



ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2023**

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

| | PAGE |
|--|------|
| TITLE PAGE | i |
| TABLE OF CONTENTS | ii |
| | |
| ANNUAL FILING AFFIDAVIT | 1 |
| INDEPENDENT AUDITOR’S REPORT | 2 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS..... | 5 |
| BASIC FINANCIAL STATEMENTS | 9 |
| STATEMENT OF NET POSITION | 10 |
| STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION | 11 |
| STATEMENT OF CASH FLOWS..... | 12 |
| NOTES TO BASIC FINANCIAL STATEMENTS | 14 |
| REQUIRED SUPPLEMENTARY INFORMATION | 28 |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL..... | 29 |
| SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS | 31 |
| SCHEDULE OF EMPLOYER CONTRIBUTIONS..... | 32 |
| SUPPLEMENTARY INFORMATION..... | 33 |
| TSI-1. SERVICES AND RATES | 34 |
| TSI-2. ENTERPRISE FUND EXPENSES..... | 36 |
| TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS | 37 |
| TSI-6. CHANGES IN LONG-TERM BONDED DEBT..... | 40 |
| TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES..... | 41 |
| TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS | 42 |
| COMPLIANCE SECTION..... | 43 |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS..... | 44 |
| REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE | 46 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... | 49 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... | 50 |
| NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 51 |

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS :

COUNTY OF HAYS :

I, Regina C. Franke, of Crystal Clear Special Utility District hereby swear, or affirm, that the District named above has reviewed and approved, at a meeting of the District's Board of Trustees on the 25th day of January, 2024, its annual audit report of the fiscal period ended September 30, 2023, and that copies of the annual audit report have been filed in the District's office located at 2370 FM 1979, San Marcos, TX 78666.

This annual filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of the Texas Water Code Section 49.194.

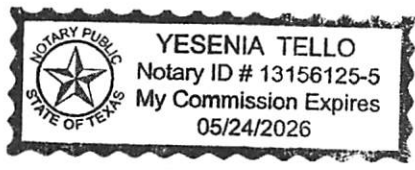
Date: January 25, 2024

By: 
(Signature of District Official)

Regina C. Franke - General Manager
(Typed Name & Title of District Representative)

Sworn to and subscribed to before me this 25th day of January, 2024.


(Signature of Notary)



Commission expires on May 24, 2026
Notary Public in the State of Texas



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Crystal Clear Special Utility District
San Marcos, TX

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Crystal Clear Special Utility District, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Crystal Clear Special Utility District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Crystal Clear Special Utility District, as of September 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Crystal Clear Special Utility District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Crystal Clear Special Utility District’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Crystal Clear Special Utility District’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crystal Clear Special Utility District’s basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality and the schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2024 on our consideration of Crystal Clear Special Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crystal Clear Special Utility District's internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.
January 18, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Crystal Clear Special Utility District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$33.5 million at September 30, 2023, an increase of \$5.1 million. The increase was the result of significant connection fees collected from new developments in the area and increased billing rates.
- During the year, the District's operating revenues were \$731 thousand more than the \$10.7 million in operating expenses.
- No new debt was issued.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), *the basic financial statements, required supplementary information*, and *supplementary information required by the Texas Commission on Environmental Quality*. The basic financial statements consist of the following statements:

- The *Statement of Net Position* shows the financial standing of the District as of the end of the year, including all assets and liabilities.
- The *Statement of Revenues, Expenses and Changes in Net Position* provides information about the activity of the District during the fiscal year. It reports revenues when incurred, regardless of when they are received, and expenses when incurred, regardless of when they are paid.
- The *Statement of Cash Flows* reports the sources and uses of cash during the fiscal year.

The financial statements also include notes that explain a few of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The final section of supplementary information provides even more information required by TCEQ.

FINANCIAL ANALYSIS OF THE DISTRICT

Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

The District's combined net position was \$33.5 million at September 30, 2023. Of this amount, \$27.0 million was invested in capital assets, leaving an unrestricted net position of \$4.6 million. (See Table A-1).

