

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Financial Statements
(With Auditor's Report Thereon)

For the Year Ended September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wylie Northeast Special Utility District
Wylie, Texas

Opinions

We have audited the accompanying financial statements of the business-type activities of the Wylie Northeast Special Utility District (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 02, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vail + Park, P.C.

Richardson, Texas

February 02, 2023

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Management's Discussion and Analysis
For the Year Ended September 30, 2022

As management of the Wylie Northeast Special Utility District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2022.

Financial Highlights

- The District's assets and deferred outflows of resources exceeded its liabilities at the close of the most recent fiscal year by \$17,290,168 (Net Position). Of this amount \$7,172,749, (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District had \$6,110,546 of Program Revenues.
- The District's Total Net Position increased by \$2,541,043.
- The District spent \$1,354,954 on Capital Assets.
- The District decreased Long-Term Debt by \$107,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) government-wide financial statements and 2) notes to the financial statements.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The business-type activity of the District is water service.

The government-wide financial statements include only the District itself (known as the primary government).

The government-wide financial statements can be found on pages 8-9 of this report.

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Management’s Discussion and Analysis
For the Year Ended September 30, 2022

Fund Accounting. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund of the District is a proprietary fund. The proprietary fund is considered to be a major fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-22 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,290,168 at the close of the most recent fiscal year.

Approximately 62 percent of the District’s net position reflects its investment in capital assets (e.g. distribution system, land and easements, and equipment). The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. *Without Donor restrictions net position* (38 percent) may be used to meet the District’s ongoing obligations to customers and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all categories of net position for the government as a whole.

Financial Analysis of the District as a Whole

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT - Net Position		
	2022	2021
Assets:		
Cash & Cash Equivalents	\$ 8,166,017	\$ 6,227,521
Other Assets	707,691	577,299
Non-Current Assets	11,874,419	10,999,807
Net Pension Asset	39,094	10,084
Total Assets	<u>\$ 20,787,221</u>	<u>\$ 17,814,711</u>
Deferred Outflows of Resources		
	<u>43,017</u>	<u>38,285</u>
Liabilities:		
Current Liabilities	\$ 1,844,302	\$ 1,341,362
Non-Current Liabilities	1,644,000	1,757,000
Total Liabilities	<u>3,488,302</u>	<u>3,098,362</u>
Deferred Inflows of Resources		
	<u>51,768</u>	<u>5,509</u>
Net Position:		
Net Investment in Capital Assets	10,117,419	9,135,807
Without Donor Restrictions	7,172,749	5,613,318
Total Net Position	<u>\$ 17,290,168</u>	<u>\$ 14,749,125</u>

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Management's Discussion and Analysis
For the Year Ended September 30, 2022

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT - Change in Net Position			
		2022	2021
Program Revenue:			
Charges for Services		\$ 6,012,600	\$ 4,876,228
Other		97,946	79,441
		<u>6,110,546</u>	<u>4,955,669</u>
General Revenues:			
Interest Income		81,864	37,790
Intergovernmental Revenue		-	-
	Total Revenues	<u>6,192,410</u>	<u>4,993,459</u>
Expenses:			
Water		3,093,147	2,653,008
Depreciation		480,242	413,618
Interest		77,978	83,768
	Total Expenses	<u>3,651,367</u>	<u>3,150,394</u>
Increase/(Decrease) in Net Position		2,541,043	1,843,065
Net Position - Beginning		<u>14,749,125</u>	<u>12,906,060</u>
Net Position - Ending		<u>\$ 17,290,168</u>	<u>\$ 14,749,125</u>

Capital Asset & Debt Administration

Capital Assets. The District's investment in capital assets for its business-type activities as of September 30, 2022, amounts to \$10,117,419 (Net of Accumulated Depreciation). This Investment in Capital Assets includes Wells, Storage, Distribution System, Land, Easements, Buildings, Equipment, and Water Rights.

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

- Purchase of Generators for \$114,776.
- Purchase of water and sewer equipment for \$131,754.
- Started construction of various construction projects with year-to-date cost of \$1,108,324.

Additional information on the District's Capital Assets can be found on page 20 of the notes within this report.

Long-Term Debt. The District has \$1,330,000 of Revenue Bonds, 2007 Series, outstanding secured by a first lien on and pledge of the net revenues of the District.

The District has \$427,000 of Revenue Bonds, Series 2015, outstanding secured by first lien on and pledge of the net revenues of the District.

Additional information on the District's long-term debt can be found on page 20 of the notes within this report.

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Management's Discussion and Analysis
For the Year Ended September 30, 2022

Economic Factors and Next Year's Budgets & Rates

The board did not adjust the water and sewer service rates and the leak adjustment rate during the fiscal year. It is the Board's intention that the district be able to operate with an increase in net position even if new customer tap fees and inspection fees are not available. It is the Board's goal to have an annual increase in net position. This increase will ensure the District's ability to maintain and improve the system and its services to customers.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Wylie Northeast Special Utility District, P. O. Box 1029, Wylie, Texas 75098.

