

**BRIGHT STAR - SALEM  
SPECIAL UTILITY DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL SCHEDULES**

For the Year Ended December 31, 2019

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT

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**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 22nd day of June 2020 its audit report for the year ended December 31, 2019 and that copies of the audit report have been filed in the District office, located at 238 N. Osborn, Alba, Texas.

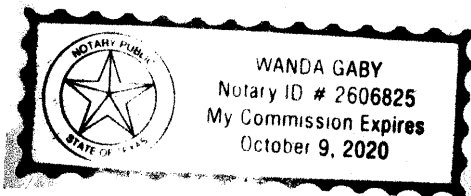
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: June 22 \_\_\_\_\_, 2020

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

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

Sworn to and subscribed to before me this 22 day of June, 2020.



Seal

Wanda Gaby  
*(Signature of Notary)*

My Commission Expires on: October 9, 2020, 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, 2019, 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, 2019, 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.

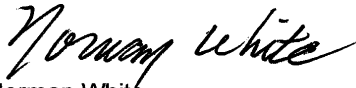
Management has omitted the schedule of employer's proportionate share of the net pension asset because the net pension asset is immaterial to the basic financial statements as a whole. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting 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  
June 15, 2020

## 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, 2019 and 2018. 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 \$591,114 and \$457,030 at December 31, 2019 and 2018, 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 and 2018 revenue bond issuances).
- The total of Net Investment in Capital Assets (after subtracting our debt owed on capital assets) was \$3,942,393 at December 31, 2019 and \$4,252,386 at December 31, 2018, respectively.
- The District had \$3,907,000 and \$4,115,000 of revenue bonds and refunded revenue bonds outstanding at December 31, 2019 and 2018, respectively.
- The most significant continuing revenue sources for the District consisted of \$1,371,105 of water sales for the year 2019 and \$1,357,383 for the year 2018.

### 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 decreased by \$320,421 in 2019 and increased by \$71,871 in 2018 as a result of the periods' operations. The balance in net position represents the accumulated results of all past periods' operations. The decrease in net position during 2019 occurred as a result of a combination of increased costs for chlorine, tank painting, the plugging of three old wells, and the payment of bond issuance costs. Also, there was a loss in the scrapping of the old Lynn well water storage tank.

## 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

	2019	2018
<b>Assets:</b>		
Current assets (unrestricted)	\$ 1,005,589	\$ 565,482
Restricted assets	123,474,	598,602
Capital assets (net)	<u>8,289,119</u>	<u>8,410,159</u>
Total Assets	<u>9,418,182</u>	<u>9,574,243</u>
<b>Liabilities:</b>		
Current liabilities (payable from current assets)	112,959	131,092
Current liabilities (payable from restricted assets)	308,000	270,000
Long-term liabilities	<u>4,340,242</u>	<u>4,195,748</u>
Total Liabilities	<u>4,761,201</u>	<u>4,596,840</u>
<b>New Position:</b>		
Net Investment in capital assets	3,942,393	4,252,386
Restricted	123,474	598,602
Unrestricted	<u>591,114</u>	<u>457,030</u>
Total Net Position	<u>\$ 4,656,981</u>	<u>\$ 5,308,018</u>

In 2019, the largest category of net position is Net Invested in Capital Assets which comprises 85% of net position. This category totaling \$3,942,393 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 2018, the largest category of net position was Net Invested in Capital Assets, which comprised 85% of net position. The District's 2019 net investment in its capital assets of \$3,942,393 is reported net of related debt. Related long-term liabilities outstanding at December 31, 2019 and 2018 totaled \$3,907,000 and \$4,115,000, respectively. The current portion of the long-term debt of \$308,000 and \$270,000 for the years ended December 31, 2019 and 2018, 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 \$123,474 for the current year. For 2018, this category totaled \$598,602. Restricted Net Position is restricted for debt reserves required by Texas Water Development Board related in 2018 to its purchase of the 2009 revenue bonds and 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 \$126,415 and \$598,602 at December 31, 2019 and 2018, 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 a decrease in net position of \$(320,753) for 2019 and an increase in net position of \$71,242 for 2018. 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

