

**BRIGHT STAR - SALEM
SPECIAL UTILITY DISTRICT**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL SCHEDULES**

For the Year Ended December 31, 2018

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT

TABLE OF CONTENTS

December 31, 2018

	<u>EXHIBIT</u>
Annual Filing Affidavit	
Independent Auditor's Report	
Management's Discussion and Analysis	
Basic Financial Statements:	
Statement of Net Position – Proprietary Fund	I
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	II
Statement of Cash Flows – Proprietary Fund	III
Notes to the Financial Statements	
Supplementary Schedules	
Budget Comparison Schedule	A
Texas Supplementary Information Schedules	
Schedule of Services and Rates	TSI-1
Schedule of Proprietary Fund Expenditures	TSI-2
Schedule of Temporary Investments	TSI-3
Schedule of Taxes Levied and Receivable – The District does not collect taxes.	N/A
Schedule of Long-Term Debt Service Requirements by Year	TSI-5
Analysis of Changes in Bonded Debt	TSI-6
Comparative Schedule of Revenues and Expenses	TSI-7
Board Members, Key Personnel and Consultants	TSI-8

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 25th day of February 2019 its audit report for the year ended December 31, 2018 and that copies of the audit report have been filed in the District office, located at 238 N. Osborn, Alba, Texas.

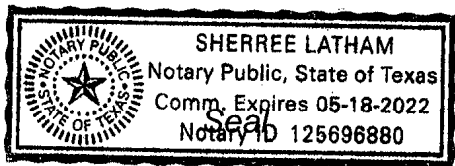
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: 2/25 , 2019

By: *Laura Reid*
(Signature of District Representative)

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

Sworn to and subscribed to before me this 25 day of February , 2019.



Sherree Latham
(Signature of Notary)

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

Norman L. White

Certified Public Accountant
Longview, Texas

Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities, and each major fund of the Bright Star-Salem Special Utility District (the District), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of the Bright Star-Salem Special Utility District as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and a schedule of employer's proportionate share of the net pension liability 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 (GASB) 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion

or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the schedule of employer's proportionate share of the net pension liability because the net pension liability is immaterial to the basic financial statements as a whole. Such missing 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bright Star-Salem Special Utility District's basic financial statements as a whole. The budget comparison schedule and the Texas Supplementary Information schedules are required by the Texas Council on Environmental Quality and are presented for purposes of additional analysis and are not a required part of the financial statements.

The budget comparison schedule and the Texas Supplementary Information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. With the exception of Texas supplemental schedule TSI-7, which is marked "Unaudited", 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 my opinion, the budget comparison schedule and the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,



Norman White
Longview, Texas
February 20, 2019

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 years ended December 31, 2018 and 2017. 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 \$126,415 and \$95,453 at December 31, 2018 and 2017, respectively. Unrestricted Net Position represents the net balance accumulated by the District above the amount of Net Investment in Capital Assets and the amount for Restricted Net Position (restricted as a result of the bond covenants related to the 2009 revenue bond issuance).
- The total of Net Investment in Capital Assets (after subtracting our debt owed on capital assets) was \$4,252,386 at December 31, 2018 and \$4,217,747 at December 31, 2017 respectively.
- The District had \$4,115,000 and \$4,375,000 of revenue bonds outstanding at December 31, 2018 and 2017 respectively.
- The most significant continuing revenue sources for the District consisted of \$1,357,383 of water sales for the year 2018 and \$1,249,742 for the year 2017.

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 auditors' report that the financial statements are fairly stated.

Financial Analysis as a Whole

Net position increased by \$71,871 in 2018 and decreased by \$2,800 in 2017 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 2018 occurred as a result of both an increase revenues, primarily due to a water rate increase, and a decrease in operating expenses. Operating revenues for 2019 should increase over 2018 due primarily to a rate increase in February 2019. Operating expenses will increase significantly primarily because of the planned repainting of the elevated storage tower at North Hogansville and the Salem ground storage tanks. As a result of these changes, it is expected that the net operating will be increasing in 2019 in relation to 2018.