BASIC FINANCIAL STATEMENTS

WYLIE NORTHEAST SPECIAL UTILITY DISTRICTStatement of Net Position
For the Year Ended September 30, 2022

	<u>Primary Government</u> <u>Business-Type</u> <u>Activities</u>
ASSETS	
Cash & Investments	\$ 7,323,334
Cash & Investments - Restricted	842,683
Accounts Receivable (Net)	515,964
Inventories	191,727
Depreciable Capital Assets, net	8,263,678
Land and Non-Depreciable Assets	213,338
Construction in Progress	3,397,403
Net Pension Asset	39,094
Total Assets	<u><u>20,787,221</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to TCDRS	43,017
Combined Assets and Deferred Outflow of Resources	<u><u>20,830,238</u></u>
LIABILITIES	
Accounts Payable	1,048,212
Accrued Interest Payable	10,011
Other Accrued Liabilities	19,741
Member Deposits	653,338
Noncurrent Liabilities:	
Due within one year	113,000
Due in more than one year	1,644,000
Total Liabilities	<u><u>3,488,302</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to TCDRS	51,768
Combined Liabilities and Deferred Inflow of Resources	<u><u>3,540,070</u></u>
NET POSITION	
Net Investment in Capital Assets	10,117,419
Unrestricted	7,172,749
Total Net Position	<u><u>\$17,290,168</u></u>

The notes to the financial statements are an integral part of this statement.

WYLIE NORTHEAST SPECIAL UTILITY DISTRICTStatement of Activities
For the Year Ended September 30, 2022

Functions/Programs	<u>Expenses</u>	<u>Program Revenue Charges For Services</u>	<u>Net (Expense)/Revenue and Changes in Net Position Primary Government Business-Type Activities</u>
Primary Government:			
Business-Type Activities:			
Water	\$ 3,093,147	\$ 6,012,600	\$ 2,919,453
Interest on Long-Term Debt	77,978	-	(77,978)
Depreciation & Amortization	480,242	-	(480,242)
Total Business-Type Activities	<u>3,651,367</u>	<u>6,012,600</u>	<u>2,361,233</u>
Total Primary Government	<u>\$ 3,651,367</u>	<u>6,012,600</u>	<u>2,361,233</u>
General Revenues:			
Investment Earnings			81,864
Miscellaneous Income			<u>97,946</u>
Total General Revenues			<u>179,810</u>
Change in Net Position			2,541,043
Net Position - Beginning			<u>14,749,125</u>
Net Position - Ending			<u>\$ 17,290,168</u>

The notes to the financial statements are an integral part of this statement.

WYLIE NORTHEAST SPECIAL UTILITY DISTRICTStatement of Net Position – Proprietary Fund
September 30, 2022**ASSETS**

Current Assets:

Cash & Cash Equivalents	\$ 7,300,800
Cash & Cash Equivalents - Restricted	842,683
Investments	22,534
Receivables:	
Water Billings	520,964
Less: Allowance for Uncollectibles	(5,000)
Supplies Inventory	191,727
Total Current Assets	<u>8,873,708</u>

Non-Current Assets:

Capital Assets:

Land	213,338
Buildings & Improvements	1,155,328
Vehicles	498,404
Water Services Equipment	154,910
Office Equipment	44,775
Water Distribution System	9,632,335
Construction in Progress	3,397,403
Billing Software	65,273
Less: Accumulated Depreciation	<u>(3,287,347)</u>
Total Capital Assets (Net of Accumulated Depreciation)	11,874,419
Net Pension Asset	<u>39,094</u>
Total Non-Current Assets	<u>11,913,513</u>
 Total Assets	 <u>20,787,221</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to TCDRS	<u>43,017</u>
 Combined Assets and Deferred Outflow of Resources	 <u>\$ 20,830,238</u>

The notes to the financial statements are an integral part of this statement.

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Statement of Net Position – Proprietary Fund

September 30, 2022

Continued

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 1,048,212
Accrued Expenses	19,741
Member Deposits	653,338
Payable from Restricted Assets:	
Accrued Interest	10,011
Current Portion of Notes & Bonds Payable	113,000
Total Current Liabilities	<u>1,844,302</u>

Non-Current Liabilities:

Bonds Payable	<u>1,644,000</u>
Total Non-Current Liabilities	<u>1,644,000</u>

Total Liabilities	<u>3,488,302</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to TCDRS	<u>51,768</u>
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Combined Liabilities and Deferred Inflow of Resources	<u>3,540,070</u>
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NET POSITION

Net Investment in Capital Assets	10,117,419
Unrestricted	<u>7,172,749</u>
Total Net Position	<u>17,290,168</u>

Total Liabilities & Net Position	<u>\$ 20,830,238</u>
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The notes to the financial statements are an integral part of this statement.