	2019	2018
<b>Operating Revenues:</b>		
Service charges and fees	\$ 1,530,690	\$ 1,484,146
Total Operating Revenues	1,530,690	1,484,146
<b>Operating Expenses:</b>		
Operating expenses (excluding depreciation)	1,307,104	959,851
Total Operating Expenses (excluding depreciation)	1,307,104	959,851
Operating income (loss) before depreciation	223,586	524,295
Depreciation expense	326,091	320,131
<b>Nonoperating Revenues (Expenses):</b>		
Nonoperating revenues	41,602	51,112
Nonoperating expenses	(259,849)	(181,033)
Total Nonoperating Revenues/(Expenses)	(218,248)	(129,921)
Increase (Decrease) in Net Position	(320,753)	71,242
Net Position - Beginning of Year	4,977,402	4,905,531
Prior Period Adjustment	332	629
Net Position - End of Year	\$ 4,656,981	\$ 4,977,402

### Budget Variations

For 2019, the most significant variations between the original approved budget and the amended budget were in the areas of payroll and chlorine. 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, 2019 and 2018 was \$8,289,119 and \$8,410,159, respectively. The major capital assets additions during the current fiscal year were the purchase of the water storage tank at the Lynn Well and a 2019 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 \$3,599,000 for 2019 and \$3,845,000 for 2018 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 slightly in 2020 due primarily to a history of an increasing customer base. Operating expenses will decrease in 2020 due to the lack of the need for extensive tank repairs and tank painting, plugging wells, and bond issuance costs in 2020. This should result in an increase in net position for the District in 2020. 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, 2019

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ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 899,601
Accounts Receivable	103,324
Prepaid Expenses	2,664
Total Current Assets	<u>1,005,589</u>
Property, Plant and Equipment	
Land	134,959
Building and Improvements	160,372
Furniture, Fixtures and Equipment	357,500
Water System and Equipment	11,868,454
Vehicles	162,026
Construction-in-Progress	12,451
Total Property, Plant & Equipment	<u>12,695,762</u>
Accumulated Depreciation	<u>(4,406,643)</u>
Total Net Property, Plant and Equipment	<u>8,289,119</u>
Restricted Assets	
Interest & Sinking Fund	123,474
Total Restricted Assets	<u>123,474</u>
Total Assets	<u>\$ 9,418,182</u>

*See accompanying notes and accountant's report.*

<u>LIABILITIES</u>	
Current Liabilities	
Accrued Interest Expense	\$ 38,291
N/P - MCB - S-T Portion	54,201
Bonds Payable - S-T Portion	308,000
Other Current Liabilities	<u>20,467</u>
Total Current Liabilities	<u>420,959</u>
Noncurrent Liabilities	
Compensated Absences	4,191
Membership and Renters' Deposits	262,040
Developers' Deferred Revenues	89,486
N/P - MCB - L-T Portion	385,524
Bonds Payable - L-T Portion	<u>3,599,000</u>
Total Other Liabilities	<u>4,340,242</u>
Total Liabilities	<u>4,761,201</u>
 NET POSITION	
Net Investment in Capital Assets	3,942,393
Restricted for:	
Bond Debt Service	123,474
Unrestricted	<u>591,114</u>
Total Net Position	<u>\$ 4,656,981</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, 2019