Table A-1
District's Net Position

| | 2023 | 2022 | Percentage Change |
|----------------------------------|----------------------|----------------------|----------------------|
| <i>Assets:</i> | | | |
| Cash and Investments | \$ 5,436,118 | \$ 5,061,790 | 7% |
| Other Current Assets | 2,837,835 | 2,007,709 | 41% |
| Other Assets | 5,916,035 | 5,963,952 | -1% |
| Capital Assets (Net) | <u>46,534,867</u> | <u>43,002,354</u> | 8% |
| <i>Total Assets</i> | <u>60,724,855</u> | <u>56,035,805</u> | 8% |
| <i>Deferred Outflows</i> | <u>183,408</u> | <u>129,084</u> | 42% |
| <i>Liabilities:</i> | | | |
| Current | 6,509,815 | 5,470,074 | 19% |
| Long Term | <u>20,944,924</u> | <u>22,263,557</u> | -6% |
| <i>Total Liabilities</i> | <u>27,454,739</u> | <u>27,733,631</u> | -1% |
| <i>Deferred Inflows</i> | <u>2,724</u> | <u>110,109</u> | -98% |
| <i>Net Position:</i> | | | |
| Net Investment in Capital Assets | 27,020,922 | 24,027,245 | 12% |
| Restricted | 1,820,817 | 353,525 | 415% |
| Unrestricted | <u>4,609,061</u> | <u>3,940,379</u> | 17% |
| <i>Total Net Position</i> | <u>\$ 33,450,800</u> | <u>\$ 28,321,149</u> | 18% |

The District's total operating revenues were \$11.5 million, an increase of 17% over the prior year. The increase is the result of increased rates but also significant growth in the customer base. The operating expenses were \$10.7 million, an increase of 5% over the prior year. Legal and professional fees decreased but personnel and water purchases increased. Non-operating revenues decreased as connection and installation fees for new service were not as high as the previous year. (See Table A-2)

Table A-2
Changes in District Net Position

| | 2023 | 2022 | Percentage Change |
|-----------------------------------|----------------------|----------------------|----------------------|
| Operating Revenues | \$ 11,465,570 | \$ 9,831,095 | 17% |
| Operating Expenses | <u>(10,734,327)</u> | <u>(10,249,909)</u> | 5% |
| Operating Income (Loss) | 731,243 | (418,814) | -275% |
| Non-operating Income (Expense) | <u>4,398,408</u> | <u>6,475,012</u> | -32% |
| Change in Net Position | 5,129,651 | 6,056,198 | -15% |
| Net Position at Beginning of Year | <u>28,321,149</u> | <u>22,264,951</u> | |
| Net Position at End of Year | <u>\$ 33,450,800</u> | <u>\$ 28,321,149</u> | |

BUDGETARY HIGHLIGHTS

District revenues exceeded expectations in the budget by \$984 thousand. Operating expenses were \$790 thousand under budget, primarily in personnel. Connection fees from new developments were \$1.2 million more than expected and capital spending to service these new accounts was \$2.4 million over budget. Capital spending is difficult to predict because it is dependent upon how quickly construction occurs. These differences led to a net increase in budgetary net position of \$300 thousand, compared to a budgeted decrease of \$876 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2023, the District had invested \$58.1 million in a broad range of capital assets, including land, buildings, equipment, treatment plants, and distribution systems. Significant additions in 2023 include ongoing engineering and construction for the Texas Water Development Board project. (See Table A-3.) More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table A-3
District's Capital Assets

| | <u>2023</u> | <u>2022</u> | <u>Percentage Change</u> |
|--------------------------------|----------------------|----------------------|------------------------------|
| Land | \$ 727,800 | \$ 727,800 | 0% |
| Water Rights | 7,079,526 | 7,079,526 | 0% |
| Building and Improvements | 983,582 | 983,582 | 0% |
| Plant and Distribution System | 43,896,684 | 38,164,543 | 15% |
| Machinery and Equipment | 1,265,193 | 1,211,050 | 4% |
| Construction in Progress | <u>4,222,033</u> | <u>5,249,346</u> | <u>-20%</u> |
| Totals at Historical Cost | <u>58,174,818</u> | <u>53,415,847</u> | <u>9%</u> |
| | | | |
| Total Accumulated Depreciation | <u>(11,639,951)</u> | <u>(10,413,493)</u> | <u>12%</u> |
| Net Capital Assets | <u>\$ 46,534,867</u> | <u>\$ 43,002,354</u> | <u>8%</u> |