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Statement of Revenues, Expenses and
Changes in Net Position – Proprietary Fund
For the Year Ended September 30, 2022

OPERATING REVENUES

Charges for Services	\$ 4,991,413
Tap Connections & Inspections	1,021,187
Other Revenues	<u>125,798</u>
Total Operating Revenues	<u>6,138,398</u>

OPERATING EXPENSES

Water Purchases	1,381,220
System & Equipment Maintenance	474,173
Salaries, Benefits & Payroll Taxes	807,661
Professional Fees	41,698
Utilities	62,045
Regulatory Assessments & Fees	26,956
Insurance	30,124
Contract Services	45,604
Equipment & Storage Rental	1,511
Directors Fees	13,200
Office Printing, Postage & Data Processing	90,883
Bank & Credit Card Charges	114,366
Dues, Subscriptions & Education	3,706
Depreciation	<u>480,242</u>
Total Operating Expenses	<u>3,573,389</u>

Operating Income2,565,009**NON-OPERATING REVENUES/(EXPENSES)**

Interest Income	81,864
Insurance Proceeds (Net)	(27,852)
Interest Expense	<u>(77,978)</u>
Total Non-Operating Revenues/(Expenses)	<u>(23,966)</u>

Change in Net Position 2,541,043

Net Position - Beginning 14,749,125Net Position - Ending \$ 17,290,168

The notes to the financial statements are an integral part of this statement.

WYLIE NORTHEAST SPECIAL UTILITY DISTRICTStatement of Cash Flows – Proprietary Fund
For the Year Ended September 30, 2022

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 6,127,910
Cash Received from Other Governments	(1,613)
Cash Paid to Employees	(807,661)
Cash Paid to Suppliers	(1,892,213)
Net Cash Provided by/(Used in) Operating Activities	<u>3,426,423</u>
Cash Flows from Investing Activities:	
Interest Received	81,864
Sale/(Purchase) of Investments	(125)
Insurance Proceeds (Net)	(27,852)
Net Cash Provided by/(Used in) Investing Activities	<u>53,887</u>
Cash Flows from Capital & Related Financing Activities:	
Purchase of Capital Assets	(1,354,954)
Principal Paid on Bonds Payable	(107,000)
Interest Paid on Capital Debt	(80,085)
Net Cash Provided by/(Used in) Capital & Related Financing Activities	<u>(1,542,039)</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	1,938,271
Cash & Cash Equivalents - Beginning	<u>6,205,112</u>
Cash & Cash Equivalents - Ending	<u>\$ 8,143,383</u>

Reconciliation of Operating Income/(Loss) to Net Cash Provided by /(Used in) Operating Activities

Operating Income	\$ 2,565,009
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	480,242
(Increase)/Decrease in Accounts Receivable	(102,901)
(Increase)/Decrease in Other Receivables	(1,613)
(Increase)/Decrease in Supplies Inventory	(25,878)
(Increase)/Decrease in Net Pension Asset	(29,010)
(Increase)/Decrease in Deferred Outflow of Resources	(4,732)
Increase/(Decrease) in Accounts Payable	403,290
Increase/(Decrease) in Accrued Expense	3,344
Increase/(Decrease) in Member Deposits	92,413
Increase/(Decrease) in Deferred Inflow of Resources	46,259
Net Cash Provided/(Used) by Operating Activities	<u>\$ 3,426,423</u>
Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for Interest	<u>\$ 77,978</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Wylie Northeast Special Utility District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The Wylie Northeast Water Supply Corporation was organized in 1964 by a group of local patrons, created for the purpose of providing water service to an area designated by the Texas Commission on Environmental Quality (TCEQ). On September 20, 2005, Wylie Northeast Water Supply Corporation converted to Wylie Northeast Special Utility District.

The District provides retail water services to its customers and participates in the North Texas Municipal Water District System.

The District has no component units nor is the District a component unit of another entity.

Government – Wide & Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by operating revenues. *Operating Expenses* are those that are clearly identifiable with a specific function or segment. *Operating Revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Interest earnings and expense and other items not properly included among operating revenues and expense are reported instead as *Non-Operating Revenues and Expense*.

Measurement Focus, Basis of Accounting & Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District has no governmental funds.

The District reports the following proprietary fund:

The *Proprietary Fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District's proprietary fund is for water service.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets, Liabilities & Net Position or Equity

Deposits & Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments. Investments are stated at fair value.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year end are recorded as prepaid items.

With Donor Restriction Assets

Certain resources set aside for the repayment of principal and interest on long-term debt, are classified as with donor restriction assets on the Statement of Net Position. These resources are maintained in separate bank accounts.

The district is required to accumulate the amount required to pay principal and interest due on the next payment due date.

The District is also required to accumulate, in no more than sixty months after issuance, money and investments in an aggregate amount at least equal to the average annual principal and interest requirements on the revenue bonds.