EXHIBIT II

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OPERATING REVENUES	
Water Sales	\$ 1,371,105
Installation Tap Fees	86,855
Late Charges	20,090
Reconnect Fees	4,200
Line Extension Fees	42,078
Other Income	6,361
Total Operating Revenues	<u>1,530,690</u>
Operating Expenses	
Salaries	422,082
Employee Benefits	69,311
Surface Water Lease Availability	34,493
Field Supplies	76,458
Utilities and Telephone	91,704
Legal and Professional	24,160
Repairs - Water System	287,957
Repairs - Other	12,493
Sludge Removal	6,004
Fuel and Oil	13,625
Office Expense	23,229
Insurance - Property	40,994
Chlorine Supplies	108,797
Water System Fees and Samples	22,289
Rentals	4,165
Continuing Education	10,342
Taxes	32,562
Miscellaneous	20,132
Board Meetings	6,307
Depreciation	326,091
Total Operating Expenses	<u>1,633,195</u>
Operating Income (Loss)	<u>(102,505)</u>
Non-Operating Income/(Expense)	
Interest Income	15,950
Sewer Income (STBT SHS)	9,252
Gain/(Loss) from Sale of Asset	(29,999)
Tower Lease	16,400
Bond Issuance Costs	(60,607)
Interest Expense	(169,243)
Total Non-Operating Income/(Loss)	<u>(218,248)</u>
Change in Net Position	(320,753)
NET POSITION AT BEGINNING OF THE YEAR	4,977,402
Prior Period Adjustments	<u>332</u>
NET POSITION AT END OF THE YEAR	<u><u>\$ 4,656,981</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, 2019

EXHIBIT III

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Cash Flows From Operating Activities	
Cash received from Customers	\$ 1,523,970
Cash payments to suppliers for goods and services	(885,022)
Cash payments to employees for services	(422,082)
Net Cash Provided by Operating Activities	<u>216,866</u>
Cash Flows from Capital and Related Financing Activities	
Cash paid for interest expense on bond payments	(176,017)
Cash paid for interest expense on notes payable/capital leases	(12,735)
Cash paid for principal repayment of bonds	(4,115,000)
Cash paid for principal repayment on notes payable/capital leases	(483,760)
Proceeds from refunding bond issue	3,907,000
Proceeds from notes payable/capital leases	880,713
Cash paid for bond issuance fees	(60,607)
Cash (net) paid to prepaid insurance & HAS	(332)
Cash paid for acquisition and construction of capital assets	(233,276)
Cash received (net paid) from deposits	7,066
Other non-operating revenues	25,652
Net Cash Provided from Capital and Related Financing Activities	<u>(261,296)</u>
Cash Flows from Investing Activities	
Interest income on investments	<u>15,950</u>
Net Cash Provided/(Used) from Investing Activities	<u>15,950</u>
Net Increase/(Decrease) in Cash	(28,480)
Cash and Cash Equivalents, December 31, 2018	<u>1,051,555</u>
Cash and Cash Equivalents, December 31, 2019	<u>\$ 1,023,075</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities	
Operating Income	\$ (102,505)
Add Depreciation	326,091
(Increase)/Decrease in Current Assets	
Accounts receivable, net	(4,396)
Prepaid expenses	(332)
Increase/(Decrease) in Liabilities	
Other current liabilities	8,540
Customer deposits	6,765
Accrued interest	<u>(17,297)</u>
Net Cash Flows from Operating Activities	<u>\$ 216,866</u>

*See accompanying notes and accountant's report.*

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

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 District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989 to its business-type activities. The most significant of the District's accounting policies are described below:

1. New Accounting Pronouncements

Effective with the year ended December 31, 2019, the District implemented GASB Statement No. 88 (GASB 88) *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. The objective of this statement is to change the debt disclosures in the notes to the financial statements so that they provide more information to users of the financial statements. The GASB 88 statement does not significantly change the data disclosed in the notes to financial statements but instead changes the format used to present the debt related data. The statement provides more information regarding the terms of direct borrowings and direct placements. The statement also defines debt as "a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established".

## 2. 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 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.

## 3. 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.

## 4. 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.

## 5. 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.



## 6. 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, 2019. The most significant budget amendments were \$20,128 to increase the revenue received from line extensions, \$10,000 to increase salary expenses, \$14,500 to increase insurance premiums, \$7,500 to increase chlorine expenses. Even after each of the budget amendments, most 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.

## 7. 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.

## 8. 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.

## 9. Investments

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

## 10. 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).

## 11. 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.

## 12. 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)  
Vehicles

20 years  
5 years

### 13. 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.

### 14. Inventory

Inventory items are expensed when purchased.