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

	2018	2017
Assets:		
Current assets (unrestricted)	\$ 565,482	\$ 524,332
Restricted assets	598,602	592,331
Capital assets (net)	8,410,159	8,592,747
Total Assets	<u>9,574,243</u>	<u>9,709,410</u>
Liabilities:		
Current liabilities (payable from current assets)	131,092	82,491
Current liabilities (payable from restricted assets)	270,000	260,000
Long-term liabilities	4,195,748	4,461,388
Total Liabilities	<u>4,596,840</u>	<u>4,803,879</u>
New Position:		
Net Investment in capital assets	4,252,386	4,217,747
Restricted	598,602	592,331
Unrestricted	126,415	95,453
Total Net Position	<u>\$ 4,977,402</u>	<u>\$ 4,905,531</u>

In 2018, the largest category of net position is Net Invested in Capital Assets which comprises 85% of net position. This category totaling \$4,252,386 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. For 2017, the largest category of net position was Net Invested in Capital Assets, which comprised 86% of net position. The District's 2018 net investment in its capital assets of \$4,252,386 is reported net of related debt. Related long-term liabilities outstanding at December 31, 2018 and 2017 totaled \$4,375,000 and \$4,115,000, respectively. The current portion of the long-term debt of \$270,000 and \$260,000 for the years ended December 31, 2018 and 2017, 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 \$598,602 for the current year. For 2017, this category totaled \$592,331. Restricted Net Position is restricted for debt reserves required by Texas Water Development Board related to its purchase of the 2009 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 \$126,415 and \$95,453 at December 31, 2018 and 2017, 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 \$71,871 for 2018 and a decrease in net position of \$2,800 for 2017. 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

	2018	2017
Operating Revenues:		
Service charges and fees	\$ 1,484,146	\$ 1,406,654
Total Operating Revenues	1,484,146	1,406,654
Operating Expenses:		
Operating expenses (excluding depreciation)	959,851	932,086
Total Operating Expenses (excluding depreciation)	959,851	932,086
Operating income (loss) before depreciation	524,295	474,568
Depreciation expense	320,131	315,579
Nonoperating Revenues (Expenses):		
Nonoperating revenues	51,112	26,953
Nonoperating expenses	(181,033)	(188,743)
Total Nonoperating Revenues/(Expenses)	(129,921)	(161,790)
Increase (Decrease) in Net Position	71,242	(2,800)
Net Position - Beginning of Year	4,905,531	4,908,321
Prior Period Adjustment	629	-
Net Position - End of Year	\$ 4,977,402	\$ 4,905,531

Budget Variations

For 2018, the most significant variation between the original approved budget and the amended budget was the decrease in expenses for water system repairs, mainly the repainting of water storage tanks. 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, 2018 and 2017 was \$137,543 and \$8,592,747 respectively. The major capital assets additions during the current fiscal

year were the purchase of a BobCat excavator and a new Chevrolet truck. More detailed information about capital assets is presented in Note D to the financial statements.

Long-Term Debt

At year-end, the District had \$3,845,000 for 2018 and \$4,115,000 for 2017 of long-term 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 2,200 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 in 2019 due primarily to a history of an increasing customer base and a water rate increase effective February 1, 2019. Operating expenses will increase due to the need for tank repairs and tank painting in 2019. 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.

BASIC FINANCIAL STATEMENTS

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2018

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 452,953
Accounts Receivable	110,197
Prepaid Expenses	2,332
Total Current Assets	<u>565,482</u>
Property, Plant and Equipment	
Land	134,959
Building and Improvements	160,372
Furniture, Fixtures and Equipment	353,693
Water System and Equipment	11,716,570
Vehicles	132,034
Construction-in-Progress	12,451
Total Property, Plant & Equipment	<u>12,510,078</u>
Accumulated Depreciation	<u>(4,099,919)</u>
Total Net Property, Plant and Equipment	<u>8,410,159</u>
Restricted Assets	
Reserve Fund	437,320
Interest & Sinking Fund	161,282
Total Restricted Assets	<u>598,602</u>
Total Assets	<u>\$ 9,574,243</u>

See accompanying notes and accountant's report.

LIABILITIES
Current Liabilities

Accrued Interest	\$ 58,588
Bonds Payable - S-T Portion	270,000
Capital Lease - S-T Portion	42,773
Other Current Liabilities	<u>29,731</u>
Total Current Liabilities	<u>401,093</u>

Noncurrent Liabilities

Compensated Absences	5,987
Membership and Renters' Deposits	255,275
Developers' Deferred Revenues	89,486
Bonds Payable - L-T Portion	<u>3,845,000</u>
Total Other Liabilities	<u>4,195,748</u>

Total Liabilities

4,596,840
NET POSITION

Net Investment in Capital Assets	4,252,386
Restricted for:	
Bond Reserve Fund	437,320
Bond Debt Service	161,282
Unrestricted	<u>126,415</u>
Total Net Position	<u>\$ 4,977,402</u>

See accompanying notes and accountant's report.