Inventories

Inventories consist primarily of supplies, valued at cost determined by first-in first-out method.

Capital Assets

Property and equipment is recorded at cost. The District capitalizes all assets with a cost greater than \$1,000 and life expectancy of at least three years. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis beginning when the asset is placed in service as follows:

<u>Class of Property</u>	<u>Estimated Lives</u>
Buildings & Improvements	10-39 years
Water Distribution System	10-50 years
Vehicles	5 years
Water Service Equipment	5-10 years
Office Equipment	3-10 years
Billing Software	10 years

Income Taxes

The District is exempt from Federal income taxes.

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets, Liabilities & Net Position or Equity *(continued)*

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service. Vacation is normally taken by December 31st of each year and not carried forward; therefore, no accrual has been made for unused vacation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the lessee's balance sheet for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the District for fiscal year 2022. As of September 30, 2022, the District does not have material leases that require capitalization under ASC 842.

STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY

Budgetary Information

The annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal yearend. The budget for the next year is finalized and formally approved by the Board before the end of the preceding fiscal year.

DEPOSITS & INVESTMENTS

As of September 30, 2022, the District's bank balance was \$8,190,473. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held by the pledging financial institution's trust department or agent in the district's name. Below is a summary of the District's cash and investments as of September 30, 2022:

DEPOSITS & INVESTMENTS

As of September 30, 2022, the District's bank balance was \$8,190,473. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held by the pledging financial institution's trust department or agent in the district's name. Below is a summary of the District's cash and investments as of September 30, 2022:

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2022

DEPOSITS & INVESTMENTS *(continued)*

Description	Total	Without Donor Restrictions	With Donor Restrictions
Petty Cash	\$ 200	\$ 200	\$ -
Cash Transfer Account	2	2	-
Inwood National General Fund	4,016,365	4,016,365	-
2015 Bond I&S	27,323	-	27,323
2007 Bond I&S	38,651	-	38,651
WNE Loan Reserve Fund	208,234	-	208,234
Construction Fund #3	1,768,706	1,768,706	-
Wylie Northeast Special Utility	44,631	44,631	-
(R) Wylie Northeast Special	41,638	41,638	-
WNE INSP (Connection fees)	1,353,173	1,353,173	-
Inspiration (Builder Deposits)	76,085	76,085	-
WNE Customer Deposits	568,475	-	568,475
	<u>\$ 8,143,483</u>	<u>\$ 7,300,800</u>	<u>\$ 842,683</u>
 <u>Investments</u>			
Certificate of Deposit	<u>\$ 22,534</u>		
Total Cash & Investments	<u>\$ 8,166,017</u>		

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

Credit Risk - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The District is not exposed to credit risk since all of its investments are in U.S. Government securities.

Custodial Credit Risk – Deposits - In the case of deposits this is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District’s policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk, as all of its deposits t covered by depository insurance or pledged securities.

Custodial Credit Risk – Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government investments are with the Texas Short Term Asset Reserve (TexSTAR). The pool is a public funds investment pool created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission’s Rule 2a7 of the Investment Company Act of 1940. The reported value of the pool is the same as the fair value of the pool shares. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexSTAR. The government is not exposed to custodial credit risk for its investments.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years from the time of purchase.

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2022

DEPOSITS & INVESTMENTS (continued)

Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The District is not exposed to concentration of credit risk.

RECEIVABLES

At September 30, 2022 there were \$520,964 in customer accounts receivable, net of an allowance for doubtful accounts of \$(5,000).

CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 09/30/21	Additions	Retirements	Balance 09/30/22
Capital Assets Not Being Depreciated:				
Land	\$ 213,338	\$ -	\$ -	\$ 213,338
Construction in Progress	2,289,079	1,108,324	-	3,397,403
Total Capital Assets Not Being Depreciated	2,502,417	1,108,324	-	3,610,741
Capital Assets Being Depreciated:				
Buildings & Improvements	1,155,328	-	-	1,155,328
Equipment - Vehicles	498,404	-	-	498,404
Equipment - Maintenance	154,910	-	-	154,910
Equipment - Office	44,775	-	-	44,775
Water Distribution Assets	9,385,805	246,630	-	9,632,435
Billing Software	65,273	-	-	65,273
Total Capital Assets Being Depreciated	11,304,495	246,630	-	11,551,125
Less: Accumulated Depreciation	(2,807,105)	(480,242)	-	(3,287,347)
Total Capital Assets Being Depreciated - Net	8,497,390	(233,612)	-	8,263,778
Total Capital Assets - Net	\$10,999,807	\$ 874,712	\$ -	\$11,874,519

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2022

LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2022 was as follows:

	Issue	Interest	Balance 09/30/21	Additions	Retirements	Balance 09/30/22	Current Portion
Revenue Bond - Series 2007	\$ 2,005,000	4.50%	\$ 1,390,000	\$ -	\$ (60,000)	\$ 1,330,000	\$ 65,000
Refunding Bond - Series 2015	\$ 755,000	2.79%	474,000	-	(47,000)	427,000	48,000
			<u>\$ 1,864,000</u>	<u>\$ -</u>	<u>\$ (107,000)</u>	<u>\$ 1,757,000</u>	<u>\$ 113,000</u>

Interest expense for the year ended September 30, 2022 was \$77,978.