Long-Term Debt

At year-end, the District had \$22.3 million in principal outstanding on bonded debt and notes. No new debt was issued in 2023. However, the District plans to incur debt in 2024 to continue needed expansion to service new customers. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-4
District's Long Term Debt

| | <u>2023</u> | <u>2022</u> | <u>Percentage Change</u> |
|----------------------|----------------------|----------------------|------------------------------|
| Bonds Payable | \$ 15,320,000 | \$ 15,887,000 | -4% |
| Notes Payable | <u>6,943,423</u> | <u>7,673,977</u> | <u>-10%</u> |
| Total Long-Term Debt | <u>\$ 22,263,423</u> | <u>\$ 23,560,977</u> | <u>-6%</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2024 budget contemplates continued expenditures from the 2017 Texas Water Development Board Bonds for the Capital Improvement Plan. 2024 is the fourth year of a five year rate plan to help fund the cost of capital improvements. Base rates will increase for 2024 as well as increases in consumption rates. Rapid development in the area continues to put demands on the District's system and the District issued \$1.95 million in additional bonds in November 2023 to complete the 2017 planned TWDB projects. Another \$8 million is expected to be issued in 2024 to start additional system improvements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at 2370 FM 1979, San Marcos, TX 78666.

BASIC FINANCIAL STATEMENTS

The basic financial statements include:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

ASSETS

Current Assets:

| | |
|-----------------------------|--------------|
| Cash and Cash Equivalents | \$ 5,436,118 |
| Accounts Receivable (net) | 2,805,548 |
| Prepaid Expense | 32,287 |
| <i>Total Current Assets</i> | 8,273,953 |

Other Assets:

| | |
|----------------------------------|-----------|
| Restricted Cash for Construction | 3,945,492 |
| Restricted Cash for Debt Service | 923,647 |
| Restricted Cash for Debt Reserve | 926,290 |
| Net Pension Asset | 120,606 |
| <i>Total Other Assets</i> | 5,916,035 |

Capital Assets (net)

46,534,867

TOTAL ASSETS

60,724,855

DEFERRED OUTFLOWS OF RESOURCES

| | |
|-----------------------------------|---------|
| Deferred Pension Related Outflows | 183,408 |
| | 183,408 |

LIABILITIES

Current Liabilities:

| | |
|--|-----------|
| Accounts Payable | 1,943,830 |
| Payroll Liabilities | 15,242 |
| Accrued Wages | 20,744 |
| Customer Deposits | 1,174,950 |
| Accrued Interest, Payable from Restricted Assets | 149,726 |
| Accrued Compensated Absences | 65,586 |
| Payable to Canyon Regional Water Authority | 1,821,238 |
| Bonds and Notes Payable - Current | 1,318,499 |
| <i>Total Current Liabilities</i> | 6,509,815 |

Long-term Liabilities:

| | |
|--|------------|
| Bonds and Notes Payable - Net of Current Portion | 20,944,924 |
| <i>Total Long-term Liabilities</i> | 20,944,924 |
| TOTAL LIABILITIES | 27,454,739 |

DEFERRED INFLOWS OF RESOURCES

| | |
|----------------------------------|-------|
| Deferred Pension Related Inflows | 2,724 |
| | 2,724 |

NET POSITION

| | |
|----------------------------------|---------------|
| Net Investment in Capital Assets | 27,020,922 |
| Restricted: | |
| Net Pension Asset | 120,606 |
| Debt Service and Debt Reserve | 1,700,211 |
| Unrestricted | 4,609,061 |
| TOTAL NET POSITION | \$ 33,450,800 |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

OPERATING REVENUES

| | |
|---------------------------------|-------------------|
| Water Sales | \$ 10,847,113 |
| Wastewater Charges | 135,125 |
| Other Charges | 483,332 |
| TOTAL OPERATING REVENUES | <u>11,465,570</u> |