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended December 31, 2018

EXHIBIT II

<hr/>	
OPERATING REVENUES	
Water Sales	\$ 1,357,383
Installation Tap Fees	74,970
Late Charges	19,203
Reconnect Fees	6,000
Line Extension Fees	13,368
Other Income	10,222
Total Operating Revenues	<u>1,481,146</u>
Operating Expenses	
Salaries	386,829
Employee Benefits	61,587
Surface Water Lease Availability	34,401
Field Supplies	67,078
Utilities and Telephone	94,693
Legal and Professional	22,626
Repairs - Water System	32,116
Repairs - Other	4,778
Sludge Removal	4,002
Fuel and Oil	13,063
Office Expense	24,614
Insurance - Property	42,753
Chlorine Supplies	89,404
Water System Fees and Samples	18,336
Rentals	3,366
Continuing Education	6,549
Taxes	29,796
Miscellaneous	18,890
Board Meetings	4,972
Depreciation	320,131
Total Operating Expenses	<u>1,279,982</u>
Operating Income (Loss)	<u>201,164</u>
Non-Operating Income/(Expense)	
Interest Income	13,525
Sewer Income (STBT SHS)	6,287
SRA Grant Income	10,000
Gain from Sale of Asset	10,500
Tower Lease	10,800
Interest Expense	(181,033)
Total Non-Operating Income/(Loss)	<u>(129,921)</u>
Change in Net Assets	71,242
NET POSITION AT BEGINNING OF THE YEAR	4,905,531
Prior Period Adjustments	<u>629</u>
NET POSITION AT END OF THE YEAR	<u><u>\$ 4,977,402</u></u>

See accompanying notes and accountant's report.

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2018

EXHIBIT III

<hr/>	
Cash Flows From Operating Activities	
Cash received from Customers	\$ 1,481,146
Cash payments to suppliers for goods and services	(480,796)
Cash payments to employees for services	(448,416)
Net Cash Provided by Operating Activities	<u>551,934</u>
Cash Flows from Capital and Related Financing Activities	
Cash paid interest expense on bond payments	(182,835)
Cash paid for principal repayment of bonds	(260,000)
Cash (net) paid to prepaid insurance & HAS	(18,846)
Cash paid for acquisition and construction of capital assets	(80,512)
Cash received (net paid) from deposits	5,170
Other non-operating revenues	37,587
Net Cash Provided from Capital and Related Financing Activities	<u>(499,436)</u>
Cash Flows from Investing Activities	
Interest income on investments	<u>13,525</u>
Net Cash Provided/(Used) from Investing Activities	<u>13,525</u>
Net Increase/(Decrease) in Cash	66,023
Cash and Cash Equivalents, December 31, 2017	<u>985,532</u>
Cash and Cash Equivalents, December 31, 2018	<u>\$ 1,051,555</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities	
Operating Income	\$ 201,164
Add Depreciation	320,131
(Increase)/Decrease in Current Assets	
Accounts receivable, net	520
Prepaid expenses	19,121
Increase/(Decrease) in Liabilities	
Other current liabilities	8,480
Customer deposits	5,170
Accrued interest	<u>(2,652)</u>
Net Cash Flows from Operating Activities	<u>\$ 551,934</u>

See accompanying notes and accountant's report.

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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 2,000 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 seven-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 District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989 to its business-type activities or enterprise funds. 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, and changes in fund net position. Because the District is a special-purpose government 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 during the year ended December 31, 2018.

With the exception of an decrease of \$100,000 in the tank repairs expense category, each of the remaining amendments were each immaterial.

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 twenty-four 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 Revenue Bonds, Series 2009.

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, 2018 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 two thousand five hundred dollars (\$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:

<u>Fixed Asset Category</u>	<u>Deprec. Lives</u>
Building 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, he 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 were 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.

15. Compensated Absences

The District allows employees to carry over earned, but unused, vacation. These benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered, and it is probable that the District will compensate the employees for the benefits. The compensated absence liabilities recorded represent the earned, but unused benefits, as of December 31, 2018.

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 TCERS' Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2018, the net pensions liability, the deferred pension costs, and the required supplemental information regarding net pension liability/(asset) history will not be disclosed.

18. Deferred Outflow of Resources and Inflows of Resources

In addition to assets, the Statement of Net Position and/or the balance sheet 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 and/or the balance sheet 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.

The District had no deferred outflow of resources nor deferred inflow of resources related to prior years' developers' reserved water service income.