### 15. 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.

On September 4, 2019, the District issued \$3,907,000 in Water System Revenue Refunding Bonds, Series 2019 with an average interest rate of 2.990% to complete a current refunding of \$3,845,000 of outstanding Water System Revenue Bonds, Series 2009. The net proceeds of \$3,846,393 (after payment of various bond issuance costs) were used to completely payoff the Series 2009 bonds. As a result, the Series 2009 bonds are considered to be currently refunded and the liability for those bonds has been removed from the proprietary fund debt on the statement of net of net position.

As a result of this refunding, the District will, in effect, reduce its debt service payments by \$315,203 over the next 11 years. The economic gain of this current refunding transaction is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements has a present value of \$267,351.

#### 16. 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, 2019.

#### 17. 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.

#### 18. 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, 2019, 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.

#### 19. 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.

#### 20. 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 (\$123,474) 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.

#### 21. 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.

#### 22. 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.

#### 23. Subsequent Events

Subsequent events have been evaluated through June 15, 2020, 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, 2019 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, 2019, the District had no investments other than certificates of deposit.

#### NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 134,958	-	-	\$ 134,958
Construction-in-Progress	12,452	-	-	12,452
Total Capital Assets not being Depreciated	147,410	-	-	147,410
<b>Capital Assets being Depreciated:</b>				
Water System	11,772,169	201,854	(50,000)	11,924,023
Building & Improvements	164,772	-	-	164,772
Office Furn. & Field Equipment	304,464	1,430	-	305,894
Vehicles	127,737	29,992	-	157,729
Total Capital Assets being Depreciated	12,369,142	233,276	(50,000)	12,552,418
Less: Total Accumulated Depreciation	(4,102,982)	(326,090)	19,158	(4,409,914)
Total Capital Assets being Depreciated, Net	8,266,160	(92,814)	(30,842)	8,142,504
Total Capital Assets, Net	\$ 8,413,570	\$ (92,814)	\$ (30,842)	\$ 8,289,915

#### NOTE E - CHANGES IN LONG-TERM DEBT

Changes in long-term obligations for the year ended December 31, 2019, are as follows:

	Balance at 12/31/18	Increases	Decreases	Balance at 12/31/19	Due within One Year
<b>Business-type activities:</b>					
Water Syst Rev Bonds, Ser 2009	\$ 4,115,000	\$ -	\$ (4,115,000)	\$ -	\$ -
Water Syst Refund Rev Bonds, Series 2019	-	3,907,000	-	3,907,000	308,000
Direct borrowings - installment purchases	-	439,726	-	439,726	54,201
Letter of credit - installment purchases	-	440,987	(440,987)	-	-
Capital leases - installment purchases	42,773	-	(42,773)	-	-
Business activity long-term liabilities	\$ 4,157,773	\$ 4,787,713	\$ (4,598,760)	\$ 4,346,726	\$ 362,201

The District's outstanding notes related to business-type activities of \$439,726 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.

The Water System Revenue Refunding Bonds, Series 2019 \$3,907,000 contain provisions that in the event of default, the bondholders may make claim to the all assets allowed by Chapter 2257, Texas Government Code. The bonds of the bond Series 2019 are called on September 1, 2026.

None of the debt issues have any due on demand clauses.

The District did have a lines of credit available and used during 2019. The line of credit was initiated and terminated during 2019.

On July 22, 2019, the District's Board approved an ordinance authorizing 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.

As a result of the issuance of the refunding bonds, the District will, over the life of the bonds, save \$315,203 in total debt payments. The coupon rate for the refunding bonds is 2.990%. The first semi-annual payment, which was interest, will be due on 3/1/2020. The final payment will be due on 9/1/2030.

Debt service requirements to maturity on long-term debt at December 31, 2019, are as follows:

Year Ending December 31,	<u>Business-Type Activities</u>		Notes - Direct	
	Bonds		Borrowings	
	Principal	Interest	Principal	Interest
2020	\$ 308,000	\$ 115,846	\$ 54,201	\$ 19,772
2021	315,000	107,610	56,891	17,082
2022	324,000	98,192	59,653	14,320
2023	336,000	88,504	62,548	11,425
2024	348,000	78,458	65,559	8,414
2025-2029	1,872,000	231,366	140,874	7,072
2030	404,000	12,079	-	-
Subsequent	-	-	-	-
Totals	\$ 3,907,000	\$ 732,055	\$ 439,726	\$ 78,085

Interest expense, at the for the District's debt instruments was \$169,585 and \$181,033 for the years ended December 31, 2019 and December 31, 2018, respectively.

