

***BRIGHT STAR-SALEM SUD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021***

BRIGHT STAR-SALEM SUD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

CONTENTS

	<u>Page</u>
Annual Filing Affidavit	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-7
BASIC FINANCIAL STATEMENTS	
Proprietary Fund Financial Statements:	
Statement of Net Position - Proprietary Fund	8
Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Fund	9
Statement of Cash Flows - Proprietary Fund	10
Notes to the Financial Statements	11-19
SUPPLEMENTARY SCHEDULES	
Budget Comparison Schedule	20
Texas Supplementary Information Schedules:	
TSI - 1 Schedule of Services and Rates	21-22
TSI - 2 Schedule of Proprietary Fund Expenditures	23
TSI - 3 Schedule of Temporary Investments	24
TSI - 4 Schedule of Taxes Levied and Receivable	N/A
TSI - 5 Schedule of Long-Term Debt Service Requirements by year	25
TSI - 6 Analysis of Changes in Bonded Debt	26
TSI - 7 Comparative Schedule of Revenues and Expenses	27-28
TSI - 8 Board Members, Key Personnel and Consultants	29

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS)

COUNTY OF WOOD)

I, Laura Reid, President of the Bright Star-Salem Special Utility District (the District) hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 10 day of June, 2022 its audit report for the year ended December 31, 2021 and that copies of the audit report have been filed in the District office, located at 238 N. Osborn, Alba, Texas.

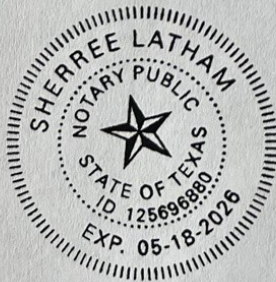
The annual filling affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: June 10, 2022

By: Laura Reid
(Signature of District Representative)

Laura Reid, President
(Typed Name & Title of Representative)

Sworn to and subscribed to before me this 10 day of June, 2022.



Sherree Latham
(Signature of Notary)

My Commission Expires on: May 18, 2026, Notary Public in and for the State of Texas.



WILF & HENDERSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

Independent Auditor's Report

June 8, 2022

Board of Directors
Bright Star-Salem Special Utility District
Alba, Texas

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

1810 Galleria Oaks • Texarkana, Texas 75503 • 903.793.5646 • Fax 903.792.7630 • www.wilhen.com

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 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 Proprietary Fund Budget Comparison Schedule and the Texas Supplementary Information Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures to the 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.



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Bright Star-Salem Special Utility District's (the District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2021. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

Financial Highlights

- The District maintained an Unrestricted Net Position balance of \$874,044 and \$634,687 at December 31, 2021 and 2020, respectively. Unrestricted Net Position represents the net balance accumulated by the District above the amount of Net Investment in Capital Assets less the amount for Restricted Net Position (restricted as a result of the bond covenants related to the 2019 revenue bond issuance).
- The total of Net Investment in Capital Assets (after subtracting our debt owed on capital assets) was \$4,015,698 at December 31, 2021 and \$4,097,516 at December 31, 2020, respectively.
- The District had \$3,284,000 and \$3,599,000 of revenue bonds outstanding at December 31, 2021 and 2020, respectively.
- The most significant continuing revenue sources for the District consisted of \$1,521,396 of water sales for the year 2021 and \$1,457,535 for the year 2020.

Overview of the Financial Statements

The annual financial report consists of two parts: Management's Discussion and Analysis and the Financial Section report. The Financial Section also includes notes that explain in more detail some of the information in the financial statements.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide long-term and short-term information about the District's overall financial status. The Statement of Net Position includes all assets and liabilities and provides information about the nature and amounts of investments in resources (asset) and the obligations to creditors (liabilities). This financial statement reports net position and how it has changed. Net position – the difference between assets and liabilities – is one way to measure health, or position. Over time, increases or decreases in net position are an indicator of whether the District's financial health is improving or deteriorating, respectively. The Statement of Net Position also provides the basis for computing rate of return, evaluation the capital structure and assessing liquidity and flexibility. You will need to consider other nonfinancial factors, however, to assess the overall health.

All of the current period's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of operations over the period and can be used to determine whether operations have successfully recovered all District costs through user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for and what was the change in cash balance during the reporting period.

Our auditor has provided assurance in the independent auditor's report that the financial statements are fairly stated.

Financial Analysis as a Whole

Net position increased by \$156,052 in 2021 and increased by \$155,123 in 2020 as a result of the periods' operations. The balance in net position represents the accumulated results of all past periods' operations.

The increase in net position during 2021 occurred primarily as a result of an increase in its customer base with a related increase in sales.

Statement of Net Position

A summary of the Statement of Net Position is presented in the table below. The format allows the reader to view the overall financial position of the District.

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT Statement of Net Position

	2021	2020
Assets:		
Current assets (unrestricted)	\$1,285,819	\$1,038,743
Restricted assets	125,471	126,958
Capital assets (net)	7,628,344	8,082,052
Total Assets	9,039,634	9,247,753
Liabilities:		
Current liabilities (payable from current assets)	124,232	123,636
Current liabilities (payable from restricted assets)	324,000	315,000
Long-term liabilities	3,576,189	3,949,956
Total Liabilities	4,024,421	4,388,592
Net Position:		
Net Investment in capital assets	4,015,698	4,097,516
Restricted	125,471	126,958
Unrestricted	874,044	634,687
Total Net Position	\$5,015,213	\$4,859,161

In 2021, the largest category of net position is Net Invested in Capital Assets which comprises 80% of net position. This category totaling \$4,015,698 reflects the total invested in capital assets (land, buildings, equipment, water system improvements, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resource available for future spending. The current portion of the long-term debt of \$324,000 and \$315,000 for the years ended December 31, 2021 and 2020, respectively, is reflected in current liabilities. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets may not be used to liquidate these liabilities.