Bond debt service requirements to maturity are as follows:

Fiscal Year End September 30	Principal	Interest	Total
2023	\$ 113,000	\$ 76,253	\$ 189,253
2024	115,000	72,184	187,184
2024-2028	650,000	293,540	943,540
2029-2033	534,000	161,646	695,646
2034-2037	345,000	35,000	380,000
	<u>\$ 1,757,000</u>	<u>\$ 638,623</u>	<u>\$ 2,395,623</u>

OPERATING LEASES

On July 15, 2021, the District executed a 60-month lease for a postage machine. The lease calls for quarterly payments of \$246.

Future minimum lease payments are as follows:

Leases:

Fiscal Year End September 30	
2023	\$ 983
2024	983
2025	983
2026	983
2027	737
	<u>\$ 4,669</u>

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2022

RETIREMENT PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 701 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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, death, or disability, 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.

Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances as of December 31, 2020	\$ 269,631	\$ 259,547	\$ 10,084
Changes for the year:			
Service cost	52,629	-	52,629
Interest	24,176	-	24,176
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(16,748)	-	(16,748)
Effect of assumptions changes or inputs	1,774	-	1,774
Refund of Contributions	(8,471)	(8,471)	-
Benefit Payments	-	-	-
Administrative expenses	-	(196)	196
Member contributions	-	31,413	(31,413)
Net investment income	-	61,599	(61,599)
Employer contributions	-	16,989	(16,989)
Other	-	1,203	(1,203)
Net changes	53,360	102,537	(49,177)
Balances as of December 31, 2021	<u>\$ 322,991</u>	<u>\$ 362,084</u>	<u>\$ (39,093)</u>

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

September 30, 2022

Contributions

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. Employees for the District were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the District were 7.0% and 7.0% in calendar 2022 and 2021, respectively. The District's contributions to TCDRS for the year ended September 30, 2022 were \$31,413 and were equal to the required contributions. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Valuation Date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	18.9 Years (based on contribution rate calculated in 12/31/2021 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Projected Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at services retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule.

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Notes to the Financial Statements
September 30, 2022

Sensitivity of the Net Pension Liability to Change in the Discount Rate

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would have been if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease (6.60%)	Discount Rate (7.60%)	1% Increase (8.60%)
District's Net Pension Liability/(Asset)	<u>\$ 17,603</u>	<u>\$ (39,094)</u>	<u>\$ (85,787)</u>

Pension Expense & Deferred Inflows and Outflows of Resources

For the year ended September 30, 2022, the District recognized pension expense in the amount of \$37,112. At September 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 16,221	\$ 2,361
Changes of assumptions	277	20,322
Net difference between projected and actual earnings	35,270	-
Contributions made subsequent to measurement date	N/A	20,334
Total	<u>\$ 51,768</u>	<u>\$ 43,017</u>

\$43,017 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2022	\$ 11,966
2023	(10,203)
2024	(8,463)
2025	(8,016)
2026	55
Thereafter	5,910
Total	<u>\$ (8,751)</u>

TAX ABATEMENTS

In compliance with GASB Statement #77, the District did not have any outstanding tax abatements for the year ended September 30, 2022.

EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 02, 2022 the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT
 Statements of Revenues, Expenses and Changes in Fund Net Position
 Budget and Actual – Proprietary Fund
 For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
OPERATING REVENUES:				
Charges for Services	\$ 4,420,000	\$ 4,810,000	\$ 4,991,413	\$ 181,413
Tap Connections & Inspections	587,000	91,400	1,021,187	929,787
Other Revenues	78,300	126,470	125,798	(672)
Total Operating Revenues	5,085,300	5,027,870	6,138,398	1,110,528
OPERATING EXPENSES:				
Water Purchases	1,011,000	1,420,796	1,381,220	39,576
System & Equipment Maintenance	615,000	711,500	474,173	237,327
Salaries, Benefits & Payroll Taxes	635,600	586,491	807,661	(221,170)
Professional Fees	49,900	43,375	41,698	1,677
Utilities	80,000	80,000	62,045	17,955
Regulatory Assessments & Fees	12,000	27,000	26,956	44
Insurance	231,600	231,724	30,124	201,600
Election Cost	2,500	75	-	75
Contract Services	29,700	20,000	45,604	(25,604)
Equipment Storage & Rental	1,000	1,500	1,511	(11)
Directors Fees	16,000	13,700	13,200	500
Office, Printing & Postage	47,000	39,000	90,883	(51,883)
Bank & Credit Card Charges	70,000	103,000	114,366	(11,366)
Bad Debts	5,000	5,000	-	5,000
Dues, Subscriptions & Education	11,500	4,555	3,706	849
Capital Purchases	133,000	114,776	-	114,776
Travel	6,000	971	-	971
District Relations	5,000	4,000	-	4,000
Depreciation	175,000	175,000	480,242	(305,242)
Total Operating Expenses	3,136,800	3,582,463	3,573,389	9,074
Operating Income/(Loss)	1,948,500	1,445,408	2,565,009	1,119,601
NON-OPERATING REVENUES/ (EXPENSES):				
Interest Income	-	-	81,864	81,864
Insurance Proceeds (Net)	-	(10,537)	(27,852)	(17,315)
Interest Expense	(81,000)	(80,085)	(77,978)	2,107
Total Non-Operating Revenues/ (Expenses)	(81,000)	(90,622)	(23,966)	66,656
Change in Net Position	1,867,500	1,354,786	2,541,043	1,186,257
Net Position - Beginning	14,749,125	14,749,125	14,749,125	-
Net Position - Ending	\$ 16,616,625	\$ 16,103,911	\$ 17,290,168	\$ 1,186,257

