

Ector County Utility District
Annual Financial Report
For the Year Ended September 30, 2023

Table of Contents

	<u>Page No.</u>
Annual Filing Affidavit	1
 AUDITED FINANCIAL STATEMENTS	
Independent Auditor’s Report	2
Management’s Discussion and Analysis	4
Statement of Net Position and Governmental Funds Balance Sheet	9
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances	10
Notes to the Basic Financial Statements.....	11
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	21
 TEXAS SUPPLEMENTARY INFORMATION (TSI)	
TSI-1 Services and Rates.....	22
TSI-2 General Fund Expenditures	24
TSI-3 Temporary Investments	25
TSI-4 Taxes Levied and Receivable.....	26
TSI-5 Long-Term Debt Service Requirements	27
TSI-6 Changes in Long-Term Bonded Debt.....	28
TSI-7 Comparative Statement of Revenues and Expenditures - General Fund and Debt Service Fund	29
TSI-8 Board Members, Key Personnel and Consultants	31

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF: Ector

I, Stephanie Shaw of the Ector County Utility District
(Name of Duly Authorized District Representative) (Name of District)

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the District's Board of Directors on the 26th day of January, 2024 its annual audit report for the fiscal period ended September 30, 2023 and that copies of the annual audit report have been filed in the District's office, located at:

1039 N Moss, Odessa TX, 79763
(Address of the District's Office)

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: 01/26/2024 By Stephanie Shaw
(Signature of District Representative)

Stephanie Shaw President
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 26 day of January, 2024

Perla Flores
(Signature of Notary)





My Commission Expires on: 11-19-2026
Notary Public in the State of Texas.


AUDITED FINANCIAL STATEMENTS



5000 East University Blvd., Suite 3
Odessa, TX 79762

 432-550-5882

 432-550-5893

 www.HaynieCPAs.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ector County Utility District
Odessa, TX

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ector County Utility District (the "District") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 opinion.

Responsibilities of Management 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, 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 know 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 Ector County Utility District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ector County Utility District's ability to continue as a going concern for a reasonable period of time.

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

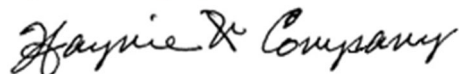
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison for the general fund 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ector County Utility District's basic financial statements. The Texas Supplementary Information as listed in the Table of Contents, is presented for the 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 Texas Supplementary Information as listed in the Table of Contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Haynie & Company



Odessa, Texas
January 26, 2024

**Ector County Utility District
Management’s Discussion and Analysis
September 30, 2023**

Our discussion and analysis of the Ector County Utility District (the District) financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 2023. The District’s financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

Management’s Discussion and Analysis introduces the District’s basic financial statements. The basic financial statements include the government – wide financial statements and notes to the financial statement. The District also includes in this report additional information to supplement the basic financial statements.

Financial Highlights

- Assets of the District exceeded its liabilities at the close of the fiscal year 2023 by \$27,363,720. Unrestricted net position at the close of fiscal year 2023 is \$9,222,674 and may be used to meet the District’s ongoing obligations.
- The District’s net position increased by \$1,856,468 during the fiscal year 2023 as a result of this year’s operations and revenues exceeding expenses.
- The District’s governmental funds reported total fund balance of \$10,218,590, which is a decrease of \$3,584,476 over the prior fiscal year. The decrease is mainly due to capital expenditures in fiscal year 2023.
- The unassigned fund balances at the end of the year was a \$3,050,639. Unassigned fund balance is available fund balance for spending at the District’s discretion and it is 30% of total fund balance. Fund balance also includes \$614,221 (6%) in nonspendable fund balance due to inventory items. The remainder of the fund balance is restricted for debt service and ongoing capital projects in the amount of \$192,728 and \$4,361,002, respectively.

Overview of the Basic Financial Statements

The District’s basic financial statements are comprised of two components: (1) Combined Government-Wide and Fund Financial Statements and (2) Notes to the Basic Financial Statements. In addition to the basic financial statements, the report also contains required supplementary information and Texas supplementary information.

In the combined government-wide and fund financial statements, the statement of net position and statement of activities columns 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 column 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 column 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.

The Statement of Net Position and Statement of Activities columns of the basic financial statements report information about the District as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year’s revenues and expenses are taken into account regarding of when cash is received or paid.

**Ector County Utility District
Management's Discussion and Analysis
September 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. The District's financial position increased during fiscal period 2023, as the District's net position increased from \$25,507,252 to \$27,363,720. The largest part of the District's net position consists of \$18,141,046 of net investment in capital assets. Net investment in capital assets consists of the District's net capital assets net of any outstanding debts used to acquire these assets and any unused proceeds restricted for the purpose of acquiring and/or constructing capital assets. The District uses capital assets to provide services, consequently, these assets are not available for future spending.

The following reflects a comparative condensed Statement of Net Position as of September 30, 2023 and 2022:

Statement of Net Position

	<u>2023</u>		<u>2022</u>
Assets			
Current and Other Assets	\$ 13,517,718	\$	18,547,804
Capital Assets, net	<u>56,680,613</u>		<u>52,644,909</u>
Total Assets	<u>70,198,331</u>		<u>71,192,713</u>
 Liabilities			
Current Liabilities	3,079,611		4,540,461
Non-Current Liabilities	<u>39,755,000</u>		<u>41,145,000</u>
Total Liabilities	<u>42,834,611</u>		<u>45,685,461</u>
 Net Position			
Net Investment in Capital Assets	18,141,046		20,029,374
Restricted for Debt Service	-		1,923,052
Unrestricted	<u>9,222,674</u>		<u>3,554,826</u>
Total Net Position	<u>\$ 27,363,720</u>	\$	<u>25,507,252</u>

**Ector County Utility District
Management's Discussion and Analysis
September 30, 2023**

Statement of Activities

The Statement of Activities shows how the District paid for the program's cost.