The second category of net position, Restricted Net Position, represents net position that is subject to external restrictions on how they may be used. Restricted Net Position totaled \$125,471 for the current year. For 2020, this category totaled \$126,958. Restricted Net Position is restricted for debt reserves required by Southside Bank related in 2019 to its purchase of the 2019 refunding revenue bonds. Obviously, the amount of cash related to restricted net position has an effect on the availability of fund resources for future use, since the District may only use these funds for debt service.

The third category of net position, Unrestricted Net Position, represents net position that is not subject to external restrictions on how they may be used. Unrestricted Net Position totaled \$874,044 and \$634,687 at December 31, 2021 and 2020, respectively.

At the end of the current period, the District was able to report positive balances in all three categories of net position and for the District as a whole.

Changes in Net Position

While the Statement of Net Position show the financial position, the Statement of Revenues, Expenses and Changes in Net Position show the changes in net position. As can be seen in the table below, the District had an increase in net position of \$156,052 for 2021 and an increase in net position of \$162,306 for 2020. A summary of the Statement of Revenues, Expenses and Changes in Net Position is presented in the table below.

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT		
Statement of Revenues, Expenses and Changes in Net Position		
	2021	2020
Operating Revenues:		
Service charges and fees	\$ 1,755,096	\$ 1,656,091
Total Operating Revenues	1,755,096	1,656,091
Operating Expenses:		
Operating expenses (excluding depreciation)	1,195,497	1,090,153
Total Operating Expenses (excluding depreciation)	1,195,497	1,090,153
Operating income (loss) before depreciation	559,599	565,938
Depreciation expense	324,022	326,826
Nonoperating Revenues (Expenses):		
Nonoperating revenues	42,028	56,406
Nonoperating expenses	(121,553)	(133,211)
Total Nonoperating Revenues/(Expenses)	(79,525)	(76,805)
Increase (Decrease) in Net Position	156,052	162,306
Net Position - Beginning of Year	4,859,161	4,656,981
Prior Period Adjustment	-	39,874
Net Position - End of Year	\$ 5,015,213	\$ 4,859,161

Budget Variations

For 2021, the most significant variations between the original approved budget and the amended budget were in the areas of sludge removal and chlorine supplies. None of the amended expenses had a significant effect on the financial statements.

Capital Assets and Long-Term Debt

Capital Assets

The cost of property, plant and equipment, net of accumulated depreciation, as of December 31, 2021 and 2020 was \$7,628,344 and \$8,082,052, respectively. More detailed information about capital assets is presented in Note D to the financial statements.

Long-Term Debt

At year-end, the District had \$3,284,000 for 2021 and \$3,599,000 for 2020 of certification of obligation bonds outstanding. More detailed information about long-term liabilities is presented in Note E to the financial statements.

Economic Factors and Next Year Projections

The District serves approximately 2,300 residential, commercial, and agricultural customers in northeast Texas. Currently, the District does not have plans to expand the system. It is anticipated that the water sales revenues will probably increase slightly in 2022 due primarily to a history of an increasing customer base and a rate increase. Operating expenses will increase in 2022 primarily due repairs. These should result in an increase in net position for the District in 2022. The Board of Directors and management of the District strive to maintain the system to work efficiently and effectively for all of its customers.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District accountability. If you have questions regarding this report or need additional information, contact the District at (903) 765-2701.

BRIGHT STAR-SALEM SUD
BASIC FINANCIAL STATEMENTS

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2021

Assets	
Current Assets	
Cash and cash equivalents	\$ 1,164,621
Accounts receivable	121,198
Total Current Assets	<u>1,285,819</u>
Property, Plant and Equipment	
Land	130,959
Building and improvements	170,185
Furniture, fixtures and equipment	389,367
Water system and equipment	11,758,300
Vehicles	164,021
Total Property, Plant and Equipment	<u>12,612,832</u>
Less: Accumulated depreciation	<u>(4,984,488)</u>
Total Net Property, Plant and Equipment	<u>7,628,344</u>
Restricted Assets	
Interest & Sinking Fund	125,471
Total Restricted Assets	<u>125,471</u>
Total Assets	<u><u>\$ 9,039,634</u></u>
Liabilities	
Current Liabilities	
Accrued interest expense	\$ 32,731
Other current liabilities	31,851
Note Payable - MCB, current	59,650
Bonds payable, current	324,000
Total Current Liabilities	<u>448,232</u>
Noncurrent Liabilities	
Membership and renters deposits	284,829
Developers deferred revenues	62,364
Note Payable - MCB, noncurrent	268,996
Bonds Payable, noncurrent	2,960,000
Total Noncurrent Liabilities	<u>3,576,189</u>
Total Liabilities	<u><u>4,024,421</u></u>
NET POSITION	
Net Investment In Capital Assets	4,015,698
Restricted for:	
Interest & Sinking Fund - Bond Debt Service	125,471
Unrestricted	874,044
Total Net Position	<u><u>\$ 5,015,213</u></u>

