal year	<u>\$ 38,018</u>	<u>\$ 7,018</u>	<u>\$ 68,038</u>	<u>\$ -</u>	<u>\$ 113,074</u>

Paying agent's name and City:

Series 2009-R	Wells Fargo Bank, Texas, N.A.	Austin, Texas
Series 2013	BB&T Governmental Finance	Charlotte, North Carolina
Series 2014	Bank of Texas Corporate Trust	Austin, Texas
Series 2020	UMB Bank, N.A.	Austin, Texas

Bond authority:	<u>Revenue Bonds</u>	<u>Refunding Bonds</u>
Amount authorized	\$ 7,005,000	\$ 1,566,000
Amount issued	<u>7,005,000</u>	<u>1,566,000</u>
Remaining to be issued	<u>\$ -</u>	<u>\$ -</u>

Restricted cash and cash equivalent balances as of December 31, 2020, are as follows: \$695,405

Average annual debt service payment (principal and interest) for remaining term of all debt: \$317,631

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

COMPARATIVE SCHEDULES OF REVENUES AND EXPENSES

ENTERPRISE FUND – FIVE YEARS

(UNAUDITED)

Year ended December 31,

	A M O U N T S		
	2020	2019	2018
Operating revenues:			
Water sales, net of bad-debt expense	\$ 2,096,151	\$ 1,701,971	\$ 1,613,625
Late fees and reconnection charges	110,513	116,351	133,535
Customer deposits	21,098	18,686	14,961
Connection fees	322,711	236,639	121,074
Connection cost	(163,057)	(84,898)	(51,190)
Water acquisition fees	<u>264,684</u>	<u>151,617</u>	<u>91,669</u>
Total operating revenues	<u>2,652,100</u>	<u>2,140,366</u>	<u>1,923,674</u>
Operating expenses:			
Salaries	673,362	611,558	538,175
Utilities	142,297	145,554	130,135
Repairs and maintenance	201,403	208,619	180,954
Vehicle expense	42,550	51,644	43,308
Insurance	39,208	103,621	90,151
Payroll taxes	50,617	52,937	41,747
Professional services	189,822	98,932	108,842
Retirement plan expense	19,431	21,958	21,803
Edwards Aquifer Authority management fee	100,831	101,789	99,154
Other administrative expenses	244,242	165,695	131,631
Depreciation	<u>478,718</u>	<u>483,640</u>	<u>537,063</u>
Total operating expenses	<u>2,182,481</u>	<u>2,045,947</u>	<u>1,922,963</u>
Net operating income	<u>469,619</u>	<u>94,419</u>	<u>711</u>
Nonoperating revenues (expenses):			
Interest income	12,824	43,699	43,678
Gain (loss) on sale of asset	1,900	(1,722)	-
Other income	1,424	26,448	477,633
Lease income	36,325	26,325	72,225
Interest income	<u>(285,271)</u>	<u>(133,914)</u>	<u>(108,110)</u>
Total nonoperating revenues (expenses), net	<u>(232,798)</u>	<u>(39,164)</u>	<u>485,426</u>
Increase in net position, before capital contributions	236,821	55,255	486,137
Capital contributions	<u>-</u>	<u>-</u>	<u>174,025</u>
Change in net position	<u>\$ 236,821</u>	<u>\$ 55,255</u>	<u>\$ 660,162</u>