The following reflects a comparative statement of changes in net position of the District as a whole for the years ended September 30, 2023 and 2022:

Changes in Net Position			
	2023	2022	Change
Revenues			
Property Taxes	\$ 994,875	\$ 914,307	\$ 80,568
Charges for Services	7,473,654	7,858,186	(384,532)
Other Revenues	758,268	284,450	473,818
Total Revenues	9,226,797	9,056,943	169,854
 Expenses for Services	 7,370,329	 5,181,348	 2,188,981
 Change in Net Position	 1,856,468	 3,875,595	 (2,019,127)
 Net Position - Beginning	 25,507,252	 23,610,747	
 Prior Period Adjustment	 -	 (1,979,090)	
 Net Position - Ending	 \$ 27,363,720	 \$ 25,507,252	

The District's combined net position increased \$1,856,468 during fiscal year 2023. The increase in net position during the year is due to an increase in charges for services and overall revenues exceeding expenses for services.

**Ector County Utility District
Management's Discussion and Analysis
September 30, 2023**

Fund Financial Analysis

The District, like other governments, uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. The District's major funds – the general fund, capital project fund, and debt service fund – are all governmental funds.

The District reports in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as detailed in Note A of the Notes to the Basic Financial Statements. GASB Statement No. 54 requires fund balances to be classified into the following categories: nonspendable, restricted, committed, assigned, and unassigned.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide columns of the financial statements. The District's services are reported in the general fund, which focuses on how money flows into and out of that fund and the balances left at year end that are available for spending. The capital project fund is used to account for capital expenditures for the water master plan fund proceeds. The debt service fund is used to account for principal and interest payments on long-term debt as they become due. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's program. We describe the relationship between the Statement of Net Position and the Statement of Activities and governmental funds by making the adjustments to the fund financial statements.

In summary, fund financial statements are considered the traditional method of portraying available funds for immediate spending needs. It is a relative measure of the District's ability to meet program costs in the near future. Therefore, the District's fund balance does not reflect the equity value of the investment the District has in its capital assets or the long-term debt owed by the District. The government-wide statements of net position and activities are therefore designed to reflect the value of all capital assets of the District and to report debt outstanding, so that the total net position figures compare similar to a private entity's retained earnings.

Governmental Type Funds

Total governmental fund expenses exceeded revenues by \$3,584,476 for a combined fund balance of \$10,218,590 at September 30, 2023. Of the fund balances, \$192,728 is restricted for debt service and is reported in debt service fund. In the general fund, there is \$2,000,000 assigned for potential tax reimbursements. The capital project fund is restricted for capital project funds the fund balance of \$4,361,002 is restricted for capital projects. Additionally, \$614,221 of fund balance is considered nonspendable for inventory items. The remaining fund balance of \$3,050,639 is unassigned and is reported in the general fund.

General Fund Budgetary Highlights

The District's budget for the year ending September 30, 2023 was adopted in September 2022.

General fund actual revenues exceeded budgeted revenues by \$212,011. The variance in revenue was mainly water service revenue exceeding the budgeted amounts by \$129,909.

General fund budgeted expenditures exceeded actual expenditures by \$885,195. The variance in expenditures was due to budgeting for capital outlay and personnel expenditures exceeding actual and other professional fees and repair and maintenance being over budget.

**Ector County Utility District
Management’s Discussion and Analysis
September 30, 2023**

Capital Assets and Debt Administration

Capital Assets

At year-end, the District had \$56,680,614 in capital assets. This amount represents a net increase (including additions and deletions) of \$4,035,705, or 8%, over the last year. The overall increase in capital assets is mainly due to significant increases in construction in progress of approximately \$4 million and depreciation expenses for the year \$497,818.

Debt Administration

An analysis of changes in long-term debt for the year ended September 30, 2023 is as follows:

Debt Service Fund	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water System Revenue Bonds, Series 2019	\$ 41,145,000	\$ -	\$ (1,390,000)	\$ 39,755,000	\$ 1,390,000
Total Governmental Activities	<u>\$ 41,145,000</u>	<u>\$ -</u>	<u>\$ (1,390,000)</u>	<u>\$ 39,755,000</u>	<u>\$ 1,390,000</u>

The Budget, Economic Environment and Rates

The District has operated solely in West Ector County since its 1976 formation. The District is currently looking at opportunities for expanding to other parts of West Odessa (Ector County).

The Economic factors impacting the District’s budget include real estate development, federal grants, and the oil and gas industry. As noted in the schedule TSI – (4), Analysis of Taxes Levied, the property values have continued to increase. This is a result of some areas within the District being developed. Part of the development that has occurred in the District is a result of the County receiving federal grants to help provide water service.

The District is situated in a predominantly oil and gas based economy. As prices for oil continue to increase, the property values experience similar increases. Therefore, the District will follow the trend of the economics of mineral interests. This factor alone represents the major favorable increase in property tax revenues.

It is important that the District is able to succeed in the development of these projects not only for Ector County and its residents but also for the longevity of the District. The District has no continued revenue source except an administration fee charged on the water service it provides to its customers. With additional construction projects for more customers in Ector County, the District will be able to survive and continue to provide the residents of West Odessa with an easier way to get water service.

Contacting the District’s Management

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ector County Utility District, 1039 North Moss Ave. Odessa, Texas 79763.

BASIC FINANCIAL STATEMENTS

Ector County Utility District
Statement of Net Position and Governmental Funds Balance Sheet
As of September 30, 2023