See accompanying notes to the financial statements

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

Operating Revenues	
Water sales	\$ 1,521,396
Installation tap fees	169,290
Late charges	19,025
Reconnect fees	3,565
Line extension fees	28,447
Other income	13,373
Total Operating Revenues	<u>1,755,096</u>
Operating Expenses	
Salaries	486,799
Employee benefits	94,539
Surface water lease availability	34,493
Field supplies	85,408
Utilities and telephone	92,847
Legal and professional	13,260
Repairs - water system	55,083
Repairs - other	23,076
Sludge removal	10,971
Fuel and oil	19,548
Office expense	32,686
Insurance - property	43,491
Chlorine supplies	112,490
Water system fees and samples	22,314
Rentals	2,797
Continuing education	5,017
Taxes	38,282
Miscellaneous	18,597
Board meetings	3,799
Depreciation	324,022
Total Operating Income/(Loss)	<u>1,519,519</u>
Change in Net Position	235,577
Non-Operating Income/(Expense)	
Interest Income	10,351
Sewer Income	10,877
Tower lease revenue	20,800
Interest expense	(121,553)
Total Non-Operating Revenues (Expenses)	<u>(79,525)</u>
Change in Net Position	156,052
Net Position at Beginning of the Year	<u>4,859,161</u>
Net Position at End of the Year	<u><u>\$ 5,015,213</u></u>

See accompanying notes to the financial statements

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,755,096
Cash payment to suppliers for goods and services	(696,851)
Cash payment to employees for services	(486,799)
Net cash provided by operating activities	<u>571,446</u>
Cash Flows from Capital and Related Financing Activities:	
Cash paid for interest expense on bond payments	(17,085)
Cash paid for interest expense on note payable	(107,609)
Cash paid for principal repayment of bonds	(315,000)
Cash paid for principal repayment on notes payable/capital leases	(56,889)
Cash received for insurance proceeds	202,827
Cash paid for acquisition and construction of capital assets	(73,141)
Cash received for other non-operating revenues	31,676
Net cash used for capital and related financing activities	<u>(335,221)</u>
Cash flows from investing activities:	
Interest income on investments	<u>10,351</u>
Net cash provided by investing activities	<u>10,351</u>
Net Increase/(Decrease) in cash	246,576
Cash and cash equivalents, December 31, 2020	<u>1,043,516</u>
Cash and cash equivalents, December 31, 2021	<u><u>\$ 1,290,092</u></u>
Reconciliation of operating income to net cash flows from operating activities:	
Operating income	\$ 235,577
Add: Depreciation	324,022
(Increase)/Decrease in current assets	
Accounts receivable, net	(3,146)
Prepaid expenses	4,132
Increase/(Decrease) in liabilities	
Other current liabilities	975
Customer deposits	9,886
Net cash provided from operating activities	<u><u>\$ 571,446</u></u>

See accompanying notes to the financial statements

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE A - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Bright Star-Salem Special Utility District (the District) is a consumer cooperative providing water services to members living near small communities near Bright Star and Salem, Texas. The District provides water service to approximately 2,200 members. Bright Star-Salem had operated as a water supply corporation (a not-for-profit organization) for several years prior to July 1, 2007.

On April 6, 2006, the membership of Bright Star-Salem Water Supply Corporation voted to approve the conversion to a Special Utility District. An order creating the Bright Star-Salem Special Utility District was approved and signed by the Executive Director of the Texas Commission on Environmental Quality on February 21, 2007. The final confirmation election by the membership to create the Bright Star-Salem Special Utility District was held on May 12, 2007. In that election, the members voted to confirm their previous vote. Bright Star-Salem officially converted to a special utility district on July 1, 2007.

The primary effect of the conversion was that Bright Star-Salem no longer operated as a not-for-profit organization. It is recognized as a government entity.

Reporting Entity

The Board of Directors, a five-member group, has governance responsibilities over all activities related to the administration of the District. Because the members of the Board are elected, they have the authority to make decisions, appoint managers, and significantly influence operations, and have the primary accountability for fiscal matters. The District, for financial purposes, includes all of the funds relevant to the operation of the Bright Star-Salem Special Utility District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Bright Star-Salem Special Utility District.

The financial statements of the District do not include any separately administered organizations. No such organizations exist that are controlled by or are dependent on the District. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

The District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity."

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below:

1. Basis of Presentation

The District's basic financial statements consist of fund financial statements including a statement of net position, a statement revenues, expenses, changes in fund net position, and statement of cash flows. Because the District is engaged only in business-type activities, government-wide financial statements are not presented.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column. The District only has a water fund, which is a major fund.

2. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes one category of funds: proprietary. The only fund type used by the District is a Proprietary Fund, and is described below:

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District's proprietary fund is classified as an enterprise fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Water Fund – The Water Fund is used to account for the revenues generated from the charges for water services and related activities provided to the customers of the District.

3. Measurement Focus Fund Financial Statements

Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

4. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Proprietary fund financial statements are prepared using the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, available means expected to be received within thirty (30) days of year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

5. Budget Process

Formal budgetary accounting is employed as a management control for the District. The same basis of accounting is used to reflect actual revenues and expenses recognized on a generally accepted accounting principles basis. The Board of Directors adopts a budget for the Proprietary Fund of the District.

Once a budget is approved, it can be amended only by approval of a majority of the Board of Directors. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact and are reflected in the official minutes of the Board. The District did amend the original budget multiple times during the year ended December 31, 2021.