The notes to the financial statements are an integral part of this statement.

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT
Schedule of District's Proportionate Share of Net Pension Liability
Texas County District Retirement System
For the Year Ended September 30, 2022

	<u>Plan Year 2020</u>	<u>Plan Year 2021</u>
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 10,084	\$ 10,084
Fiduciary's Proportionate Share of the Net Pension Liability (Asset)	259,547	259,547
Total	<u>\$ 269,631</u>	<u>\$ 269,631</u>
District's Covered Payroll	\$ 466,230	\$ 466,230
District's Proportionate Share as a Percentage of Payroll	2.16%	2.16%
Plan Fiduciary's Share as a Percentage of the Total Pension Liability	96.26%	96.26%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of December 31, 2019 for year 2021, and December 31, 2019 for 2020.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Schedule of District Contributions for Pension

Texas County District Retirement System

For the Year Ended September 30, 2022

	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2021</u>
Actuarially Determined Contribution	\$ 32,636	\$ 31,413
Actual Contribution	<u>(32,636)</u>	<u>(31,413)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 466,230	\$ 466,230
Contributions as a Percentage of Payroll	7.00%	6.74%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 of the preceding year.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TEXAS SUPPLEMENTARY INFORMATION

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Schedule of Services and Rates
For the Year Ended September 30, 2022

1. *Services provided by the District during the fiscal year:*

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

2. *Retail Service Connections*

a. Retail rates for a 5/8" meter (or equivalent):

Rate per 1,000 Gallons	Usage Levels
\$ 6.61	- to 5,000
7.47	5,001 to 10,000
8.47	10,001 to 15,000
9.41	15,001 to 20,000
\$ 10.34	20,001 & Over

Does the District employ winter averaging for wastewater usage? Yes No

Total Charges per 10,000 gallons usage: Water \$100.40 Wastewater \$56.00

Basic water service \$30.00 per meter, sewer \$36.00

b. Water Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
≤ 3/4"	3,032	2,989	1.0	2,989
1"	41	40	2.5	100
1 1/2"	5	5	5.0	25
2"	30	27	8.0	216
3"	3	2	15.0	30
4"	2	2	25.0	50
6"	0	0	50.0	0
8"	2	2	80.0	160
10"	0	0	115.0	0
Total Water	3,115	3,067		3,570
Total Wastewater	1,585	1,554		

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Schedule of Services and Rates
For the Year Ended September 30, 2022
(continued)

3. *Total water consumption during the fiscal year (rounded to the nearest thousand):*

Gallons pumped into system:	<u>368,868,000</u>
Gallons billed to customers:	<u>332,761,081</u>
Water Accountability Ratio: (Gallons Billed/Gallons Pumped)	<u>90.21%</u>

4. *Standby Fees* (authorized only under TWC Section 49.231):

Does the District have debt service standby fees? Yes ___ No X
If yes, date of the most recent Commission Order: _____
Does the District have Operation & Maintenance standby fees? Yes ___ No X
If yes, date of the most recent Commission Order: _____

5. *Location of District:*

County in which District is located: Collin
Is the District located entirely within one county? Yes X No ___
Is the District located within a city? Yes ___ Partly X No ___
City(ies) in which the District is located: St. Paul, Wylie, Lucas, Parker
Is the District located within a city's extra territorial jurisdiction (ETJ)? Yes ___ Partly X No ___
ETJ's in which the District is located: St. Paul, Wylie, Lucas, Parker
Are Board members appointed by an office outside the district? Yes ___ No X

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Schedule of Proprietary Fund Expenses
For the Year Ended September 30, 2022