OPERATING EXPENSES

| | |
|---------------------------------|-------------------|
| Water Purchase | 4,635,473 |
| Personnel | 2,448,881 |
| Depreciation | 1,244,222 |
| Operations and Maintenance | 878,225 |
| Professional Fees | 800,908 |
| Admin Expenses | 257,766 |
| Vehicles and Equipment | 225,208 |
| Utilities | 142,864 |
| Insurance | 100,780 |
| TOTAL OPERATING EXPENSES | <u>10,734,327</u> |

| | |
|--------------------------------|----------------|
| OPERATING INCOME (LOSS) | <u>731,243</u> |
|--------------------------------|----------------|

NON-OPERATING REVENUES (EXPENSES)

| | |
|-------------------------------------|------------------|
| Interest Income | 409,047 |
| Impact and Installation Fees | 4,333,698 |
| Other Revenues | 200,116 |
| Interest Expense | (544,453) |
| TOTAL NON-OPERATING REVENUES | <u>4,398,408</u> |

| | |
|-------------------------------|-----------|
| CHANGE IN NET POSITION | 5,129,651 |
|-------------------------------|-----------|

| | |
|-----------------------------------|-------------------|
| Net Position at Beginning of Year | <u>28,321,149</u> |
|-----------------------------------|-------------------|

| | |
|-----------------------------|----------------------|
| Net Position at End of Year | <u>\$ 33,450,800</u> |
|-----------------------------|----------------------|

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Cash Flows from Operating Activities

| | | |
|---|--|--------------------|
| Cash Received from Customers | | \$ 10,739,674 |
| Cash Payments to Suppliers for Goods and Services | | (6,096,503) |
| Cash Payments to Employees for Services | | <u>(2,488,725)</u> |
| Net Cash Provided (Used) by Operating Activities | | <u>2,154,446</u> |

Cash Flows from Capital and Related Financing Activities

| | | |
|---|--|--------------------|
| Principal Payments on Bonds and Notes Payable | | (1,297,554) |
| Impact and Installation Fees | | 4,333,698 |
| Interest Paid | | (553,964) |
| Purchase of Property, Plant and Equipment | | <u>(4,776,735)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | | <u>(2,294,555)</u> |

Cash Flows from Investing Activities

| | | |
|---|--|----------------|
| Interest and Investment Income | | 409,047 |
| Other Cash Receipts | | <u>200,116</u> |
| Net Cash Provided (Used) by Investing Activities | | <u>609,163</u> |

| | | |
|--|--|---------|
| Net Increase (Decrease) in Cash and Cash Equivalents | | 469,054 |
|--|--|---------|

Beginning Cash and Cash Equivalents

| | | |
|--------------|------------------|-------------------|
| Unrestricted | 2,113,451 | |
| Restricted | <u>8,649,042</u> | <u>10,762,493</u> |

Ending Cash and Cash Equivalents

| | | |
|--------------|------------------|----------------------|
| Unrestricted | 5,436,118 | |
| Restricted | <u>5,795,429</u> | <u>\$ 11,231,547</u> |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

| Reconciliation of Operating Income to Net Cash Provided (Used) | |
|---|---------------------|
| by Operating Activities | |
| Operating Income (Loss) | \$ 731,243 |
| Adjustments to Reconcile Income from Operations to Net Cash | |
| Provided by Operating Activities: | |
| Depreciation | 1,244,222 |
| Change in Assets and Liabilities: | |
| (Increase) Decrease in Accounts Receivable | (855,896) |
| (Increase) Decrease in Other Receivables | 51,475 |
| (Increase) Decrease in Prepaid Expenses | (25,705) |
| (Increase) Decrease in Deferred Pension Related Outflows | (54,324) |
| Increase (Decrease) in Accounts Payable | 918,951 |
| Increase (Decrease) in Payroll Liabilities | (44,518) |
| Increase (Decrease) in Customer Deposits | 130,000 |
| Increase (Decrease) in Accrued Compensated Absences | 23,740 |
| Increase (Decrease) in Net Pension Liability/Asset | 142,643 |
| Increase (Decrease) in Deferred Pension Related Inflows | (107,385) |
| Net Cash Provided (Used) by Operating Activities | \$ 2,154,446 |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Crystal Clear Special Utility District (the “District”) was created pursuant to Texas Senate Bill 116, 83rd Legislature, R.S. (2013), further codified in Texas Special District Local Laws Code Chapter 7206, enacted under the authority granted to the Texas Legislature in Texas Constitution article XVI Section 59. Prior to that date the District operated as a Water Supply Corporation. The District was organized to furnish potable water and wastewater utility services. The District is managed by a Board of Directors consisting of seven members elected by voters residing in the District’s boundaries. The District serves customers in Hays, Comal and Guadalupe counties.