For expenses, the significant amendments included an increase to chlorine supplies by \$20,000 and a decrease in sludge removal expenses by \$17,600. Other amendments were to increase the budget amount for field supplies by \$10,000 and to increase the fuel and oil budget expense by \$7,000. Even after each of the budget amendments, a number of the expense line items on budget comparison schedule (i.e., Exhibit A) showed that the actual expenses recorded were greater than the amounts budgeted for those same expense line items. None of those unfavorable variances were material.

6. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturities of three months or less when purchased.

7. Restricted Assets (Cash)

Cash accounts that are restricted for specific purposes are disclosed separately. The restricted cash accounts are all related to the debt and expenses for the Water System Refund Revenue Bonds, Series 2019.

8. Investments

The District invests only in certificates of deposit and money market bank accounts.

9. Fair Values of Financial Instruments

The following methods and assumptions were used by Bright Star-Salem Special Utility District in estimating its fair value disclosures for financial instruments:

Cash and equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Certificates of deposit: The carrying amounts reported in the statement of financial position are the original costs of the certificates of deposit plus any earned interest added to the certificate principal.

Long-term debt: The fair values of the notes payable are based on their principal balances (carrying amounts).

10. Receivables

Charges for water services billed but not collected as of December 31, 2021 are recorded as service charges receivable. No allowance for doubtful accounts has been recorded because of historical collection efforts.

11. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are reported at their fair market value as of the date received. The District maintains a capitalization threshold of \$2,500.

All capital assets are depreciated, except for land and construction-in-progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure are estimated based on the District's historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

Fixed Asset Category	Depreciation Lives
Buildings and Building Improvements	10-40 years
Office Furniture and Equipment	5-10 years
Field Equipment	5-7 years
Water System and Equipment	40-50 years System Mapping
	10 years
Lake Fork Water System (original purchase)	20 years
Vehicles	5 years

12. *Developers' Deferred Revenues*

In the past, when a developer established a residential housing development within Bright Star-Salem's service area, they had to pay two separate types of reserve charges before the District would construct the water lines and provide water to the lots. These charges applied to each separate development.

The first was a reserve water charge. With the reserve water charge, the developer paid to the District the minimum monthly water charge for each unsold lot for the next twelve (12) months. This amount was paid upon signing a contract with the District. At the next annual contract anniversary date, the developer again paid to the District the minimum monthly water charge for each unsold lot for the next twelve months. This amount should decrease each year as lots are sold and become "paid connections". Once a lot became a paid connection, the developer was no longer responsible for making the annual payment for that lot. On the first contract anniversary date after at least 50% of the developer's lots had become paid connections, the developer no longer paid the reserve water charge for that development.

The amount of reserve water charge received in a fiscal year that applies to any months in that same fiscal year was recorded as a reserve water service revenue. The amount of reserve water charge received in any fiscal year that applied to months in the subsequent fiscal year was recorded as a deferred revenue.

The second type of reserve water charge is the reserve water deposit. The reserve water deposit was calculated in the same manner as the reserve water charge, except the minimum monthly service charge is calculated for twenty-four (24) months. The purpose of this payment was to serve as a deposit reserve fund. If a developer failed to make a reserve water charge at any time in a subsequent year, the funds from the reserve water deposit would be used to make the developer's reserve water charge.

Since the reserve water deposit was not yet been earned by the District, it was recorded as deferred revenue. Once 50% of the development's lots have become paid connections, any reserve water deposit funds that had not been applied as reserve water charges were then removed from the deferred revenue accounts and recorded as reserve water service revenues. Any remaining reserve water deposit funds are refunded to the developers.

During 2010, the District's Board of Directors changed the policy for developer payments, with an effective date of February 18, 2010. Subsequent to that date, developers paid for the construction of the water lines, but were no longer be required to make any types of reserve water charges. Agreements made prior to that date will still be subject to the agreements as originally made, which includes the reserve deposits.

These deferred revenues are recorded as long-term liabilities on the Statement of Net Position.

13. *Inventory*

Inventory items are expensed when purchased.

14. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net position. Bond issuance costs, whether withheld from the actual debt proceeds or not, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the insurance coverage.

15. Compensated Absences

The District allows employees to carry over earned, but unused, vacation. Because of the immateriality of the amount of any carried over earned, but unused, vacation, the amount of this compensated absence is not disclosed in these financial statements.

16. Customer and Renters' Deposits

Upon commencement of water service from Bright Star-Salem, all customers must pay a customer deposit of \$125. The customer deposit is refundable upon the customer's request to cease water service. If the customer rents his/her property to a renter, the renter must also pay a renter's deposit to Bright Star-Salem of \$125. If all payments have been paid by a renter when he ceases water service, the renter's deposit is refunded to him/her.

17. Pension Plan

The District participates in the Texas County & District Retirement System (TCDRS).

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

Effective with the fiscal year ended December 31, 2015, the District implemented GASB Statement No. 68, which significantly changes what governmental entities must report in their financial statements and pension disclosures. This statement establishes procedures for measuring and recognizing the obligations associated with pensions as well as identifies methods for attributing the associated costs to the appropriate period as they are earned over an employee's career. Also included in this statement are amendments to the note and required supplementary information requirements, as well as details to address special funding situations.

Because of the immateriality of the net pension liability/(asset) for the District for the year ended December 31, 2021, the net pensions liability, the deferred pension costs, and the required supplemental information regarding net pension liability/(asset), neither the current net pension liability/(asset) nor the net pension liability/(asset) history will be disclosed.