Professional Fees:	\$ 41,698
Water Purchases	1,381,220
Contract Services	45,604
Insurance	30,124
Utilities	62,045
Repairs & Maintenance	474,173
Personnel Cost	807,661
Other Operating Costs	250,622
Interest	77,978
Depreciation & Amortization	<u>480,242</u>
Total Operating Expenses	<u>\$ 3,651,367</u>

Number of persons employed by the District 9 Full-Time 0 Part-Time
(Does not include independent contractors or consultants)

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT
Comparative Statement of Activities
Proprietary Fund
For Five Fiscal Periods Ended September 30, 2022

	Amounts					Percent of Total Revenues				
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
Operating Revenues										
Water Sales	\$ 4,991,413	3,785,238	3,198,085	\$ 2,981,023	\$ 2,394,305	81.31	74.31	65.66	70.76	66.44
Tap Fees & Inspections	1,021,187	1,083,908	641,946	1,150,459	1,011,527	16.64	21.28	13.18	27.31	28.07
Other Revenues	125,798	224,814	1,030,724	81,298	197,793	2.05	4.41	21.16	1.93	5.49
Total Operating Revenues	<u>6,138,398</u>	<u>5,093,960</u>	<u>4,870,755</u>	<u>4,212,780</u>	<u>3,603,625</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
Operating Expenses										
Water Purchases	1,381,220	935,195	795,059	638,277	561,777	22.50	18.36	16.32	15.15	15.59
System Maintenance	474,173	346,534	697,503	548,348	332,026	7.72	6.80	14.32	13.02	9.21
Salaries, Benefits & Taxes	807,661	672,575	626,192	630,958	565,706	13.16	13.20	12.86	14.98	15.70
Professional Fees	41,698	34,001	36,858	38,856	42,991	0.68	0.67	0.76	0.92	1.19
Utilities	62,045	42,997	35,531	23,095	18,948	1.01	0.84	0.73	0.55	0.53
Regulatory Assessment Fees	26,956	2,357	2,885	1,679	6,021	0.44	0.05	0.06	0.04	0.17
Insurance	30,124	19,288	19,291	17,112	13,287	0.49	0.38	0.40	0.41	0.37
Contract Services	45,604	57,472	45,061	38,897	39,357	0.74	1.13	0.93	0.92	1.09
Office & Data Processing	90,883	74,607	97,449	58,369	68,537	1.48	1.46	2.00	1.39	1.90
Other	132,783	63,281	55,646	48,607	31,521	2.16	1.24	1.14	1.15	0.87
Depreciation	480,242	269,576	220,444	189,472	181,557	7.82	5.29	4.53	4.50	5.04
Total Operating Expenses	<u>3,573,389</u>	<u>2,517,883</u>	<u>2,631,919</u>	<u>2,233,670</u>	<u>1,861,728</u>	<u>58.21</u>	<u>49.43</u>	<u>54.04</u>	<u>53.02</u>	<u>51.66</u>
Operating Income/(Loss)	<u>2,565,009</u>	<u>2,576,077</u>	<u>2,238,836</u>	<u>1,979,110</u>	<u>1,741,897</u>	<u>41.79</u>	<u>50.57</u>	<u>45.96</u>	<u>46.98</u>	<u>48.34</u>
Non-Operating Revenues/(Expenses)										
Interest Income	81,864	64,581	134,592	89,924	28,767	1.33	1.27	2.76	2.13	0.80
Insurance Proceeds (Net)	(27,852)	(18,710)	6,752	-	(13,974)	(0.45)	(0.37)	0.14	0.00	(0.39)
Gain/(Loss) on Sale of Asset	-	(7,631)	11,000	7,500	15,191	0.00	(0.15)	0.23	0.18	0.42
Interest Expense	(77,978)	(87,224)	(99,105)	(93,795)	(96,939)	(1.27)	(1.71)	(2.03)	(2.23)	(2.69)
Total Non-Operating Revenues/(Expenses)	<u>(23,966)</u>	<u>(48,984)</u>	<u>53,239</u>	<u>3,629</u>	<u>(66,955)</u>	<u>(0.39)</u>	<u>(0.96)</u>	<u>1.09</u>	<u>0.09</u>	<u>(1.86)</u>
Net Income/(Loss)	<u>\$ 2,541,043</u>	<u>\$ 2,527,093</u>	<u>\$ 2,292,075</u>	<u>\$ 1,982,739</u>	<u>\$ 1,674,942</u>	<u>41.40</u>	<u>49.61</u>	<u>47.06</u>	<u>47.06</u>	<u>46.48</u>

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Temporary Investments

September 30, 2022

Description	Acct #	Interest Rate	Maturity Date	Balance 09/30/22
Reserve Money Market	600204321	0.2%	NA	\$ 27,323
Reserve Money Market	6069658	0.2%	NA	38,651
Special Money Market	6069543	0.2%	NA	208,234
Building Money Market	6071272	0.2%	NA	1,768,706
			Total	<u>\$ 2,042,914</u>
Building Fund CD	18444	0.55%		\$ 22,534