	General Fund	Capital Project Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS						
Cash & Investments	\$ 3,904,475	\$ 5,204,186	\$ 2,732,285	\$ 11,840,946	\$ -	\$ 11,840,946
Receivables						
Property taxes - delinquent, net	-	-	-	-	280,730 (3)	280,730
Service accounts, net	761,629	-	-	761,629	-	761,629
Due from Other Governments	20,192	-	-	20,192	-	20,192
Due from Other Funds	1,473,428	1,066,129	-	2,539,557	(2,539,557) (4)	-
Inventory	614,221	-	-	614,221	-	614,221
Capital Assets Not Being Depreciated						
Land	-	-	-	-	304,508 (1)	304,508
Construction in Progress	-	-	-	-	39,270,236 (1)	39,270,236
Capital Assets, Net of accumulated depreciation						
Building	-	-	-	-	910,242 (1)	910,242
Leasehold Improvements	-	-	-	-	283,245 (1)	283,245
Equipment	-	-	-	-	429,751 (1)	429,751
Water System	-	-	-	-	15,482,631 (1)	15,482,631
Total Assets	\$ 6,773,945	\$ 6,270,315	\$ 2,732,285	\$ 15,776,545	\$ 54,421,786	\$ 70,198,331
LIABILITIES						
Accounts Payable	\$ 649,886	\$ -	\$ -	\$ 649,886	\$ -	\$ 649,886
Retainage Payable	-	1,909,313	-	1,909,313	-	1,909,313
Interest Payable	-	-	-	-	61,213 (2)	61,213
Customer Deposits	454,054	-	-	454,054	-	454,054
Accrued Expenses	5,145	-	-	5,145	-	5,145
Due to Other Funds	-	-	2,539,557	2,539,557	(2,539,557) (4)	-
Long-Term Liabilities						
Due within one year	-	-	-	-	1,390,000 (2)	1,390,000
Due after one year	-	-	-	-	38,365,000 (2)	38,365,000
Total Liabilities	1,109,085	1,909,313	2,539,557	5,557,955	37,276,656	42,834,611
FUND BALANCES / NET POSITION						
Fund Balances:						
Nonspendable - inventory and prepaids	614,221	-	-	614,221	(614,221)	-
Assigned - tax reimbursement	2,000,000	-	-	2,000,000	(2,000,000)	-
Restricted for Debt Service	-	-	192,728	192,728	(192,728)	-
Restricted for Capital Projects	-	4,361,002	-	4,361,002	(4,361,002)	-
Unassigned	3,050,639	-	-	3,050,639	(3,050,639)	-
Total Fund Balance	5,664,860	4,361,002	192,728	10,218,590	(10,218,590)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,773,945	\$ 6,270,315	\$ 2,732,285	\$ 15,776,545		
NET POSITION:						
Net Investment in Capital Assets					18,141,046	18,141,046
Unrestricted					9,222,674	9,222,674
TOTAL NET POSITION					\$ 27,363,720	\$ 27,363,720

The following adjustments are required by GASB Statement No. 34 and are for presentation purposes only:

- (1) When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the
- (2) Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net position.
- (3) Receivables related to property tax revenues are expected to be collected in greater than 60 days are not reported in the fund balances, but are reported in the statement of net position.
- (4) Internal balances (due to/from other funds) are eliminated in the statement of net position.

Ector County Utility District
Statement of Activities and Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended September 30, 2023

	General Fund	Capital Project Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
REVENUES						
Property Taxes	\$ 978,917	\$ -	\$ -	\$ 978,917	\$ 15,958	(1) \$ 994,875
Water Service, net	7,358,909	-	-	7,358,909	-	7,358,909
Penalty and Interest	114,745	-	-	114,745	-	114,745
Tap Connections and Inspection Fees	127,780	-	-	127,780	-	127,780
Interest	96,558	301,929	116,904	515,391	-	515,391
Miscellaneous	192,502	-	-	192,502	(77,405)	(3) 115,097
Total Revenues	8,869,411	301,929	116,904	9,288,244	(61,447)	9,226,797
EXPENDITURES/EXPENSES						
Service Operations:						
Personnel	1,057,722	-	-	1,057,722	-	1,057,722
Professional and Contracted Services	1,200,069	-	-	1,200,069	-	1,200,069
Purchased Water Services	2,073,874	-	-	2,073,874	-	2,073,874
Utilities	144,824	-	-	144,824	-	144,824
Repairs & Maintenance	1,230,981	-	-	1,230,981	-	1,230,981
Depreciation	-	-	-	-	555,871	(2) 555,871
Other	588,547	-	-	588,547	-	588,547
Capital Outlay	198,588	4,470,392	-	4,668,980	(4,668,980)	(3) -
Debt Service:						
Bond Principal	-	-	1,390,000	1,390,000	(1,390,000)	(4) -
Bond Interest	-	-	517,723	517,723	718	(5) 518,441
Total Expenditures/Expenses	6,494,605	4,470,392	1,907,723	12,872,720	(5,502,391)	7,370,329
Excess of Revenues over Expenditures	2,374,806	(4,168,463)	(1,790,819)	(3,584,476)	5,440,944	1,856,468
Change in Fund Balances	2,374,806	(4,168,463)	(1,790,819)	(3,584,476)	5,440,944	1,856,468
FUND BALANCE/NET POSITION						
Beginning of the Year	3,290,054	8,529,465	1,983,547	13,803,066	11,704,186	25,507,252
End of the Year	\$ 5,664,860	\$ 4,361,002	\$ 192,728	\$ 10,218,590	\$ 17,145,130	\$ 27,363,720

The following adjustments are required by GASB Statement No. 34 and are for presentation purposes only:

- (1) Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.
- (2) Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.
- (3) Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.
- (4) Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.
- (5) Governmental funds report interest expenditures on long-term debt in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.

Ector County Utility District
Notes to the Basic Financial Statements
September 30, 2023

1. Creation of District

Ector County Utility District (the District) was created by the petition signed by more than 200 persons owning property within the District, on July 12, 1976 under the authority of the Commissioners Court of Ector County, Texas. The District was created under the provisions of Article XVI, Section 59 of the Texas Constitution and operated under the statutory authority of Section 51 of the Texas Water Code until March 10, 1981. At that time, the District was changed to a Municipal Utility District operating under the statutory authority of Section 54.030 of the Texas Water Code. Bonds were issued in August of 1977, and construction of fixed assets began in September of 1977. Primary construction was completed in April of 1979.

2. Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the Commission).

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separated, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Financial Statement Presentation

These financial statement have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”). The GASB Codification sets forth standards for external financial reporting for all states and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted.

Net Position classifications are defined as follows:

- **Net Investment in Capital Assets** – This classification of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduces by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- **Restricted Net Position** – This classification of net position consists of external constraints imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This classification of net position represents the remainder of net position that does not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted are available for use, generally it is the District’s policy to use restricted resources first.