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 two restricted balances, both of which are external restrictions by creditors, related to the debt service for the 2009 bond issue. The Reserve Fund restriction amount of \$437,320 represents the net position assets reserved for the future payment of the 2009 Revenue Bond issue. The Debt Service (I&S) restriction (\$161,282) represents the net position assets restricted for interest and sinking purposes on the 2009 revenue bonds. The funds in each of these funds may be used only for the purposes described above.

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.

22. Subsequent Events

Subsequent events have been evaluated through February 20, 2019, which is the date the financial statements were issued.

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, 2018 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, 2018, the District had no investments other than certificates of deposit.

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/17	Additions	Deletions	Balance 12/31/18
Capital Assets not being Depreciated:				
Land	\$ 134,958	-	-	\$ 134,958
Construction-in-Progress	12,452	-	-	12,452
Total Capital Assets not being Depreciated	147,410	-	-	147,410
Capital Assets being Depreciated:				
Water System	11,673,916	98,253	-	11,772,169
Building & Improvements	164,772	-	-	164,772
Office Furn. & Field Equipment	295,773	8,691	-	304,464
Vehicles	130,056	30,600	(32,919)	127,737
Total Capital Assets being Depreciated	12,264,517	137,544	(32,919)	12,369,142
Less: Total Accumulated Depreciation	(3,815,770)	(320,131)	32,919	(4,102,982)
Total Capital Assets being Depreciated, Net	8,448,747	(182,587)	-	8,266,160
Total Capital Assets, Net	\$ 8,596,157	\$ (182,587)	-	\$ 8,413,570

NOTE E - CHANGES IN LONG-TERM DEBT – REVENUE BONDS

In May 2009, the District approved the issuance of the Water System Revenue Bonds, Series 2009 in the amount of \$5,930,000. These funds are intended to be used for the construction of a surface water treatment plant. The interest rates for the bonds vary from 1.2% to for 4.7%. All bonds will be redeemed within 20 years from the date of issuance. The District has pledged its net revenues as security for the revenue bonds.

The activity for the long-term debt related to the revenue bonds for the fiscal year ended December 31, 2018 is shown below:

	Payable at 12/31/17	Additions	Retirements	Payable at 12/31/18
Water System Revenue Bonds-Series 2009	<u>\$4,375,000</u>	-	\$ 260,000	<u>\$4,115,000</u>

The annual requirements to amortize all bonded debt outstanding as of December 31, 2018 are as follows:

Year Ending December 31,	Principal	Interest	Total Requirements
2019	\$ 270,000	\$ 175,755	\$ 445,755
2020	285,000	167,115	452,115
2021	295,000	156,713	451,713
2022	305,000	145,355	450,355
2023	320,000	133,155	453,155
2024-2028	1,805,000	447,905	2,252,905
2029-2030	835,000	59,015	894,015
Subsequent	-	-	-
Totals	<u>\$4,115,000</u>	<u>\$1,285,013</u>	<u>\$5,400,013</u>

With the issuance of the revenue bonds, the District made covenants to the purchaser. One such covenant requires that the District establish and fund an Interest & Sinking (I&S) Fund account. The District is required to deposit, by the 25th of each month, sufficient funds into the I&S account in such amounts that whenever principal and/or interest payments are due to be paid, the necessary amounts are available in the I&S account.

The bond covenants also require that the District establish a Reserve Fund. The District is required to make a monthly deposit of \$7,289 into the Reserve Fund account until such time as the Reserve Fund has accumulated \$437,320. The funds in the Reserve Fund are to be used only for the payment of principal and interest on the 2009 bond issue when, and if, other funds available for such purposes are insufficient. The District Reserve Fund reached the \$437,320 level during 2014. Also, the bond covenants require that the "Net Revenues" are sufficient to cover debt service payments.

All of the above debt service payments for the Revenue Bonds have been, and will be, made from the bond debt service account, which is a restricted asset.

For the year ended December 31, 2018, the District was in compliance with each of the bond covenants described above.

Interest expense paid for the District's bonded debt was \$183,685 and \$188,743 for the years ended December 31, 2018 and 2017, respectively. Interest expense, including interest accruals, was \$181,033 and \$188,743 for the years ended December 31, 2018 and 2017, respectively.

NOTE F – CAPITAL LEASE

In September 2018, the District entered into a capital lease contract with KS State Bank for the lease/purchase of a Bobcat E55 T4 compact excavator with hydraulic clamp and angle blade. The District made an initial payment of \$14,257. At the end of one year, the District may (1) make the balloon payment of \$42,773, and own the equipment, or (2) return the equipment. The interest rate is fixed at 5.0%, and the excavator serves as the security for the contract.