**NOTE G - 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 5 years of service.

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 2019	Plan Year 2018
Employee deposit rate	7.00%	7.00%
Matching ratio (District to employee)	1.50 to 1	1.25 to 1
District Pension Expense	\$22,574	\$22,574
Years required for vesting	5	10
Service retirement eligibility (expressed as age/years of service)	75/20	75/20

**NOTE H - 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 I - RESTRICTIONS ON CASH BALANCES**

The \$123,474 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 I&S ad valorem tax receipts are deposited. Also, surplus revenues from the District'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.

**SUPPLEMENTARY SCHEDULES**



BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT  
 BUDGET COMPARISON SCHEDULE -  
 SUPPLEMENTARY INFORMATION  
 PROPRIETARY FUND  
 For the Year Ended December 31, 2019

Exhibit A

	Original Budget	Amend. Amend.	Amend. Budget	Actual	Variance
<b>OPERATING REVENUES</b>					
Water Sales	\$ 1,450,000	\$ 0	\$ 1,450,000	\$ 1,371,105	\$ (78,895)
Installation Tap Fees & FECC	80,000	0	80,000	86,855	6,855
Late Charges	18,000	0	18,000	20,090	2,090
Reconnect Fees	7,000	0	7,000	4,200	(2,800)
Line Extension Fees	15,000	20,128	35,128	42,078	6,950
Other Income	9,250	0	9,250	6,361	(2,889)
Total Revenues	<u>1,579,250</u>	<u>20,128</u>	<u>1,599,378</u>	<u>1,530,690</u>	<u>(68,688)</u>
<b>OPERATING EXPENDITURES</b>					
Salaries	395,000	10,000	405,000	422,082	(17,082)
Employee Benefits	66,200	600	66,800	69,311	(2,511)
Surface Water Lease Availability	33,260	0	33,260	34,493	(1,233)
Field Supplies	62,000	0	62,000	76,458	(14,458)
Utilities & Telephone	90,000	0	90,000	91,704	(1,704)
Legal and Professional	23,000	(250)	22,750	24,160	(1,410)
Repairs - Water System	285,000	(10,000)	275,000	287,957	(12,957)
Repairs - Other	9,000	1,000	10,000	12,493	(2,493)
Sludge Hauling	8,000	2,000	10,000	6,004	3,996
Fuel and Oil	12,500	0	12,500	13,625	(1,125)
Office Expense	23,800	300	24,100	23,229	871
Insurance - Property	28,000	14,500	42,500	40,994	1,506
Chlorine Supplies	82,500	7,500	90,000	108,797	(18,797)
Water System Fees and Samples	19,500	0	19,500	22,289	(2,789)
Rentals	3,800	1,300	5,100	4,165	935
Continuing Education	9,000	1,000	10,000	10,342	(342)
Taxes	32,000	0	32,000	32,562	(562)
Miscellaneous	21,100	1,800	22,900	20,132	2,768
Board Meetings	5,280	(580)	4,700	6,307	(1,607)
Depreciation & Amortization	320,000	0	320,000	326,091	(6,091)
Total Expenditures	<u>1,528,940</u>	<u>29,170</u>	<u>1,558,110</u>	<u>1,633,195</u>	<u>(75,085)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>50,310</u>	<u>(9,042)</u>	<u>41,268</u>	<u>(102,505)</u>	<u>(143,773)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Investment Income	11,500	0	11,500	15,950	4,450
Interest Expense	(200,755)	14,700	(186,055)	(169,243)	16,812
Sewer Income	6,000	3,000	9,000	9,252	252
Bond Issuance Costs	0	(60,607)	(60,607)	(60,607)	(0)
Gain from Sale of Assets	0	0	0	(29,999)	(29,999)
Tower Lease	14,400	0	14,400	16,400	2,000
Net Other Financing Sources (Uses)	<u>(168,855)</u>	<u>(42,907)</u>	<u>(211,762)</u>	<u>(218,248)</u>	<u>(6,486)</u>
Change In Net Assets	(118,545)	(51,949)	(170,494)	(320,753)	(150,259)
Net Position, Beginning	4,977,402	0	4,977,402	4,977,402	0
Prior Period Adjustments	0	0	0	332	332
Net Position, Ending	<u>\$ 4,858,857</u>	<u>\$ (51,949)</u>	<u>\$ 4,806,908</u>	<u>\$ 4,656,981</u>	<u>\$ (149,927)</u>