Ector County Utility District
Notes to the Basic Financial Statements
September 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on a full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long term-debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expenses. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

- **General Fund** - The general fund accounts for the resources used to finance the fundamental operations of the District. It is the basic fund of the District and covers all activities for which a separate fund is not required.
- **Debt Service Fund** - The debt service fund is used to account for the accumulation of resources for the payment of principal and interest on long-term debt of the District.
- **Capital Project Fund** - The capital project fund is used to account for capital expenditures for the Water Master Plan Bond that the District incurs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded with the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund to another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2023, the General Fund and Capital Project Fund recorded receivables to the Debt Service Fund in the amount of \$1,473,428 and \$1,066,129, respectively.

Ector County Utility District
Notes to the Basic Financial Statements
September 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Measurement Focus

Measurement focus is a term used to describe when transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flow. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

- **Nonspendable:** amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted:** amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.
- **Committed:** amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.
- **Assigned:** amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. As of September 30, 2023, the District has assigned \$2,000,000 of the General Fund fund balance for potential property tax reimbursement for delinquent tax collections.
- **Unassigned:** all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The Budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflows of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Ector County Utility District
Notes to the Basic Financial Statements
September 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and water system assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Cost incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Building	15-39 years
Leasehold Improvements	15-39 years
Equipment	5-7 years
Water System	50 years

Long term liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

Accounting 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 the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Deposits and Investments

The District's cash and cash investments are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less from the date of acquisition. The depository bank pays the District interest on all funds on deposit.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

Ector County Utility District
Notes to the Basic Financial Statements
September 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

- **Level 1** inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- **Level 2** inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- **Level 3** inputs are observable inputs that reflect the entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- **Market approach** – uses prices generated by market transactions involving identical or comparable assets or liabilities.
- **Cost approach** – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- **Income approach** – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Implementation of New Standards

The GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements “SBITA”. This Statement was issued on May 2020 but will take effect for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. A SBITA is defined as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will *not* exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government’s incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The implementation of the standard had no impact on the District’s financial statements.

Ector County Utility District
Notes to the Basic Financial Statements
September 30, 2023

3. Deposits and Investments

The following table shows the District's recorded cash and equivalents and investment at September 30, 2023:

		Cash and		
	\$	<u>Equivalents</u>	\$	<u>Investments</u>
			\$	<u>Total</u>
General Fund	\$	1,768,495	\$	2,135,980
Capital Projects Fund		1,969,024		3,235,162
Debt Service Fund		-		2,732,285
	\$	<u>3,737,519</u>	\$	<u>8,103,427</u>
			\$	<u>11,840,946</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of the bank failure, the government's deposits may not be returned to it. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

The District has no policy regarding custodial credit risk for deposits.

At fiscal year end, the carrying amount of the deposits was \$3,737,519 and the bank balance was \$3,771,846. Of these balances, \$250,000 was covered by federal insurance and \$3,521,846 was pledged. The District was not exposed to custodial credit risk at year-end.

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexStar, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexStar measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexStar at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexStar. The Cash Reserve Fund seeks to preserve the net asset value (NAV) of the Participants' investment at \$1.00 per unit. The Administrators have policies and procedures in place to monitor the Fund's NAV and to take action to minimize market risk; however, the Fund cannot guarantee a \$1.00 NAV. The value of the Fund portfolio is dependent on timely receipt of the amounts due on the obligations in the Fund. Any delays or failures in receipt of payments may adversely affect the NAV of the Fund and may cause a loss of principal and interest to the Participants.

**Ector County Utility District
Notes to the Basic Financial Statements
September 30, 2023**

3. Deposits and Investments (Continued)

Investments (continued)

The District invested in a certificate of deposit with Prosperity Bank on September 18, 2023. The certificate has a 7 month maturity, and carries an interest rate of 5%.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Mutual funds are not subject to interest rate risks. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The following table categorizes interest rate risk and concentration of credit risk as of September 30, 2023:

Investment Type	<u>Value as of September 30, 2023</u>	<u>Concentration of Credit Risk</u>	<u>S&P Rating</u>
Government Securities	\$ 7,803,427	96.30%	AAAm
Certificate of Deposit	<u>300,000</u>	<u>3.70%</u>	N/A
Total Investment Value	<u>\$ 8,103,427</u>	<u>100.00%</u>	

Texas statutes specify in which instruments the units of local governments may invest which include:

- Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;
- Direct obligations of this state or its agencies and instrumentalities;
- Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- Bonds issued, assumed, or guaranteed by the State of Israel;
- Interest-bearing banking deposits that are guaranteed or insured.

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 365 days. The maximum allowable stated maturity of any individual investment owned by the District shall not exceed two years from the time of purchase.

Custodial Credit Risk

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complied with this law for the year ended September 30, 2023, it had no custodial credit risk.

Ector County Utility District
Notes to the Basic Financial Statements
September 30, 2023

4. Capital Assets and Depreciation

A summary of capital assets is as follows:

	<u>Balance</u> <u>September 30, 2022</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30, 2023</u>
Capital Assets Not Being Depreciated:					
Land	\$ 304,508	\$ -	\$ -	\$ -	\$ 304,508
Construction in Progress	36,682,627	4,470,393	(1,882,784)	-	39,270,236
Total Capital Assets Not Being Depreciated:	<u>36,987,135</u>	<u>4,470,393</u>	<u>(1,882,784)</u>	<u>-</u>	<u>39,574,744</u>
Capital Assets Being Depreciated:					
Building	1,082,863	-	-	-	1,082,863
Leasehold Improvement	327,717	-	-	-	327,717
Equipment	583,875	198,588	-	(135,458)	647,005
Water System	19,984,349	1,882,784	-	-	21,867,133
Total Capital Assets Being Depreciated:	<u>21,978,804</u>	<u>2,081,372</u>	<u>-</u>	<u>(135,458)</u>	<u>23,924,718</u>
Accumulated Depreciation					
Building	(144,855)	(27,766)	-	-	(172,621)
Leasehold Improvement	(34,446)	(10,026)	-	-	(44,472)
Equipment	(175,774)	(99,532)	-	58,053	(217,253)
Water System	(5,965,955)	(418,547)	-	-	(6,384,502)
Total Accumulated Depreciation	<u>(6,321,030)</u>	<u>(555,871)</u>	<u>-</u>	<u>58,053</u>	<u>(6,818,848)</u>
Total Depreciable Assets, Net of Depreciation	<u>15,657,774</u>	<u>1,525,501</u>	<u>-</u>	<u>(77,405)</u>	<u>17,105,870</u>
Total Capital Assets	<u>\$ 52,644,909</u>	<u>\$ 5,995,894</u>	<u>\$ (1,882,784)</u>	<u>\$ (77,405)</u>	<u>\$ 56,680,614</u>

Depreciation expense of \$555,871 is reported in the statement of activities under Capital Assets.