18. Deferred Outflow of Resources and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows or resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time.

19. *Net Position*

Net position represents the difference between assets plus deferred outflow of resources, and liabilities plus deferred inflow of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

For purposes of net position, fund equities are displayed as net investment in capital assets, restricted, and unrestricted. Net position assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District has one restricted balance, which is an external restriction by creditors, related to the debt service for the 2019 bond issue. The Debt Service (I&S) restriction (\$125,471) represents the net position assets restricted for interest and sinking purposes on the 2019 revenue bonds.

In instances where an expenditure may be made from restricted or unrestricted funds, the policy for determination of which of the net position funds will be used will be made on a case-by-case basis by the District Board, or authorized person.

20. *Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for providing water services and other services related to the operation of the water system, such as installation tap fees, reconnect fees, late charges, and line extension fees. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund.

21. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the reporting period. Actual results could differ from those estimates.

NOTE C - CASH AND INVESTMENTS

The District's depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District was in substantial compliance with the requirements of the Act.

The District's cash deposits and certificates of deposit at December 31, 2021 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The Public Funds Investment Act (the "Act") (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

State statutes and the District's Investment Policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) fully collateralized repurchase agreements; 5) bankers acceptances, 6) commercial paper, 7) money market mutual funds and no-load mutual funds, and 8) public investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC). The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

During the year ended December 31, 2021, the District had no investments other than certificates of deposit.

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
Capital Assets not being Depreciated:				
Land	\$ 130,959	-	-	\$ 130,959
Constructions-in-Process	12,451	-	(12,451)	-
Total Capital Assets not being Depreciated	143,410	-	(12,451)	130,959
Capital Assets being Depreciated:				
Water System	11,931,323	77,897	(250,920)	11,758,300
Building & Improvements	170,185	-	-	170,185
Office Furniture & Field Equipment	389,367	-	-	389,367
Vehicles	156,326	7,695	-	164,021
Total Capital Assets being Depreciated	12,647,201	85,592	(250,920)	12,481,873
Less: Total Accumulated Depreciation	(4,711,830)	(324,022)	51,364	(4,984,488)
Total Capital Assets being Depreciated, Net	7,935,371	(238,430)	(199,556)	7,497,385
Total Capital Assets, Net	\$ 8,078,781	(238,430)	(212,007)	\$ 7,628,344

NOTE E - LONG-TERM DEBT

On July 22, 2019, the District's Board approved an ordinance authorizing the issuance of the Water System Revenue Refunding Bonds, Series 2019 in the principal amount of \$3,845,000. The bonds were purchased by Southside Bank in Tyler, Texas on September 4, 2019. The Series 2019 Refunding Bonds were used to fund the call of the Water System Revenue Bonds, Series 2019 bonds. The Water System Revenue Refunding Bonds, Series 2019 of \$3,284,000 contain provisions that in the event of default, the bondholders may make claim to all assets allowed by Chapter 2257, Texas Government Code. The bonds of the bond Series 2019 are callable on September 1, 2026.

The District's outstanding notes related to business-type activities of \$328,648 contain provisions that in an event of default, outstanding amounts due become immediately due if the District is unable to make payment. There eight different possible events of default, of which failure to make a payment is the most probable. If the District is unable to make those payments, the financing entity may repossess all equipment, property, water lines, and accounts owned by the District, and any inventory.

The loan has a fixed interest rate and no payment acceleration clauses.

Changes in long-term obligations for the year ended December 31, 2021, are as follows

	Balance at 1/1/2021	Increase	Decrease	Balance at 12/31/2021	Due within One Year
Business-type activities:					
Water Syst. Refund Rev. Bonds, Series 2019	\$ 3,599,000	\$ -	\$ (315,000)	\$ 3,284,000	\$ 324,000
Direct borrowings:					
Installment purchases	385,537	-	(56,889)	328,648	59,650
Business activity long-term liabilities	<u>\$ 3,984,537</u>	<u>\$ -</u>	<u>(371,889)</u>	<u>\$ 3,612,648</u>	<u>\$ 383,650</u>

Debt service requirements to maturity on long-term debt at December 31, 2021, are as follows:

Year Ending December 31,	<u>Business-Type Activities</u>			
	Bonds		Notes - Direct Borrowings	
	Principal	Interest	Principal	Interest
2022	\$ 324,000	\$ 98,192	\$ 59,650	\$ 14,323
2023	336,000	88,504	62,546	11,427
2024	348,000	78,458	65,582	8,391
2025	354,000	68,052	68,766	5,207
2026	365,000	57,468	65,965	1,843
2027-2031	1,557,000	117,925	6,139	25
Totals	<u>\$3,284,000</u>	<u>\$ 508,599</u>	<u>\$ 328,648</u>	<u>\$ 41,216</u>

Interest expense, at the for the District's debt instruments was \$121,553 for the year ended December 31, 2021.

NOTE F - EMPLOYEES' PENSION PLAN

The District provides pension benefits for all of its eligible employees through a statewide, agent multiple-employer, public-employee retirement system in the Texas County & District Retirement System (TCDRS). The system serves approximately 740 actively participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits.

All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

TCDRS is a savings-based plan. For the District's plan, 7% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity.

The District's contribute rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Bright Star-Salem SUD contribution rate is based on the TCERS funding policy adopted by the TCERS Board of Trustees and much conform with the TCERS Act. The employee contribution rates are set by the District and are currently 7%.