The activity for the capital lease for the fiscal year ended December 31, 2018 is shown below:

	Payable at 12/31/17	Additions	Retirements	Payable at 12/31/18
Capital Lease	-	\$ 57,030	\$ 14,257	\$ 42,773

The annual debt service requirements for the capital lease as of December 31, 2018 are as follows:

Year Ending December 31, 2019	Principal	Interest	Total Requirements
	\$ 42,773	\$ 2,134	\$ 44,907

Interest expense paid for the District's bonded debt was \$ 0 for the year ended December 31, 2018.

NOTE G - COMPENSATED ABSENCES

All compensated absence liabilities are assumed to be long-term liabilities. The following reflects the changes in the compensated absence liabilities for the fiscal year ended December 31, 2018:

	Accumulated Vacation
Beginning balance, December 31, 2017	\$ 5,987
Net change	-
Ending balance, December 31, 2018	\$ 5,987

NOTE H - 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.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code.

The District contributes to the TCERS Plan at an actuarially determined rate. Both the employees and the District make contributions monthly. Since the District needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the district-funded monetary credits with interest were used to purchase an annuity. Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options. Each employee has the right to a monthly benefit at age 60 or older. Each employee is vested after 10 years of service.

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

	Plan Year 2018	Plan Year 2017
Employee deposit rate	7.00%	7.00%
Matching ratio (District to employee)	1.25 to 1	1 to 1
District Pension Expense	\$22,574	\$22,522
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	75/20	75/20

NOTE I - 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 J - RESTRICTIONS ON CASH BALANCES

The amounts shown as "Restricted Cash" represent cash balances that are restricted uses related to repayment of the bonds.

The Reserve Fund bank account has a balance of \$437,320 which is reserved for the future payments of the 2009 Revenue Bond issue. Per the bond issue document, those funds can be used for no other purposes.

The restricted cash balance for "I&S" is the cash balance into which the I&S ad valorem tax receipts are deposited. Also, surplus revenues from the City's water/sewer collections are deposited into this account. 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 K - SUBSEQUENT EVENTS

Loan with Mineola Community Bank

During the latter part of 2018, the board minutes reflected the discussions to obtain a loan to primarily help with the upcoming 2019 expenditures for (1) a new 100,000 gallon ground storage tank, (2) repainting of two other storage tanks, and (3) to pay off existing District debt.

The Board and TCEQ have approved the loan. The District is awaiting the preparation of the final loan documents in order to close on the loan.

The final terms are expected to be a loan in the amount of \$500,000, with a fixed interest rate between 5.0% to 5.50%, over a term of 7 years. Security for the loan is the real estate where the District's office is located and a separate lot.

Repair and Construction Projects

In January 2019, the Board awarded contracts for the repainting the elevated storage tower at North Hogansville and the Salem ground storage tanks. The estimated total cost for these two tank repainting projects to be approximately \$240,000. The source of funding for these repainting projects will be the above loan from Mineola Community Bank.

At the same January 2019 Board meeting, the Board also awarded a contract for the construction of a 100,000 gallon welded steel ground storage tank at the Lynn plant. The estimated total cost for this construction project is approximately \$139,740. The source of funding for this construction project will be the above loan from Mineola Community Bank.

SUPPLEMENTARY SCHEDULES

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
 BUDGET COMPARISON SCHEDULE -
 SUPPLEMENTARY INFORMATION
 PROPRIETARY FUND
 For the Year Ended December 31, 2018