Ector County Utility District
Notes to the Basic Financial Statements
September 30, 2023

5. Long-Term Debt

Long-term liability for the fiscal year ended September 30, 2023 are as follows:

Debt Service Fund	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water System Revenue Bonds, Series 2019	\$ 41,145,000	\$ -	\$ (1,390,000)	\$ 39,755,000	\$ 1,390,000
Total Governmental Activities	<u>\$ 41,145,000</u>	<u>\$ -</u>	<u>\$ (1,390,000)</u>	<u>\$ 39,755,000</u>	<u>\$ 1,390,000</u>

As of September 30, 2023, the District's long-term obligations consisted of Water System Revenue Bonds, Series 2019 (the Bonds). The Bonds are direct and general obligations of the District. The Bonds were issued in 2019 for the purpose of financing a Water System Master Plan Project. The original amount of the Bonds was \$45,275,000. The bonds mature in 2049 and have interest rates ranging from 0.10% to 6.25%.

The bond order provides that the bonds shall be subject to redemption at the option of the District, as a whole or from time to time in part in integral multiples of \$5,000 principals, on any date upon obtaining the written consent of any or all of the purchasers or their assigns or successors and upon payment of a redemption price equal to the principal amount thereof together with interest, if any, accrued thereon from the most recent interest payment date to the redemption date.

As of September 30, 2023, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,390,000	\$ 183,640	\$ 1,573,640
2025	1,395,000	181,416	1,576,416
2026	1,400,000	178,766	1,578,766
2027	1,410,000	175,686	1,585,686
2028-2033	8,630,000	964,846	9,594,846
2034-2038	7,510,000	642,535	8,152,535
2039-2043	7,905,000	447,213	8,352,213
2044-2049	<u>10,115,000</u>	<u>220,601</u>	<u>10,335,601</u>
	<u>\$ 39,755,000</u>	<u>\$ 2,994,702</u>	<u>\$ 42,749,702</u>

Events of Default

Events of default occur if: (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund or Reserve Fund, (iii) declares bankruptcy, or (iv) defaults in the observance or performance of any other of the covenants, conditions, or obligations set for in the Order.

Upon default, the holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Issuer and other officers of the Issuer to observe and perform any covenant, condition or obligation prescribed in the Order.

Compliance of Debt Services

As of September 30, 2023, the debt service fund had a fund balance of \$192,728. For the year ended September 30, 2023, the debt service fund is being managed and utilized in accordance with the bond resolutions.

Ector County Utility District
Notes to the Basic Financial Statements
September 30, 2023

6. Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District's improvement, if such maintenance tax is authorized by a vote of the District's electors. Such tax would be in addition to taxes, which the District is authorized to levy for paying principal of and interest on the outstanding bonds, and any tax bonds, which may be issued in the future. To date, voters in the District have not approved the levy of a maintenance tax.

7. Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks of loss are covered through participation in the Texas Municipal League, a public entity risk pool. The District also obtains commercial insurance to manage its risk of loss. Management believes the insurance coverage is sufficient to preclude any significant losses to the District. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Ector County Utility District

**Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Property Taxes	\$ 1,000,000	\$ 978,917	\$ (21,083)
Water Service	7,229,000	7,358,909	129,909
Penalty and Interest	39,500	114,745	75,245
Tap Connection and Inspection Fees	214,500	127,780	(86,720)
Interest	156,600	96,558	(60,042)
Miscellaneous	17,800	192,502	174,702
Total Revenues	<u>8,657,400</u>	<u>8,869,411</u>	<u>212,011</u>
Expenditures			
Service Operations:			
Personnel	1,506,000	1,057,722	448,278
Professional and Contracted Services	852,100	1,200,069	(347,969)
Purchased Water Services	2,000,000	2,073,874	(73,874)
Utilities	61,100	144,824	(83,724)
Repair and Maintenance	316,300	1,230,981	(914,681)
Other	343,900	588,547	(244,647)
Capital Outlay	2,300,400	198,588	2,101,812
Total Expenditures	<u>7,379,800</u>	<u>6,494,605</u>	<u>885,195</u>
Excess of Revenues Over (Under) Expenditures	<u>1,277,600</u>	<u>2,374,806</u>	<u>1,097,206</u>
Net Change in Fund Balance	<u>1,277,600</u>	<u>2,374,806</u>	<u>1,097,206</u>
Fund Balance - Beginning of Year, GAAP Basis	3,290,054	3,290,054	-
Fund Balance - End of Year, GAAP Basis	\$ <u>4,567,654</u>	\$ <u>5,664,860</u>	\$ <u>1,097,206</u>

NOTES: Budgets and Budgetary Accounting

The District adopts an annual budget for the General Fund. The annual budget for the General Fund is prepared using the basis of accounting utilized by this governmental fund. Any revisions to the budget that alter the total expenditures must be approved by the Board to the District.

The budget for the General Fund for the year ended September 30, 2023 was approved and adopted by the board of directors at a meeting held in September 2022.

The District has excess revenues over budgeted appropriations for the year ended September 30, 2023 of \$2,374,806.