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS. Plan provisions for the District were as follows:

	Plan Year 2020	Plan Year 2019
Employee deposit rate	7.00%	7.00%
Matching ratio (District to employee)	1.50 to 1	1.50 to 1
District Pension Expense	\$30,849	\$24,353
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	75/20	75/20

NOTE G - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District continues to carry commercial insurance for all of these types of risks of loss, including commercial building and property, vehicle collision, liability, comprehensive, builder's risk, workman's compensation, and public officials' liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE H - RESTRICTIONS ON CASH BALANCES

The \$125,471 amount shown as "Restricted Cash" represents the cash balance that is restricted for uses related to repayment of the Series 2019 refunding bonds.

The restricted cash balance for "I&S" is the cash balance into which the operating revenues are deposited. Disbursements from this account are made only for the purposes of making principal and/or interest payments on the certificates of obligation. Those funds may not be used for any other purpose.

NOTE I - CONTINGENCIES

On March 13, 2020, Texas and other states were declared disaster areas as a result of the COVID-19 pandemic. The pandemic will most probably have a significant effect on governmental and private entities. The extent of the effect cannot at this time be estimated or quantified. In each subsequent month, proclamations have been issued renewing the disaster declaration for all Texas counties.

NOTE J - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 8, 2022, which is the date the financial statements were issued.

***BRIGHT STAR-SALEM SUD
SUPPLEMENTARY INFORMATION***

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
BUDGET COMPARISON SCHEDULE -
SUPPLEMENTARY INFORMATION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Amend.	Amend. Budget	Actual	Variance
OPERATING REVENUES					
Water Sales	\$ 1,575,000	\$ (45,000)	\$ 1,530,000	\$ 1,521,396	\$ (8,604)
Installation Tap Fees	96,000	64,000	160,000	169,290	9,290
Late Charges	16,000	2,000	18,000	19,025	1,025
Reconnect Fees	3,500		3,500	3,565	65
Line Extension Fees	20,000	8,446	28,446	28,447	1
Other Income	12,125	3,500	15,625	13,373	(2,252)
Total Revenues	1,722,625	32,946	1,755,571	1,755,096	(475)
OPERATING EXPENSES					
Salaries	485,000	5,000	490,000	486,799	3,201
Employee Benefits	76,800		76,800	94,539	(17,739)
Surface Water Lease Availability	33,260		33,260	34,493	(1,233)
Field Supplies	70,000	10,000	80,000	85,408	(5,408)
Utilities & Telephone	106,000		106,000	92,847	13,153
Legal and Professional	25,700	800	26,500	13,260	13,240
Repairs - Water System	46,000		46,000	55,083	(9,083)
Repairs - Other	15,000	6,000	21,000	23,076	(2,076)
Sludge Removal	44,600	(17,600)	27,000	10,971	16,029
Fuel and Oil	13,000	7,000	20,000	19,548	452
Office Expense	21,200	2,500	23,700	32,686	(8,986)
Insurance - Property	45,000	(1,500)	43,500	43,491	9
Chlorine Supplies	100,000	20,000	120,000	112,490	7,510
Water System Fees and Samples	20,000		20,000	22,314	(2,314)
Rentals	1,500		1,500	2,797	(1,297)
Continuing Education	8,000	(2,500)	5,500	5,017	483
Taxes	37,100		37,100	38,282	(1,182)
Miscellaneous	24,100	2,200	26,300	18,597	7,703
Board Meetings	6,800		6,800	3,799	3,001
Depreciation	320,000		320,000	324,022	(4,022)
Total Expenses	1,499,060	31,900	1,530,960	1,519,519	11,441
Excess (Deficiency) of Revenues Over/(Under) Expenses	223,565	1,046	224,611	235,577	10,966
NON-OPERATING REVENUES (EXPENSES)					
Investment Income	11,000	(1,500)	9,500	10,351	851
Interest Expense	(124,710)		(124,710)	(121,553)	3,157
Sewer Income	9,000		9,000	10,877	1,877
Tower Lease	14,400	4,800	19,200	20,800	1,600
Total Non-Operating Revenues (Expenses)	(90,310)	3,300	(87,010)	(79,525)	7,485
Change In Net Assets	133,255	4,346	137,601	156,052	18,451
Net Position, Beginning	4,859,161	-	4,859,161	4,859,161	-
Net Position, Ending	\$ 4,992,416	\$ 4,346	\$ 4,996,762	\$ 5,015,213	\$ 18,451

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
YEAR ENDED DECEMBER 31, 2021**

TSI - 1

1. Services Provided by the District during the Year:

Retail Water

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum Use
Water:	\$ 32.00	0 Gallons	N	\$4.00 (0-2,000) \$4.50 (2,001-8,000) \$5.50 (8,001-20,000) \$6.50 (> 20,000)

District employs winter averaging for wastewater usage: No

Total charges per 10,000 gallons usage: Water: \$ 76.00

b. Water Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	X 1.0	
< 3/4"	2,590	2,338	X 1.0	2,338.0
3/4"	13	13	X 1.5	19.5
1"	16	15	X 2.5	37.50
1 1/2"	8	7	X 5.0	35.0
2"	10	9	X 8.0	72.0
3"	4	3	X 15.0	45.0
Total Water	2,641	2,385		2,547.0