		PERCENT OF FUND TOTAL REVENUES				
2017	2016	2020	2019	2018	2017	2016
\$ 1,652,637	\$ 1,558,576	79.04	79.52	83.88	84.10	84.79
123,820	113,976	4.17	5.44	6.94	6.30	6.20
13,423	12,924	0.79	0.87	0.78	0.68	0.70
126,685	99,474	12.17	11.06	6.29	6.45	5.41
(45,650)	(23,530)	(6.15)	(3.97)	(2.66)	(2.32)	(1.28)
94,203	76,697	9.98	7.08	4.77	4.79	4.18
1,965,118	1,838,117	100.00	100.00	100.00	100.00	100.00
475,866	501,732	25.39	28.57	27.98	24.22	27.30
124,882	112,108	5.37	6.80	6.76	6.35	6.10
171,551	179,793	7.59	9.75	9.41	8.73	9.78
25,648	30,898	1.60	2.41	2.25	1.31	1.68
97,605	106,930	3.89	4.84	4.69	4.97	5.82
37,866	34,428	1.91	2.47	2.17	1.93	1.87
64,625	57,936	7.16	4.62	5.66	3.29	3.15
21,220	12,082	0.73	1.03	1.13	1.08	0.66
85,711	94,410	3.80	4.76	5.15	4.36	5.14
131,125	121,379	6.80	7.74	6.84	6.67	6.60
512,902	481,963	18.05	22.60	27.92	26.10	26.22
1,749,001	1,733,659	82.29	95.59	99.96	89.01	94.32
216,117	104,458	17.71	4.41	0.04	10.99	5.68
22,868	15,368	0.48	2.04	2.27	1.16	0.84
12,507	11,955	0.07	(0.08)	-	0.64	0.65
151,986	123,693	0.05	1.24	24.83	7.73	6.73
72,225	61,727	1.37	1.23	3.75	3.68	3.36
(125,860)	(118,430)	(10.75)	(6.26)	(5.62)	(6.40)	(6.44)
133,726	94,313	(8.78)	(1.83)	25.23	6.81	5.14
349,843	198,771	8.93	2.58	25.27	17.80	10.81
-	-	-	-	9.05	-	-
\$ 349,843	\$ 198,771	8.93	2.58	34.32	17.80	10.81

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

SCHEDULE OF BOARD MEMBERS, KEY ADMINISTRATIVE PERSONNEL AND CONSULTANTS (UNAUDITED)

Year ended December 31, 2020

Complete District mailing address: East Medina County Special Utility District
Post Office Box 628
Devine, Texas 78016

District business telephone number: (830) 709-3879

Submission date for the most recent District registration form (TWC Sections 36.054 and 49.954): August 21, 2020

Limit on fees of office that a director may receive during a fiscal year: Zero
(set by Board resolution-TWC Section 49.060)

Name and Address	Term of Office (Elected or Appointed) or Date Hired	Fees Fiscal Year Ended December 31, 2020	Expense Reimbursements Fiscal Year Ended December 31, 2020	Title at Year End
<u>Board Members</u>				
Roy J. Tschirhart, Jr. 2710 FM 1343 Devine, Texas 78016	Elected 08/18-08/21	\$ -	\$ -	Member
Timothy Hildenbrand Post Office Box 508 Castroville, Texas 78009	Elected 08/19-08/22	-	-	Member
Hector De La Fuente 165 CR 5705 Devine, Texas 78016	Elected 08/20-08/23	-	-	Member
JoNell M. Tarvin 530 CR 366 Hondo, Texas 78861	Elected 08/20-08/23	-	-	Secretary/ Treasurer
Caroline A. Nentwich 930 CR 651 Devine, Texas 78016	Elected 08/18-08/21	-	-	Vice-President
Richard A. Sultenfuss Post Office Box 425 Devine, Texas 78016	Elected 08/19-08/22	-	-	2nd Vice-President
Gina Mangold Post Office Box 735 Castroville, Texas 78009	Elected 08/20-08/23	-	-	President

(continued)

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

SCHEDULE OF BOARD MEMBERS, KEY ADMINISTRATIVE PERSONNEL AND CONSULTANTS (UNAUDITED)

Year ended December 31, 2020

Name and Address	Term of Office (Elected or Appointed) or Date Hired	Fees Fiscal Year Ended December 31, 2020	Expense Reimbursements Fiscal Year Ended December 31, 2020	Title at Year End
<u>Key Administrative Personnel</u>				
Bruce Alexander 516 Vienna Castroville, Texas 78009	04/08	\$ -	\$ 931	Superintendent
Debora DuBose 607 West Coker Devine, Texas 78016	09/03	-	414	Business Manager
Ronald Lemmons 100 Sunnyland Drive Castroville, Texas 78009	10/18	-	135	Field Manager/ Operator D License
<u>Consultants</u>				
RSM US LLP 19026 Ridgewood Parkway, Suite 400 San Antonio, Texas 78259	1998	49,950	-	Auditors
Patrick Lindner Davidson Troilo Ream & Garza, PC 601 NW Loop 410, Suite 100 San Antonio, Texas 78216	1999	15,523	-	Legal Issues General Counsel
Frost Capital Markets Duncan Morrow Senior Vice-President/Capital Markets 111 West Houston Street, 8th Floor San Antonio, Texas 78205	2014	1,500	-	Financial Advisors
Gostomski and Hecker, PC Ed Hecker 607 Urban Loop San Antonio, Texas 78204	2019	1,449	-	Legal Counsel
Bickerstaff, Heath, Delgado, Acosta, LLP 3711 S. Mopac Expressway Building One, Suite 300 Austin, Texas 78746	2014	4,908	-	CCN Attorney
RESPEC Russell Persyn Post Office Box 725 Rapid City, South Dakota 57709	2018	116,030	-	Engineer
McCall, Parkhurst & Horton, LLP Tom Spurgeon 700 N. St. Mary's, Suite 1525 San Antonio, Texas 78205	2020	17,275	-	Bond Counsel