TEXAS SUPPLEMENTARY INFORMATION (TSI)

**Ector County Utility District
TSI-1 Services and Rates
September 30, 2023**

1. Services Provided by the District:

<u> X </u>	<u> Retail Water (See note below) </u>	<u> </u>	<u> Wholesale Water </u>	<u> </u>	<u> Drainage </u>
<u> </u>	<u> Retail Wastewater (See note below) </u>	<u> </u>	<u> Wholesale Wastewater </u>	<u> </u>	<u> Irrigation </u>
<u> </u>	<u> Parks/Recreation </u>	<u> </u>	<u> Fire Protection </u>	<u> </u>	<u> Security </u>
<u> </u>	<u> Solid Waste/Garbage </u>	<u> </u>	<u> Flood Control </u>	<u> </u>	<u> Roads </u>
<u> </u>	<u> Participants in joint venture, regional system and/or wastewater service (other than emergency interconnect) </u>				
<u> </u>	<u> Other (Please Specify): </u>				

2. a) Retail Rates Based on 3/4" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallon Over Minimum Use	Usage Level	
WATER:	\$ 65.00	2000 GALS	N	\$ 8.83	2001	to ++
WASTE WATER:	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
SURCHARGE:	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

District employs winter averaging for waste water usage? Yes [] No [X]

Total Charges per 10,000 gallons usage: Water: \$760.83 Wastewater: \$

b) Number of retail water and/or wastewater connections within the District as of the fiscal year end. N/A

	Total Connections	Active Connections	Factor ESFC	Active
Meter Size				
Unmetered			x 1.0	
<3/4"	6,181	4,855	x 1.0	4,855
1"			x 2.5	
1 1/2"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	6,181	4,855		4,855
Total Wastewater	-	-	x 1.0	-

**Ector County Utility District
TSI-1 Services and Rates
September 30, 2023**

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

Gallons pumped into the system:	<u>529,627</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>7,608,339</u>	<u>14.37</u>

4. Standby Fees: Does the District assess standby fees?

Does the District have Debt Service standby fees? Yes No

If yes, date of the most recent Commission Order: N/A

Does the District have Operation and Maintenance standby fees? Yes No

If yes, date of the most recent Commission Order: N/A

5. Location of District:

County in which District is located. Ector

Is the District located entirely within one county? Yes No

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

City in which District is located. Odessa

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

ETJ's in which District is located. Ector County

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

If Yes, by whom? Not Applicable

**Ector County Utility District
TSI-2 General Fund Expenditures
September 30, 2023**

CURRENT:

Purchased Services for Resale:

Bulk Water and Wastewater Service Purchases	\$	2,073,874
Personnel (Including Benefits)		
Salaries		818,389
Payroll Taxes		63,180
Employee Benefits		176,153
Equipment Rental		5,775
Repairs and Maintenance		1,197,679
Meter Expense		33,302
Total Purchased Services for Resale:		4,368,352

Capital Outlay:

Capital Assets		149,788
Asset Management System		48,800
Total Capital Outlay:		198,588

Other Expenditures:

Professional Fees:		
Auditing		117,615
Legal		128,528
Merchant Fees		350,011
Other		474,991
Contracted Services:		
Appraisal District		9,618
TCEQ Fees		12,497
Other		37,394
Utilities		144,824
Other		
Bank Charges & Fees		700
Easement Expense		15,000
Laboratory		8,585
Other Consumable Supplies & Materials		255,381
Travel		1,355
Administrative Expenditures:		
Postage/Printing/Office Supplies		38,253
Insurance		61,656
Other Administrative – Miscellaneous		271,257
Total Other Expenditures:		1,927,665
 TOTAL EXPENDITURES	 \$	 6,494,605

Number of persons employed by the District: 8 full-time 0 part-time
(Do not include independent contractors or consultants)

**Ector County Utility District
TSI-3 Temporary Investments
September 30, 2023**

Funds	Identification Number	Interest Rate	Maturity Date	Balance at Year-End	Accrued Interest Receivable at Year-End
<u>General Fund</u>					
TexSTAR Government Securities	680413310	0.53%	N/A	\$ 2,135,980	\$ 9,283
Prosperity Bank Certificate of Deposit	234000827	5%	4/18/2024	300,000	-
Total				<u>2,435,980</u>	<u>9,283</u>
<u>Debt Service Fund</u>					
TexSTAR Government Securities	680413310	0.53%	N/A	2,432,285	10,422
Total				<u>2,432,285</u>	<u>10,422</u>
<u>Capital Project Fund</u>					
BOK Government Securities	82-3605-01-9	0.43%	8/1/2049	3,235,162	274,830
Total				<u>3,235,162</u>	<u>274,830</u>
Total Investments				<u>\$ 8,103,427</u>	<u>\$ 294,535</u>

**Ector County Utility District
TSI-4 Taxes Levied and Receivable
Fiscal Year Ending September 30, 2023**

	Maintenance Taxes	Service Taxes	Debt Service Taxes	
TAXES RECEIVABLE, BEGINNING OF YEAR	\$ <u>264,772</u>	\$ <u>-</u>	\$ <u>264,772</u>	
ORIGINAL TAX ROLL (less abatements)	<u>1,025,698</u>	<u>-</u>	<u>1,025,698</u>	
Total to be Accounted for	<u>1,290,470</u>	<u>-</u>	<u>1,290,470</u>	
Tax Collections:				
Current Year	(5,730)	-	(5,730)	
Prior Years	<u>(1,004,010)</u>	<u>-</u>	<u>(1,004,010)</u>	
Total Collections	<u>(1,009,740)</u>	<u>-</u>	<u>(1,009,740)</u>	
Taxes Receivable, End of Year	<u>280,730</u>	<u>-</u>	<u>280,730</u>	
TAXES RECEIVABLE, BY YEARS				
2021 and Prior Years	280,730	-	280,730	
2022	<u>1,025,698</u>	<u>-</u>	<u>1,025,698</u>	
TAXES RECEIVABLE, END OF YEAR	\$ <u>1,306,428</u>	\$ <u>-</u>	\$ <u>1,306,428</u>	
PROPERTY VALUATIONS:				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 162,965,741	\$ 96,490,283	\$ 100,327,940	\$ 96,490,283
Improvements	872,929,280	794,570,363	813,699,794	794,570,363
Personal Property	<u>121,383,468</u>	<u>22,057,346</u>	<u>7,002,025</u>	<u>22,057,346</u>
TOTAL PROPERTY VALUATIONS	\$ <u>1,157,278,489</u>	\$ <u>913,117,992</u>	\$ <u>921,029,759</u>	\$ <u>913,117,992</u>
TAX RATES PER \$100 VALUATION				
Tax Rates	\$ <u>0.099289</u>	\$ <u>0.095810</u>	\$ <u>0.099289</u>	\$ <u>0.095810</u>
TOTAL TAX RATES PER \$100 VALUATION	\$ <u>0.099289</u>	\$ <u>0.095810</u>	\$ <u>0.099289</u>	\$ <u>0.095810</u>
Original tax levy:	\$ <u>1,024,947</u>	\$ <u>874,858</u>	\$ <u>914,481</u>	\$ <u>874,858</u>
Percent of Taxes Collected to Taxes Levied	<u>92.92%</u>	<u>89.94%</u>	<u>92.92%</u>	<u>89.94%</u>