3. Total Water Consumption during the Year (rounded to the nearest thousand):

Gallons pumped into system: 166,380,500

Gallons billed to customers: 133,257,300

Water Accountability Ratio: (Gallons billed/Gallons pumped) 0.80

4. Standby Fees

None

5. Location of District

Counties in which the District is located: Wood and Rains

Is the District located entirely with one county? ☐ Yes ☒ No

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

City(ies) in which the District is located: _____

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

ETJ's in which the District is located: _____

Are Board members appointed by an office outside the district? ☐ Yes ☒ No

If Yes, by whom? _____

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
SCHEDULE OF PROPRIETARY FUND EXPENSES
YEAR ENDED DECEMBER 31, 2021**

TSI - 2

Personnel Expenditures:	\$	626,628
(including benefits)		
Professional Fees:		
Postage		11,731
Auditing		12,975.00
Legal		285
Engineering		7,074
Purchased Services for Resale:		
Surface Water Lease Availability		34,493
Contracted Services		
Testing		(5,680)
Rental & Lease		2,797
Water System Fees		12,288
Water Samples		10,025
Telephone		11,146
Utilities		88,974
Repairs and Maintenance		78,159
Administrative Expenditures		
Office Supplies		8,768
Insurance		43,491
Licenses		3,897
Software Maintenance		8,773
Advertising & Promotion		3,889
Interest		121,553
Other Administrative Expenditures		10,156
Other Expenses		
Fuel		19,548
Field Supplies		85,408
Depreciation/Amortization		324,022
Chlorine Supplies		112,490
Gain/Loss on Sale		262
Capital Outlay		73,141
Miscellaneous		7,920
TOTAL EXPENSES, INCLUDING CAPITAL OUTLAY	\$	<u>1,714,213</u>
TOTAL EXPENSES, EXCLUDING CAPITAL OUTLAY	\$	<u>1,641,072</u>
Number of persons employed by the District:		
Full-Time		<u>9</u>
Part-Time		<u>4</u>

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
TEMPORARY INVESTMENTS
DECEMBER 31, 2021**

<u>Proprietary Fund</u>	<u>Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
Certificate of Deposit - BTH	8140587	0.90%	3/3/22	\$ 101,133
Certificate of Deposit - MCB #1	5442477	1.25%	7/1/23	400,000
Certificate of Deposit - MCB #4	5427488	1.30%	10/28/21	101,972
CD-AGFCU	525	0.85%	12/16/23	<u>80,000</u>
Total				<u>\$ 683,105</u>

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS
YEAR ENDED DECEMBER 31, 2021**

Due During Fiscal Years Ending 12-31:	Revenue Refunding Bonds - Series 2019			Annual Requirements for All Series		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due	Interest Due	Total
2022	324,000	98,192	422,192	324,000	98,192	422,192
2023	336,000	88,504	424,504	336,000	88,504	424,504
2024	348,000	78,458	426,458	348,000	78,458	426,458
2025	354,000	68,052	422,052	354,000	68,052	422,052
2026	365,000	57,468	422,468	365,000	57,468	422,468
2027	374,000	46,554	420,554	374,000	46,554	420,554
2028	383,000	35,372	418,372	383,000	35,372	418,372
2029	396,000	23,920	419,920	396,000	23,920	419,920
2030	404,000	12,079	416,079	404,000	12,079	416,079
	<u>\$3,284,000</u>	<u>\$508,599</u>	<u>\$3,792,599</u>	<u>\$3,284,000</u>	<u>\$508,599</u>	<u>\$3,792,599</u>

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN BONDED DEBT
YEAR ENDED DECEMBER 31, 2021**

	Revenue Refund Bond Issue Series 2019	Totals
Interest rate	2.99%	
Dates interest payable	3/1 & 9/1	
Maturity dates	9/1/2020 to 9/1/2030	
Bonds outstanding at beginning of year	\$ 3,599,000	\$ 3,599,000
Bonds/Notes sold during current year	-	-
Retirements during current year	(315,000)	(315,000)
Bonds outstanding at end of current year	\$ <u>3,284,000</u>	\$ <u>3,284,000</u>
Interest paid during current year	\$ 104,469	\$ 104,469
Paying agent	Southside Bank Tyler, Texas	
Bond Authority:	Revenue Refund Bond Issue	Totals
Amount authorized by voters/board	\$ 3,907,000	\$ 3,907,000
Amount issued	3,907,000	3,907,000
Remaining to be issued	\$ <u>-</u>	\$ <u>-</u>
Debt Service Fund Cash/Temporary Investments balances as of December 31, 2021:		\$ <u>125,471</u>
Average annual Debt Service payment (Principal & Interest) for remaining term of all debt:		\$ <u>421,400</u>