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT  
 SCHEDULE OF SERVICES AND RATES  
 YEAR ENDED DECEMBER 31, 2019

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:	\$ 30.00	0 Gallons	N	\$ 3.60

District employs winter averaging for wastewater usage: No

Total charges per 10,000 gallons usage: Water: \$ 71.00

b. Water Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	X 1.0	
< 3/4"	2,507	2,265	X 1.0	2,200.0
3/4"	3	3	X 1.5	4.5
1"	15	15	X 2.5	32.5
1 1/2"	8	7	X 5.0	40.0
2"	9	8	X 8.0	64.0
3"	2	2	X 15.0	30.0
<b>Total Water</b>	<b>2,544</b>	<b>2,300</b>		<b>2,371.0</b>

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

Gallons pumped into system: 142,882,952

Gallons billed to customers: 123,771,200

Water Accountability Ratio: (Gallons billed/Gallons pumped) 0.87

**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



BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT  
 SCHEDULE OF PROPRIETARY FUND EXPENSES  
 YEAR ENDED DECEMBER 31, 2019

TSI - 2

Personnel Expenditures: (including benefits)	\$ 491,393	
Professional Fees:		
Auditing	10,600	
Legal	0	
Engineering	13,109	
Purchased Services for Resale:		
Bulk Water & Wastewater Service Purchases	-	
Surface Water Lease Availability	34,493	
Contracted Services		
Bookkeeping	-	
Meter Reading	-	
Testing	11,164	
Utilities	81,070	
Repairs and Maintenance	300,451	
Administrative Expenditures		
Directors' Fees	3,575	
Office Supplies	7,481	
Insurance	40,994	
Licenses	-	
Interest	169,243	
Other Administrative Expenditures	17,424	x
Capital Outlay		
Acquisition of Fixed Assets	223,276	
Other Expenses		
Depreciation/Amortization	326,091	
Chlorine Supplies	108,797	
	<u>                    </u>	
TOTAL EXPENDITURES, INCLUDING CAPITAL OUTLAY	\$ <u>1,839,161</u>	
TOTAL EXPENDITURES, EXCLUDING CAPITAL OUTLAY	\$ <u>1,615,885</u>	
Number of persons employed by the District:		
Full-Time	<u>8</u>	
Part-Time	<u>2</u>	

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT  
 TEMPORARY INVESTMENTS  
 December 31, 2019

TSI-3

<u>Proprietary Fund</u>	Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Int. Receivable at End of Year
Certificate of Deposit - BTH	8130632	2.41%	5/31/20	\$ 101,404	\$ -
Certificate of Deposit - BTH	8140587	2.41%	8/29/20	100,798	-
Certificate of Deposit - MCB	5442477	2.12%	7/1/20	437,320	-
Certificate of Deposit - MCB	5423920	1.75%	10/25/20	51,713	-
Certificate of Deposit - MCB	5442768	2.10%	10/28/21	<u>53,442</u>	<u>-</u>
Total				<u>\$ 744,677</u>	<u>\$ -</u>

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT  
 SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS  
 Year Ended December 31, 2019