Ector County Utility District
TSI-5 Long-Term Debt Service Requirements – By Years
September 30, 2023

Annual Requirements For All Bond Series			
Due During Fiscal Years Ending	Principal Due 08/01	Interest Due 02/01, 08/01	Total
2024	1,390,000	183,640	1,573,640
2025	1,395,000	181,416	1,576,416
2026	1,400,000	178,766	1,578,766
2027	1,410,000	175,686	1,585,686
2028	1,415,000	172,231	1,587,231
2029	1,425,000	168,269	1,593,269
2030	1,430,000	163,923	1,593,923
2031	1,440,000	158,918	1,598,918
2032	1,455,000	153,590	1,608,590
2033	1,465,000	147,915	1,612,915
2034	1,475,000	141,909	1,616,909
2035	1,490,000	135,566	1,625,566
2036	1,500,000	128,861	1,628,861
2037	1,515,000	121,811	1,636,811
2038	1,530,000	114,388	1,644,388
2039	1,545,000	106,585	1,651,585
2040	1,565,000	98,396	1,663,396
2041	1,580,000	89,789	1,669,789
2042	1,600,000	80,862	1,680,862
2043	1,615,000	71,582	1,686,582
2044	1,635,000	61,973	1,696,973
2045	1,655,000	52,163	1,707,163
2046	1,675,000	42,150	1,717,150
2047	1,695,000	31,932	1,726,932
2048	1,715,000	21,508	1,736,508
2049	1,740,000	10,876	1,750,876
	\$ 39,755,000	\$ 2,994,702	\$ 42,749,702

**Ector County Utility District
TSI-6 Changes In Long-Term Bonded Debt
September 30, 2023**

	Series
	<u>2019</u>
Interest Rate	0.02%
Dates Interest Payable	February 1 August 1
Maturity Date	August 1, 2049
Bonds Outstanding Beginning of Current Year	\$ 41,145,000
Bonds Sold During Year	
Retirements Principal	<u>(1,390,000)</u>
Bonds Outstanding End of Current Year	<u>\$ 39,755,000</u>
Retirements Interest	<u>\$ 367,280</u>

Paying Agents Name & Address BOKF, NA
 5956 Sherry Lane, Ste 1201
 Dallas, TX 75225

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

Debt Service Fund Cash and Temporary Investments Balances as of September 30, 2023:	\$ <u>2,732,285</u>
Average Annual Debt Service Payment (Principal and Interest) for remaining time of all debt:	\$ <u>1,424,990</u>

Ector County Utility District
TSI-7 Comparative Statement of Revenues and Expenditures
General Fund and Debt Service Fund - Five Years
Fiscal Year Ended September 30, 2023

	Amount				
	2023	2022	2021	2020	2019
General Fund Revenue:					
Water Revenue	\$ 7,358,909	\$ 7,858,186	\$ 7,500,685	\$ 7,411,118	\$ 6,336,483
Tap Connection fees	127,780	160,999	88,644	-	83,178
Investment Earnings	96,558	15,444	25,618	148,429	410,474
Property Taxes	978,917	876,336	908,966	869,504	750,020
Penalties & Interest	114,745	-	-	-	35,859
Other	192,502	35,427	17,199	113,284	16,377
Total Revenue	<u>8,869,411</u>	<u>8,946,392</u>	<u>8,541,112</u>	<u>8,542,335</u>	<u>7,632,391</u>
General Fund Expenditures:					
Purchased Water Services	2,073,874	2,203,123	1,259,175	4,611,316	4,409,637
Tax Collection Services	-	-	-	6,763	11,757
Professional Fees	720,294	406,676	371,988	341,323	196,926
Contracted Services	479,775	474,160	536,663	288,649	213,122
Payroll & Contract Labor	1,057,722	843,809	340,259	144,284	68,215
Utilities	144,824	76,464	75,000	62,734	31,540
Repair and Maintenance	1,230,981	142,884	186,778	223,467	20,362
Property Taxes - Assigned	-	-	-	-	750,020
Other Expenditures	588,547	169,272	349,561	118,420	49,128
Capital Outlay	198,588	3,656,709	4,438,687	1,953,543	2,142,184
Total Expenditures	<u>6,494,605</u>	<u>7,973,097</u>	<u>7,558,111</u>	<u>7,750,499</u>	<u>7,892,891</u>
Excess Revenue (Expenditures)					
Before Other Funding Sources	<u>\$ 2,374,806</u>	<u>\$ 973,295</u>	<u>\$ 983,001</u>	<u>\$ 791,836</u>	<u>\$ (260,500)</u>
Capital Project Fund Revenue:					
Investment Earnings	\$ 301,929	\$ 57,801	\$ 10,555	\$ 257,350	\$ -
Total Revenue	<u>301,929</u>	<u>57,801</u>	<u>10,555</u>	<u>257,350</u>	<u>-</u>
Capital Project Fund Expenditures:					
Other Expenditures	4,470,392	20,584,977	13,028,456	2,621,684	-
Total Expenditures	<u>4,470,392</u>	<u>20,584,977</u>	<u>13,028,456</u>	<u>2,621,684</u>	<u>-</u>
Excess Revenue (Expenditures)					
Before Other Funding Sources	<u>\$ (4,168,463)</u>	<u>\$ (20,527,176)</u>	<u>\$ (13,017,901)</u>	<u>\$ (2,364,334)</u>	<u>\$ -</u>
Debt Service Fund Revenue:					
Investment Earnings	\$ 116,904	\$ 14,779	\$ 494	\$ 16,995	\$ -
Total Revenue	<u>116,904</u>	<u>14,779</u>	<u>494</u>	<u>16,995</u>	<u>-</u>
Debt Service Fund Expenditures:					
Tax Collection Services	-	-	1,761,421	1,652,752	-
Debt Service Principal, Int. & Fees	1,907,723	1,759,330	-	10	-
Total Expenditures	<u>1,907,723</u>	<u>1,759,330</u>	<u>1,761,421</u>	<u>1,652,762</u>	<u>-</u>
Excess Revenue (Expenditures)					
Before Other Funding Sources	<u>\$ (1,790,819)</u>	<u>\$ (1,744,551)</u>	<u>\$ (1,760,927)</u>	<u>\$ (1,635,767)</u>	<u>\$ -</u>
Total Active Retail Water Connections	<u>4,828</u>	<u>5,237</u>	<u>5,394</u>	<u>5,254</u>	<u>5,274</u>