Exhibit A

	Original Budget	Amend. Amend.	Amend. Budget	Actual	Variance
OPERATING REVENUES					
Water Sales	\$ 1,400,000	\$ 0	\$ 1,400,000	\$ 1,357,383	\$ (42,617)
Installation Tap Fees & FECC	80,000	0	80,000	74,970	(5,030)
Late Charges	19,000	0	19,000	19,203	203
Reconnect Fees	8,000	0	8,000	6,000	(2,000)
Line Extension Fees	15,000	0	15,000	13,368	(1,632)
Other Income	7,350	0	7,350	10,222	2,872
Total Revenues	<u>1,529,350</u>	<u>0</u>	<u>1,529,350</u>	<u>1,481,146</u>	<u>(48,204)</u>
OPERATING EXPENDITURES					
Salaries	390,000	0	390,000	386,829	3,171
Employee Benefits	63,140	0	63,140	61,587	1,553
Surface Water Lease Availability	33,260	0	33,260	34,401	(1,141)
Field Supplies	60,000	0	60,000	67,078	(7,078)
Utilities & Telephone	85,500	2,500	88,000	94,693	(6,693)
Legal and Professional	16,500	6,500	23,000	22,626	374
Repairs - Water System	270,000	(90,000)	180,000	32,116	147,884
Repairs - Other	10,000	0	10,000	4,778	5,222
Sludge Hauling	10,000	0	10,000	4,002	5,998
Fuel and Oil	12,500	0	12,500	13,063	(563)
Office Expense	23,800	2,000	25,800	24,614	1,186
Insurance - Property	35,000	0	35,000	42,753	(7,753)
Chlorine Supplies	75,000	5,000	80,000	89,404	(9,404)
Water System Fees and Samples	19,000	0	19,000	18,336	664
Rentals	3,700	0	3,700	3,366	334
Continuing Education	10,000	0	10,000	6,549	3,451
Taxes	30,500	0	30,500	29,796	704
Miscellaneous	20,400	1,500	21,900	18,890	3,010
Board Meetings	5,180	0	5,180	4,972	208
Depreciation & Amortization	320,000	0	320,000	320,131	(131)
Total Expenditures	<u>1,493,480</u>	<u>(72,500)</u>	<u>1,420,980</u>	<u>1,279,982</u>	<u>140,998</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>35,870</u>	<u>72,500</u>	<u>108,370</u>	<u>201,164</u>	<u>92,794</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment Income	10,000	0	10,000	13,525	3,525
Interest Expense	(183,685)	0	(183,685)	(181,033)	2,652
Sewer Income	5,100	0	5,100	6,287	1,187
SRA Grant Income	0	0	0	10,000	10,000
Gain from Sale of Assets	0	0	0	10,500	10,500
Tower Lease	9,600	0	9,600	10,800	1,200
Net Other Financing Sources (Uses)	<u>(158,985)</u>	<u>0</u>	<u>(158,985)</u>	<u>(129,921)</u>	<u>29,064</u>
Change In Net Assets	(123,115)	72,500	(50,615)	71,242	121,857
Net Position, Beginning	4,905,531	0	4,905,531	4,905,531	0
Prior Period Adjustments	0	0	0	629	629
Net Position, Ending	<u>\$ 4,782,416</u>	<u>\$ 72,500</u>	<u>\$ 4,854,916</u>	<u>\$ 4,977,402</u>	<u>\$ 122,486</u>

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
 SCHEDULE OF SERVICES AND RATES
 YEAR ENDED DECEMBER 31, 2018

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:	\$ 29.00	0 Gallons	N	\$ 3.60

District employs winter averaging for wastewater usage: No

Total charges per 10,000 gallons usage: Water: \$ 65.00

b. Water Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	X 1.0	
< 3/4"	2,477	2,200	X 1.0	2,200.0
3/4"	3	3	X 1.5	4.5
1"	13	13	X 2.5	32.5
1 1/2"	8	8	X 5.0	40.0
2"	8	8	X 8.0	64.0
3"	2	2	X 15.0	30.0
Total Water	2,220	2,220		2,371.0

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

Gallons pumped into system: 157,353,981

Gallons billed to customers: 132,804,100

Water Accountability Ratio: (Gallons billed/Gallons pumped) 0.84

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, 2018

TSI - 2

Personnel Expenditures: (including benefits)	\$ 448,415
Professional Fees:	
Auditing	10,183
Legal	3,550
Engineering	8,817
Purchased Services for Resale:	
Bulk Water & Wastewater Service Purchases	-
Surface Water Lease Availability	34,401
Contracted Services	
Bookkeeping	-
Meter Reading	-
Testing	10,217
Utilities	84,454
Repairs and Maintenance	36,894
Administrative Expenditures	
Directors' Fees	4,160
Office Supplies	9,451
Insurance	42,753
Licenses	-
Interest	181,033
Other Administrative Expenditures	17,424
Capital Outlay	
Acquisition of Fixed Assets	194,574
Other Expenses	
Depreciation/Amortization	320,131
Chlorine Supplies	89,404
	<hr/>
TOTAL EXPENDITURES, INCLUDING CAPITAL OUTLAY	\$ 1,495,863
	<hr/>
TOTAL EXPENDITURES, EXCLUDING CAPITAL OUTLAY	\$ 1,461,015
	<hr/>
Number of persons employed by the District:	
Full-Time	7
	<hr/>
Part-Time	1
	<hr/>