TSI-5

Due During Fiscal Years Ending 12-31:	Revenue Refunding Bonds - Series 2019			Annual Requirements for All Series		
	Principle Due 9/1	Interest Due 3/1, 9/1	Total	Principle Due	Interest Due	Total
2020	308,000	115,846	423,846	308,000	115,846	423,846
2021	315,000	107,610	422,610	315,000	107,610	422,610
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
Subsequent	-	-	-	-	-	-
	<u>\$3,907,000</u>	<u>\$732,055</u>	<u>\$4,639,055</u>	<u>\$3,907,000</u>	<u>\$732,055</u>	<u>\$4,639,055</u>

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT      TSI - 6  
 ANALYSIS OF CHANGES IN BONDED DEBT  
 Year Ended December 31, 2019

	<u>Bond Issues</u> <u>Series 2009</u>	<u>Refunding</u> <u>Bond Issues</u> <u>Series 2019</u>	<u>Totals</u>
Interest rate	1.20% - 4.70%	2.99	
Dates interest payable	3/1 & 9/1	3/1 & 9/1	
Maturity dates	9/1/2012 to 9/1/2030	9/1/2020 to 9/1/2030	
Bonds outstanding at beginning of year	\$ 4,115,000	-	\$ 4,115,000
Bonds/Notes sold during current year	-	3,907,000	3,907,000
Retirements during current year	<u>4,115,000</u>	<u>-</u>	<u>4,115,000</u>
Bonds outstanding at end of current year	<u>\$ 0</u>	<u>3,907,000</u>	<u>\$ 3,907,000</u>
Interest paid during current year	\$ 174,294	-	\$ 174,294
 Paying agent	 US Bank Dallas, Texas	 Southside Bank Tyler, Texas	
 Bond Authority:	 <u>Tax Bonds</u>	 <u>Revenue Bonds</u>	 <u>Refund. Bonds</u>
Amount authorized by voters/board	\$ -	\$ -	\$ 3,907,000
Amount issued	<u>-</u>	<u>-</u>	<u>3,907,000</u>
Remaining to be issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Debt Service Fund Cash/Temporary Investments balances as of December 31, 2019			 <u>\$ 123,474</u>
 Average annual Debt Service payment (Principal & Interest) for remaining term of all debt:			 <u>\$ 421,732</u>

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT  
 COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES  
 PROPRIETARY FUND  
 UNAUDITED  
 Year Ended December 31, 2019

Fiscal Year Ended December 31,	AMOUNTS				
	2019	2018	2017	2016	2015
<u>Operating Revenues</u>					
Water Sales	\$1,371,105	\$1,357,383	\$1,249,742	\$1,221,858	\$1,204,090
Connection and Other Fees	159,585	123,763	156,912	132,862	109,761
Total Operating Revenues	<u>1,530,690</u>	<u>1,481,146</u>	<u>1,406,654</u>	<u>1,354,720</u>	<u>1,313,851</u>
<u>Operating Expenditures</u>					
Salaries and Employee Benefits	491,393	448,416	445,743	429,590	376,074
Surface Water Lease Availability	34,493	34,401	33,261	31,755	31,618
Field Supplies	76,458	67,078	54,276	60,819	55,797
Utilities and Telephone	91,704	94,693	80,928	79,963	92,922
Legal and Professional	24,160	22,626	16,724	18,935	24,436
Repairs	300,450	36,894	59,270	113,733	79,738
Sludge Removal	6,004	4,002	11,243	-	-
Fuel and Oil	13,625	13,063	12,116	12,470	15,463
Office	23,229	24,614	27,518	24,038	28,589
Insurance	40,994	42,753	29,456	27,541	23,768
Chlorine, Water System Fees, and Samples	108,797	107,740	95,520	110,628	90,316
Other	95,797	63,571	66,031	66,306	63,769
Depreciation	326,091	320,131	315,579	322,850	328,374
Total Operating Expenditures	<u>1,633,195</u>	<u>1,279,982</u>	<u>1,247,665</u>	<u>1,298,628</u>	<u>1,210,864</u>
Net Operating Income	(102,505)	201,164	158,989	56,092	102,987
<u>Other</u>					
Interest Income	15,950	13,525	12,048	12,251	12,665
Rental Income	16,400	10,800	9,600	5,207	4,200
Reserve Service Income	0	0	0	0	57,648
Gain/(Loss) from Sale of Assets	(29,999)	10,500	0	12,603	0
Interest Expense	(169,243)	(181,033)	(188,743)	(194,670)	(200,657)
Bond Issuance Costs	(60,607)	0	0	0	0
Miscellaneous Income	9,251	16,286	5,306	4,750	5,231
Total Other Revenues/(Expend)	<u>(218,248)</u>	<u>(129,922)</u>	<u>(161,789)</u>	<u>(159,859)</u>	<u>(120,913)</u>
Net Income	<u>(\$320,753)</u>	<u>\$71,242</u>	<u>(\$2,800)</u>	<u>(\$103,767)</u>	<u>(\$17,926)</u>