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

1. REPORTING ENTITY

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, “The Financial Reporting Entity” and GASB Statement 39 “Determining Whether Certain Organizations are Component Units”. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The District has no component units.

2. ENTERPRISE FUND

The District is an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public or other governmental entities. The activities are financed by charges to customers and the measurement of financial activity focuses on net income similar to the private sector. Revenues are recognized when earned, and expenses are recognized when incurred.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Revenues are classified as *operating* and *non-operating*. Operating revenues include charges to customers for water and wastewater services. Non-operating revenues include customer charges for capital expansion and interest income.

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

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. CASH AND INVESTMENTS

State statutes authorize the District to invest in (a) obligations of the United States or its agencies, and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value (plus accrued interest) except for money market, certificates of deposit, local government investment pools, and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost, which approximates fair value.

The District considers cash and cash equivalents to be amounts in checking accounts, savings accounts, money market accounts, and local government investment pools.

5. ACCOUNTS RECEIVABLE

Customers are billed monthly for services and recorded as revenue in the period of the service. Often bills are issued in subsequent months for water consumption in the previous month. Revenue earned in a previous period is recorded as an unbilled receivable at the end of each period. Accounts receivable consists of amounts due from customers for services rendered and is presented net of an allowance for doubtful accounts based on management's estimate.

6. INVENTORY

Inventory consists of pipe, fittings, pumps and meters. Inventory is reported at the lower of cost or market based on the first in-first out method.

7. PREPAID EXPENSES

Expenses paid during the year that have a benefit beyond the current fiscal year are recorded on the balance sheet as prepaid expenses.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, water rights, and water plant and distribution systems, are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Interest has been capitalized during the construction periods on water plant and distribution systems. Purchases in excess of \$5,000 with a useful life in excess of one year are capitalized and depreciated using the straight-line method over the following estimated useful lives:

| | |
|---------------------------------------|----------------|
| Buildings and Improvements | 10 to 50 years |
| Equipment | 3 to 10 years |
| Water Plants and Distribution Systems | 20 to 50 years |

9. DEFERRED INFLOWS AND OUTFLOWS

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

10. CUSTOMER DEPOSITS

Upon the creation of a new account, customers make a deposit toward their final bill. The amount is recorded as customer deposits liability on the Statement of Net Position.

11. LONG-TERM OBLIGATIONS

Bonds, notes and capital leases are recorded as liabilities on the statement of net position. Bond issue costs and premiums are expensed in the period they are incurred. Bonds payable are reported net of the applicable bond premium or discount. Interest costs are expensed during the construction period.

12. NET POSITION

Net position represents the difference between assets and liabilities. 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 improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When expenses qualify for restricted and unrestricted resources, the District's policy is to use restricted resources first.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. PENSION

The net pension liability (asset), deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS), and additions to and deductions from TCDRS' fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. BUDGET

An operating budget is adopted each fiscal year for the District. The budget is adopted on a cash basis of accounting internally and converted to accrual basis for financial reporting. Additional budgetary information is provided in the required supplementary information.

15. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B -- CASH AND INVESTMENTS

1. Cash and Cash Equivalents

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledge 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. At September 30, 2023, the District's bank deposits were covered by a combination of federal deposit insurance and pledged securities. All of the District's deposits were fully collateralized.