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
 TEMPORARY INVESTMENTS
 December 31, 2018

TSI-3

<u>Proprietary Fund</u>	<u>Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Int. Receivable at End of Year</u>
Certificate of Deposit	2509-107	1.30%	8/21/19	\$ 105,277	\$ -
Certificate of Deposit	B701323	1.45%	5/21/19	106,705	-
Certificate of Deposit	544247	2.10%	7/1/20	437,320	-
Certificate of Deposit	542392	1.75%	9/25/19	50,818	-
Certificate of Deposit	544276	2.10%	10/28/21	<u>52,334</u>	<u>-</u>
Total				<u>\$ 752,454</u>	<u>\$ -</u>

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
 SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS
 Year Ended December 31, 2018

TSI-5

Due During Fiscal Years Ending 12-31:	Revenue Bonds - Series 2009			Annual Requirements for All Series		
	Principle Due 9/1	Interest Due 3/1, 9/1	Total	Principle Due	Interest Due	Total
2019	270,000	175,755	445,755	270,000	175,755	445,755
2020	285,000	167,115	452,115	285,000	167,115	452,115
2021	295,000	156,713	451,713	295,000	156,713	451,713
2022	305,000	145,355	450,355	305,000	145,355	450,355
2023	320,000	133,155	453,155	320,000	133,155	453,155
2024	335,000	119,875	454,875	335,000	119,875	454,875
2025	345,000	105,805	450,805	345,000	105,805	450,805
2026	360,000	90,625	450,625	360,000	90,625	450,625
2027	375,000	74,425	449,425	375,000	74,425	449,425
2028	390,000	57,175	447,175	390,000	57,175	447,175
2029	410,000	39,040	449,040	410,000	39,040	449,040
2030	425,000	19,975	444,975	425,000	19,975	444,975
Subsequent	-	-	-	-	-	-
	<u>\$4,115,000</u>	<u>\$1,285,013</u>	<u>\$5,400,013</u>	<u>\$4,115,000</u>	<u>\$1,285,013</u>	<u>\$5,400,013</u>

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT TSI - 6
 ANALYSIS OF CHANGES IN BONDED DEBT
 Year Ended December 31, 2018

	<u>Bond Issues</u> <u>Series 2009</u>	<u>Totals</u>	
Interest rate	1.20% - 4.70%		
Dates interest payable	3/1 & 9/1		
Maturity dates	9/1/2012 to 9/1/2030		
Bonds outstanding at beginning of year	\$ 4,375,000	\$ 4,375,000	
Bonds/Notes sold during current year	-	-	
Retirements during current year	<u>260,000</u>	<u>260,000</u>	
Bonds outstanding at end of current year	<u>\$ 4,115,000</u>	<u>\$ 4,115,000</u>	
Interest paid during current year	\$ 182,835	\$ 182,835	
 Paying agent	 US Bank Dallas, Texas		
 Bond Authority:	 <u>Tax Bonds</u>	 <u>Revenue Bonds</u>	 <u>Refund. Bonds</u>
Amount authorized by voters/board	\$ -	\$ 5,930,000	\$ -
Amount issued	-	5,930,000	-
Remaining to be issued	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>
 Debt Service Fund Cash/Temporary Investments balances as of December 31, 2018:		 <u>\$ 598,243</u>	
 Average annual Debt Service payment (Principal & Interest) for remaining term of all debt:		 <u>\$ 450,001</u>	

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
 COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
 PROPRIETARY FUND
 UNAUDITED
 Year Ended December 31, 2018