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

U.S. DEPARTMENT OF AGRICULTURE (USDA) NON-DISCRIMINATION STATEMENT (UNAUDITED)

Year ended December 31, 2020

USDA requires the District to include the following non-discrimination statement on all materials produced for public information.

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://ascr.usda.gov/complaintfiling_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

- (1) Mail U.S. Department of Agriculture
 Office of the Assistant Secretary for Civil Rights
 1400 Independence Avenue, SW
 Washington, D.C. 20250-9410;
- (2) Fax (20) 690-7442; or
- (3) Email program.intake@usda.gov

USDA is an equal opportunity provider, employer, and lender.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

U.S. DEPARTMENT OF AGRICULTURE (USDA) NON-DISCRIMINATION STATEMENT (UNAUDITED)

Year ended December 31, 2020

Spanish Translation

De acuerdo con la ley federal de derechos civiles y las reglamentaciones y las reglamentaciones y políticas de derechos civiles de! Departamento de Agricultura de Estados Unidos (U.S. Department of Agriculture, USDA), se prohíbe al USDA, sus agencias, oficinas y empleados, e instituciones que participan o administran las programas del USDA, discriminar por motivos de raza, color, origen nacional, religión, género, identidad de género (incluidas las expresiones degenera), orientación sexual, discapacidad, edad, estado civil, estado familiar/parental, ingresos derivados de un programa de asistencia pública, creencias políticas, o reprimendas o represalias por actividades previas sobre derechos civiles, en cualquier programa o actividad llevados a cabo o financiados por el USDA (no todas las bases se aplican a todos los programas). Las fechas límite para la presentación de remedios y denuncias varían según el programa o el incidente.

Las personas con discapacidades que requieran medias alternativas de comunicación para obtener información sobre el programa (por ej., Braille, letra grande, cinta de audio, lenguaje americano de señas, etc.) deberán comunicarse con la Agencia responsable o con el Centro TARGET del USDA al (202) 720-2600 (voz y TTY) o comunicarse con el USDA a través del Servicio Federal de Transmisiones al (800) 877-8339. Asimismo, se puede disponer de información del programa en otros idiomas además de inglés.

Para presentar una denuncia por discriminación en el programa, complete el Formulario de denuncias por discriminación en el programa del USDA, AD-3027, que se encuentra en línea en http://www.ascr.usda.gov/complaintfiling_cust.html, o en cualquier oficina del USDA, o escriba una carta dirigida al USDA e incluya en la carta toda la información solicitada en el formulario. Para solicitar una copia del formulario de denuncias, llame al (866) 632-9992. Envíe su formulario completado o su carta al USDA por las siguientes medias:

- (1) correo: U.S. Department of Agriculture,
Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW
Washington, D.C. 20250-9410;
- (2) fax: (202) 690-7442; o
- (3) correo electrónico: program.intake@usda.gov.

El Departamento de Agricultura de Estados Unidos (USDA) es un proveedor, empleador y prestador que ofrece igualdad de oportunidades.



ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF Medina

I, Lauren Evans of the

(Name of Duly Authorized District Representative)

East Medina County 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 16th day of March 2021 its annual audit report for the fiscal year or period ended 2020 and those copies of the annual audit report have been filed in the district office, located at:

16313 FM 471 South, Devine, Texas 78016

(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.

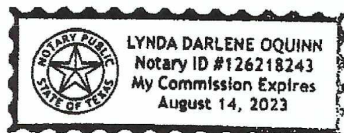
Date: 3/18/2021 By: Lauren Evans
(Signature of District Representative)

Lauren Evans, Business Manager

(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 18 day of March 2021
(SEAL)

Lynda D. O'Quinn
(Signature of Notary)



My Commission Expires On: August 14, 2023
Notary Public in the State of Texas.

TCEQ-0723 (Rev. 07/2012)