PERCENT OF TOTAL OPERATING REVENUE

2019	2018	2017	2016	2015
89.57%	91.64%	88.85%	90.19%	91.65%
10.43%	8.36%	11.15%	9.81%	8.35%
100.00%	100.00%	100.00%	100.00%	100.00%
32.10%	30.27%	31.69%	31.71%	28.62%
2.25%	2.32%	2.36%	2.34%	2.41%
5.00%	4.53%	3.86%	4.49%	4.25%
5.99%	6.39%	5.75%	5.90%	7.07%
1.58%	1.53%	1.19%	1.40%	1.86%
19.63%	2.49%	4.21%	8.40%	6.07%
0.39%	0.27%	0.80%	0.00%	0.00%
0.89%	0.88%	0.86%	0.92%	1.18%
1.52%	1.66%	1.96%	1.77%	2.18%
2.68%	2.89%	2.09%	2.03%	1.81%
7.11%	7.27%	6.79%	8.17%	6.87%
6.26%	4.29%	4.69%	4.89%	4.85%
21.30%	21.61%	22.43%	23.83%	24.99%
106.70%	86.42%	88.70%	95.86%	92.16%
-6.70%	13.58%	11.30%	4.14%	7.84%
1.04%	0.91%	0.86%	0.90%	0.96%
1.07%	0.73%	0.68%	0.38%	0.32%
0.00%	0.00%	0.00%	0.00%	4.39%
-1.96%	0.71%	0.00%	0.93%	0.00%
-11.06%	-12.22%	-13.42%	-14.37%	-15.27%
-3.96%	0.00%	0.00%	0.00%	0.00%
0.60%	1.10%	0.38%	0.35%	0.40%
-14.26%	-8.77%	-11.50%	-11.80%	-9.20%
-20.95%	4.81%	-0.20%	-7.66%	-1.36%

BRIGHT STAR-SALEM SPECIAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
YEAR ENDED DECEMBER 31, 2019

<u>Name and Address</u>	<u>Term</u>	<u>Fees</u>	<u>Expenses</u>	<u>Title</u>	<u>Resident</u>
<b>Board Members:</b>					
Laura Reid 380 WCR 1522 Alba, TX 75410	5/20-5/23	\$ 715	-	President	Yes
Jackie Staley 320 WCR 1610 Alba, TX 75410	5/19-5/22	\$ 520	-	Vice-President	Yes
Suzanne Jacobs 335 Pvt Rd 5940 Emory, TX 75440	5/18-5/21	\$ 715	-	Secretary/Treasurer	Yes
Jason Stovall 210 WCR 1502 Alba, TX 75410	5/19-5/22	\$ 585	-	Director	Yes
Jeannine Hayes 1362 RCR 2430 Alba, TX 75410	5/19-5/21	\$ 585	-	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	\$75,500	General Manager
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**Consultants:**

Richard E. Roberts P.O. Box 70 Quitman, TX 78783	\$ 0	Attorney
Eddy Daniel Daniel & Brown, Inc. P.O. Box 606 Farmersville, TX 75442	\$ 3,629	Engineers
Norman White, CPA 1516 Judson Rd. Longview, Texas 75601	\$ 10,600	Auditor

**Investment Officer:**

Wanda Gaby (See above)