Fiscal Year Ended December 31,	AMOUNTS				
	2018	2017	2016	2015	2014
<u>Operating Revenues</u>					
Water Sales	\$1,357,383	\$1,249,742	\$1,221,858	\$1,204,090	\$1,123,199
Connection and Other Fees	123,763	156,912	132,862	109,761	108,503
Total Operating Revenues	<u>1,481,146</u>	<u>1,406,654</u>	<u>1,354,720</u>	<u>1,313,851</u>	<u>1,231,702</u>
<u>Operating Expenditures</u>					
Salaries and Employee Benefits	448,416	445,743	429,590	376,074	354,382
Surface Water Lease Availability	34,401	33,261	31,755	31,618	29,998
Field Supplies	67,078	54,276	60,819	55,797	58,290
Utilities and Telephone	94,693	80,928	79,963	92,922	86,207
Legal and Professional	22,626	16,724	18,935	24,436	8,806
Repairs	36,894	59,270	113,733	79,738	28,087
Sludge Removal	4,002	11,243	-	-	-
Fuel and Oil	13,063	12,116	12,470	15,463	20,930
Office	24,614	27,518	24,038	28,589	21,281
Insurance	42,753	29,456	27,541	23,768	11,469
Chlorine, Water System Fees, and Samples	107,740	95,520	110,628	90,316	46,932
Other	63,571	66,031	66,306	63,769	62,331
Depreciation	320,131	315,579	322,850	328,374	270,206
Total Operating Expenditures	<u>1,279,982</u>	<u>1,247,665</u>	<u>1,298,628</u>	<u>1,210,864</u>	<u>998,919</u>
Net Operating Income	201,164	158,989	56,092	102,987	232,783
<u>Other</u>					
Interest Income	13,525	12,048	12,251	12,665	10,958
Rental Income	10,800	9,600	5,207	4,200	4,200
Reserve Service Income	0	0	0	57,648	0
Gain/(Loss) from Sale of Assets	10,500	0	12,603	0	1,251
Interest Expense	(181,033)	(188,743)	(194,670)	(200,657)	(195,279)
Miscellaneous Income	16,286	5,306	4,750	5,231	5,213
Total Other Revenues/(Expend)	<u>(129,922)</u>	<u>(161,789)</u>	<u>(159,859)</u>	<u>(120,913)</u>	<u>(173,657)</u>
Net Income	<u>\$71,242</u>	<u>(\$2,800)</u>	<u>(\$103,767)</u>	<u>(\$17,926)</u>	<u>\$59,126</u>

PERCENT OF TOTAL OPERATING REVENUE

2018	2017	2016	2015	2014
91.64%	88.85%	90.19%	91.65%	91.19%
8.36%	11.15%	9.81%	8.35%	8.81%
100.00%	100.00%	100.00%	100.00%	100.00%
30.27%	31.69%	31.71%	28.62%	28.77%
2.32%	2.36%	2.34%	2.41%	2.44%
4.53%	3.86%	4.49%	4.25%	4.73%
6.39%	5.75%	5.90%	7.07%	7.00%
1.53%	1.19%	1.40%	1.86%	0.71%
2.49%	4.21%	8.40%	6.07%	2.28%
0.27%	0.80%	0.00%	0.00%	0.00%
0.88%	0.86%	0.92%	1.18%	1.70%
1.66%	1.96%	1.77%	2.18%	1.73%
2.89%	2.09%	2.03%	1.81%	0.93%
7.27%	6.79%	8.17%	6.87%	3.81%
4.29%	4.69%	4.89%	4.85%	5.06%
21.61%	22.43%	23.83%	24.99%	21.94%
86.42%	88.70%	95.86%	92.16%	81.10%
13.58%	11.30%	4.14%	7.84%	18.90%
0.91%	0.86%	0.90%	0.96%	0.89%
0.73%	0.68%	0.38%	0.32%	0.34%
0.00%	0.00%	0.00%	4.39%	0.00%
0.71%	0.00%	0.93%	0.00%	0.10%
-12.22%	-13.42%	-14.37%	-15.27%	-15.85%
1.10%	0.38%	0.35%	0.40%	0.42%
-8.77%	-11.50%	-11.80%	-9.20%	-14.10%
4.81%	-0.20%	-7.66%	-1.36%	4.80%

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
YEAR ENDED DECEMBER 31, 2018

<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	5/14-5/17	\$ 868	-	President	Yes
Jackie Staley 320 WCR 1610 Alba, TX 75410	5/16-5/19	\$ 780	-	Vice-President	Yes
Suzanne Jacobs 335 Pvt Rd 5940 Emory, TX 75440	5/15-5/18	\$ 780	-	Secretary/Treasurer	Yes
Ron Burge 328 Rains County Rd 2530 Alba, TX 75410	5/14-5/17	\$ 390	-	Director	Yes
Jason Stovall 210 WCR 1502 Alba, TX 75410	5/16-5/19	\$ 715	-	Director	Yes
Jeannine Hayes 1362 RCR 2430 Alba, TX 75410	5/16-5/19	\$ 715	-	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	\$74,645	General Manager
--	----------	--------------------

Consultants:

Richard E. Roberts P.O. Box 70 Quitman, TX 78783	\$ 3,550	Attorney
Eddy Daniel Daniel & Brown, Inc. P.O. Box 606 Farmersville, TX 75442	\$ 8,817	Engineers
Norman White, CPA 1516 Judson Rd. Longview, Texas 75601	\$ 10,183	Auditor

Investment Officer:

Wanda Gaby (See above)