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
PROPRIETARY FUND - UNAUDITED
YEAR ENDED DECEMBER 31, 2021

	AMOUNTS					
Fiscal Year Ended December 31,	2021	2020	2019	2018	2017	2016
<u>Operating Revenues</u>						
Water Sales	\$1,521,396	\$1,457,535	\$1,371,105	\$1,357,383	\$1,249,742	\$1,221,858
Connection and Other Fees	233,700	198,556	159,585	123,763	156,912	132,862
Total Operating Revenues	1,755,096	1,656,091	1,530,690	1,481,146	1,406,654	1,354,720
<u>Operating Expenses</u>						
Salaries and Employee Benefits	581,338	554,334	491,393	448,416	445,743	429,590
Surface Water Lease Availability	34,493	34,493	34,493	34,401	33,261	31,755
Field Supplies	85,408	73,469	76,458	67,078	54,276	60,819
Utilities and Telephone	92,847	91,965	91,704	94,693	80,928	79,963
Legal and Professional	13,260	14,110	24,160	22,626	16,724	18,935
Repairs	78,159	32,902	300,450	36,894	59,270	113,733
Sludge Removal	10,971	16,145	6,004	4,002	11,243	-
Fuel and Oil	19,548	11,987	13,625	13,063	12,116	12,470
Office	32,686	27,298	23,229	24,614	27,518	24,038
Insurance	43,491	45,425	40,994	42,753	29,456	27,541
Chlorine, Water System Fees, and Samples	134,804	122,300	108,797	107,740	95,520	110,628
Other	68,492	65,725	95,797	63,571	66,031	66,306
Depreciation	324,022	326,826	326,091	320,131	315,579	322,850
Total Operating Expenses	1,519,519	1,416,979	1,633,195	1,279,982	1,247,665	1,298,628
Net Operating Income	235,577	239,112	(102,505)	201,164	158,989	56,092
<u>Other</u>						
Interest Income	10,351	14,315	15,950	13,525	12,048	12,251
Rental Income	10,877	10,298	16,400	10,800	9,600	5,207
Gain/(Loss) from Sale of Assets	-	14,192	(29,999)	10,500	-	12,603
Interest Expense	(121,553)	(133,211)	(169,243)	(181,033)	(188,743)	(194,670)
Bond Issuance Costs	-	-	(60,607)	-	-	-
Miscellaneous Income	20,800	17,600	9,251	16,286	5,306	4,750
Total Other Revenues/(Expenses)	(79,525)	(76,806)	(218,248)	(129,922)	(161,789)	(159,859)
Net Income (Loss)	\$156,052	\$162,306	(\$320,753)	\$71,242	(\$2,800)	(\$103,767)

PERCENT OF TOTAL OPERATING REVENUE					
2021	2020	2019	2018	2017	2016
86.68%	88.01%	89.57%	91.64%	88.85%	90.19%
13.32%	11.99%	10.43%	8.36%	11.15%	9.81%
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
33.12%	33.47%	32.10%	30.27%	31.69%	31.71%
1.97%	2.08%	2.25%	2.32%	2.36%	2.34%
4.87%	4.44%	5.00%	4.53%	3.86%	4.49%
5.29%	5.55%	5.99%	6.39%	5.75%	5.90%
0.76%	0.85%	1.58%	1.53%	1.19%	1.40%
4.45%	1.99%	19.63%	2.49%	4.21%	8.40%
0.63%	0.97%	0.39%	0.27%	0.80%	0.00%
1.11%	0.72%	0.89%	0.88%	0.86%	0.92%
1.86%	1.65%	1.52%	1.66%	1.96%	1.77%
2.48%	2.74%	2.68%	2.89%	2.09%	2.03%
7.68%	7.38%	7.11%	7.27%	6.79%	8.17%
3.90%	3.97%	6.26%	4.29%	4.69%	4.89%
18.46%	19.73%	21.30%	21.61%	22.43%	23.83%
86.58%	85.56%	106.70%	86.42%	88.70%	95.86%
13.42%	14.44%	-6.70%	13.58%	11.30%	4.14%
0.59%	0.86%	1.04%	0.91%	0.86%	0.90%
0.62%	0.62%	1.07%	0.73%	0.68%	0.38%
0.00%	0.86%	-1.96%	0.71%	0.00%	0.93%
-6.93%	-8.04%	-11.06%	-12.22%	-13.42%	-14.37%
0.00%	0.00%	-3.96%	0.00%	0.00%	0.00%
1.19%	1.06%	0.60%	1.10%	0.38%	0.35%
-4.53%	-4.64%	-14.26%	-8.77%	-11.50%	-11.80%
8.89%	9.80%	-20.95%	4.81%	-0.20%	-7.66%

**BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
YEAR ENDED DECEMBER 31, 2021**

<u>Name and Address</u>	<u>Term</u>	<u>Fees</u>	<u>Expenses</u>	<u>Title</u>	<u>Resident</u>
Board Members:					
Laura Reid 380 WCR 1522 Alba, TX 75410	5/20-5/23	\$ 650	-	President	Yes
Jackie Staley 320 WCR 1610 Alba, TX 75410	5/22-5/25	\$ 585	-	Vice-President	Yes
Jeannine Hayes 1362 RCR 2430 Alba, TX 75410	5/21-5/24	\$ 585	-	Secretary/Treasurer	Yes
Jason Stovall 210 WCR 1502 Alba, TX 75410	5/22-5/25	\$ 585	-	Director	Yes
Paula Hass P.O. Box 120 Alba, TX 75410	5/21-5/24	\$ 650	-	Director	Yes

Note: No director is disqualified from serving on this board under the Texas Water Code.

Key Administrative Personnel:

Wanda Gaby P.O. Box 171 Alba, TX 75410	\$79,071	General Manager
--	----------	--------------------

Consultants:

Richard E. Roberts P.O. Box 70 Quitman, TX 78783	\$ 150	Attorney
Eddy Daniel Daniel & Brown, Inc. P.O. Box 606 Farmersville, TX 75442	\$ 3,099	Engineers
Eddy Daniel Dunway DBI PO Box 606 Farmersville, TX 75442	\$ 5,655	Engineers
Norman White, CPA 1516 Judson Rd. Longview, Texas 75601	\$ 12,975	Auditor

Investment Officer:

Wanda Gaby (See above)