Ector County Utility District
TSI-7 Comparative Statement of Revenues and Expenditures
General Fund and Debt Service Fund - Five Years
Fiscal Year Ended September 30, 2023

	Percent of Fund Total Revenue				
	2023	2022	2021	2020	2019
General Fund Revenue:					
Water Revenue	83%	88%	84%	87%	74%
Tap Connection fees	1%	2%	1%	0%	1%
Investment Earnings	11%	0%	0%	2%	5%
Property Taxes	1%	10%	10%	10%	9%
Penalties & Interest	2%	0%	0%	0%	0%
Other	2%	0%	0%	1%	0%
Total Revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>89%</u>
General Fund Expenditures:					
Purchased Water Services	23%	25%	14%	54%	52%
Tax Collection Services	0%	0%	0%	0%	0%
Professional Fees	8%	5%	4%	4%	2%
Contracted Services	5%	5%	6%	3%	2%
Payroll & Contract Labor	12%	9%	4%	2%	1%
Utilities	2%	1%	1%	1%	0%
Repair and Maintenance	14%	2%	2%	3%	0%
Property Taxes - Assigned	0%	0%	0%	0%	9%
Other Expenditures	7%	2%	4%	1%	1%
Capital Outlay	2%	41%	50%	23%	25%
Total Expenditures	<u>73%</u>	<u>89%</u>	<u>84%</u>	<u>91%</u>	<u>92%</u>
Excess Revenue (Expenditures)					
Before Other Funding Sources	<u>27%</u>	<u>11%</u>	<u>16%</u>	<u>9%</u>	<u>-3%</u>
Capital Project Fund Revenue:					
Investment Earnings	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>0%</u>
Total Revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>0%</u>
Capital Project Fund Expenditures:					
Other Expenditures	<u>1481%</u>	<u>35614%</u>	<u>123434%</u>	<u>1019%</u>	<u>0%</u>
Total Expenditures	<u>1481%</u>	<u>35614%</u>	<u>123434%</u>	<u>1019%</u>	<u>0%</u>
Excess Revenue (Expenditures)					
Before Other Funding Sources	<u>-1381%</u>	<u>-35514%</u>	<u>-123334%</u>	<u>-919%</u>	<u>0%</u>
Debt Service Fund Revenue:					
Investment Earnings	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>0%</u>
Total Revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>0%</u>
Debt Service Fund Expenditures:					
Tax Collection Services	0%	0%	356563%	9725%	0%
Debt Service Principal, Int. & Fees	<u>1632%</u>	<u>11904%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Total Expenditures	<u>1632%</u>	<u>11904%</u>	<u>356563%</u>	<u>9725%</u>	<u>0%</u>
Excess Revenue (Expenditures)					
Before Other Funding Sources	<u>-1532%</u>	<u>-11804%</u>	<u>-356463%</u>	<u>-9625%</u>	<u>0%</u>

**Ector County Utility District
TSI-8 Board Members, Key Personnel, and Consultants
September 30, 2023**

Complete District Mailing Address: 1039 N. Moss Ave, Odessa, Texas 79763
Telephone Number: (432) 381-5525

Name and Address	Term of Office	Fees and Reimbursements 9/30/2023	Title at Year End	Resident of District	Relationship With Major Land Owners, Developers or Consultants
Board Members:					
Tommy Ervin	06/18/2007 to 11/05/2024	None	President	Yes	None
Troy Walker	11/08/2022 to 11/05/2026	None	Director	Yes	None
Stephanie Shaw	04/08/2020 to 11/05/2024	None	Director	Yes	None
Sheila Black	11/08/2022 to 11/05/2026	None	Director	Yes	None
Margret Burton	05/20/2013 to 11/05/2024	None	Director	Yes	None
Key Administrative Personnel:					
John Lee	4/18/2022 to Present	None	Receptionist	Yes	None
Key Maintenance Personnel:					
Steve Dennis	04/01/2020 to Present	None	Staff Engineer	Yes	None
Paul Wilkerson	07/01/2020 to Present	None	Field Supervisor	Yes	None
Anthony Shackelford	07/06/2020 to Present	None	Field Technician	Yes	None
Consultants:					
Ector County Appraisal District	07/01/2005 to Present	\$9,582	Appraisal/Tax Collector	Yes	None
Haynie & Company Formerly Joe L. Torres, P.C.	09/01/1996 to Present	\$83,275	Independent Auditor	Yes	None
Whitley Penn	10/01/2021 to 09/30/2022	\$55,000	Independent Auditor	Yes	None
McCall, Parkhurst & Horton, LLP	None	None	Bond Counsel	N/A	None
Hilltop Securities, Inc	None	None	Financial Advisor	N/A	None
BOKF NA.	None	None	Paying Agent/ Registrar	N/A	None
GDS Associates, Inc	None	None	Consultant	N/A	None
Dennis and Associates	None	None	Consultant	N/A	None
William Fowler	None	\$360	Legal Counsel	N/A	None
Lynch Chappell & Alsop PC	None	\$50,326	Legal Counsel	N/A	None
Todd, Barron, Thomason, Bebout, & Rodriguez, P.C.	None	\$80,212	Legal Counsel	N/A	None