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Changes in Long Term Bonded Debt
September 30, 2022

	<u>Series 2007</u>	<u>Series 2015</u>
Beginning Bonds Outstanding	\$ 1,390,000	\$ 474,000
Bonds issued during the year	-	-
Bonds retired during the year	(60,000)	(47,000)
Ending Outstanding Balance	<u>\$ 1,330,000</u>	<u>\$ 427,000</u>
Interest Rates	4.00% - 5.00%	2.79%
Maturity Dates	8/15/2037	8/15/2030

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Long Term Debt Service Requirements

September 30, 2022

<u>Fiscal Year End September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 113,000	\$ 76,253	\$ 189,253
2024	115,000	72,184	187,184
2025	121,000	68,059	189,059
2026	123,000	63,696	186,696
2027	129,000	59,278	188,278
2028	135,000	54,021	189,021
2029	142,000	48,486	190,486
2030	144,000	42,646	186,646
2031	90,000	36,750	126,750
2032	95,000	32,250	127,250
2033	100,000	27,500	127,500
2034	105,000	22,500	127,500
2035	110,000	17,250	127,250
2036	115,000	11,750	126,750
2037	120,000	6,000	126,000
	<u>\$ 1,757,000</u>	<u>\$ 638,623</u>	<u>\$ 2,395,623</u>

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Board Members, Key Personnel and Consultants

September 30, 2022

Wylie Northeast Special Utility District
745 Parker Rd.
Wylie, TX 75098
Telephone Number: (972) 442-2075

<u>Name & Address</u>	<u>Terms of Office Elected & Expires</u>	<u>Fees Paid 09/30/22</u>	<u>Title at Year-End</u>
<u>Board Members:</u>			
Jimmy Beach 3794 CR 1089 Celeste, TX 75423	Elected 2019-2022	\$ 4,500	President
Clinton Davis 1712 Skyview Dr. Wylie, TX 75098	Elected 2021-2024	\$ 2,250	Vice President
Ron Dawes 1917 Cobalt Bayou Lane Wylie, TX 75098	Elected 2020-2023	\$ 2,100	Director
Lance Ainsworth 2028 Megan Court Wylie, TX 75098	Elected 2021-2024	\$ 2,250	Secretary
Jason West 2019 Megan Ct. Wylie, TX 75098	Elected 2018-2023	\$ 2,250	Director

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Board Members, Key Personnel and Consultants

September 30, 2022

Continued

<u>Name & Address</u>	<u>Date Hired</u>	<u>Fees Paid 09/30/22</u>	<u>Title</u>
<u>Key Administrative Personnel</u>			
Chester W. Adams 508 S. Houston Wolfe City, TX 75496	8/2/2010	\$ 104,588	General Manager
<u>Consultants</u>			
James Wilson Rapier & Wilson, P.C. 103 W. Main St. Allen, TX 75013		\$ 20,030	Attorney
Eddy Daniel Daniel & Brown Inc., Consultants P.O. Box 606 Farmersville, TX 75442		\$ 205,884	Engineer
K. Evans & Associates, CPA's 4433 Punjab Way, Suite 102 Frisco, TX 75033		\$ 9,375	Auditor

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

To the Board of Directors

Wylie Northeast Special Utility District

Wylie, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Wylie Northeast Special Utility District (the "District"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise The District's basic financial statements and have issued our report thereon dated February 02, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-01 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

A handwritten signature in black ink that reads "Vail + Park, P.C." The signature is written in a cursive, slightly slanted style.

Richardson, Texas

February 02, 2023

WYLIE NORTHEAST SPECIAL UTILITY DISTRICT

Schedule of Findings and Questioned Cost

For the Year Ended September 30, 2022

Financial Statement Audit Finding:

Finding No. 2022-01: Inadequate internal controls over financial close process

Type of Finding: Material weakness

Criteria:

The District should implement a financial statement close process to properly close the books and ensure adjusting journal entries are recorded.

Conditions:

The books were not properly closed causing multiple (17) audit adjustments.

Cause:

Management did not have procedures in place to ensure the books were properly closed and not rolled forward correctly.

Recommendations:

We recommend that the management develop financial close procedures to ensure net assets were rolled forward from the prior year and no changes are made to previously closed books.

Management's responses:

Management proposes sending a Trial Balance and General Ledger to the audit firm once the audit is completed and the Journal Entries have been entered to ensure the intended results were achieved. Previous audit years' journal entries caused additional problems in the accounting software leaving management with transactions that were unable to be cleared or dealt with. Journal Entries received from last year's audit could not even be entered as prepared by the audit firm causing excess confusion and unfinished transactions. We feel that it is as much the responsibility of the audit firm to follow up on making sure that the desired results of the Journal Entries they prepare are achieved.