2. Investments

As of September 30, 2023, the District's investments consisted of Texas Class local government investment pools presented at net asset value. The Texas Class pool maintains a AAAM rating and a stable net asset value of \$1.00 per share. Texas Class is a 2a7-like pool which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Therefore, the Texas Class is reported at \$1 per share, which approximates fair value and is included in cash and cash equivalents. The amount invested in Texas Class at September 30, 2023 is \$3,757,244.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE C -- RESTRICTED CASH AND EQUIVALENTS

Restricted cash consists of a debt service and loan reserve related to the United States Department of Agriculture (USDA) Series 2015 Revenue Bonds and Texas Water Development Board (TWDB) 2017 Revenue Bonds. The District is required to make monthly transfers to these accounts up to certain limits and may only spend the balances on debt service or USDA/TWDB approved activities.

In addition, the proceeds of the 2017 bonds are held in escrow for construction and are released only upon approval by the TWDB.

NOTE D -- ACCOUNTS RECEIVABLE

District receivables as of September 30, 2023, consisted of the following:

| | | | |
|--------------------------------------|--|----|------------------|
| Customer Balances | | \$ | 1,209,726 |
| Unbilled Services Rendered | | | 1,297,264 |
| Bulk Water Agreement | | | 370,659 |
| Allowance for Uncollectible Accounts | | | (72,101) |
| Total Accounts Receivable (net) | | \$ | <u>2,805,548</u> |

NOTE E -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 was as follows:

| | Balances at 10/1/2022 | Additions | Transfers/ Disposals | Balances at 9/30/2023 |
|--------------------------------------|--------------------------|---------------------|-------------------------|--------------------------|
| Land | \$ 727,800 | \$ - | \$ - | \$ 727,800 |
| Water Rights | 7,079,526 | - | - | 7,079,526 |
| Building and Improvements | 983,582 | - | - | 983,582 |
| Plant and Distribution System | 38,164,543 | 165,963 | 5,566,178 | 43,896,684 |
| Machinery and Equipment | 1,211,050 | 71,907 | (17,764) | 1,265,193 |
| Construction in Progress | 5,249,346 | 4,538,865 | (5,566,178) | 4,222,033 |
| | <u>53,415,847</u> | <u>4,776,735</u> | <u>(17,764)</u> | <u>58,174,818</u> |
| <i>Less Accumulated Depreciation</i> | | | | |
| Building and Improvements | (350,509) | (24,916) | - | (375,425) |
| Plant and Distribution System | (9,101,383) | (1,099,057) | - | (10,200,440) |
| Machinery and Equipment | (961,601) | (120,249) | 17,764 | (1,064,086) |
| | <u>(10,413,493)</u> | <u>(1,244,222)</u> | <u>17,764</u> | <u>(11,639,951)</u> |
| Capital Assets, Net | <u>\$ 43,002,354</u> | <u>\$ 3,532,513</u> | <u>\$ -</u> | <u>\$ 46,534,867</u> |

Land, Water Rights and Construction in Progress are not depreciated.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE F -- LONG-TERM DEBT

The District's long-term debt activity as of and for the year ending September 30, 2023 is as follows:

| Bonds Payable, Series | Balance Outstanding 10/1/2022 | Additions | Retirements | Balance Outstanding 9/30/2023 |
|-------------------------------|-------------------------------------|------------|----------------|-------------------------------------|
| Notes and Bonds | \$ 23,560,977 | \$ - | \$ (1,297,554) | \$ 22,263,423 |
| Net Pension Liability (Asset) | (263,249) | 345,786 | (203,143) | (120,606) |
| Compensated Absences | 41,846 | 65,586 | (41,846) | 65,586 |
| Totals | \$ 23,339,574 | \$ 411,372 | \$ (1,542,543) | \$ 22,208,403 |

The District's bond and note activity as of and for the year ending September 30, 2023 is as follows:

| Bonds Payable, Series | Balance Outstanding 10/1/2022 | Additions | Retirements | Balance Outstanding 9/30/2023 | Due Within One Year |
|----------------------------|-------------------------------------|-----------|----------------|-------------------------------------|------------------------|
| CoBank Notes | \$ 4,307,258 | \$ - | \$ (289,435) | \$ 4,017,823 | \$ 298,915 |
| Promissory Notes | 3,366,719 | - | (441,119) | 2,925,600 | 446,584 |
| Revenue Bonds, Series 2015 | 2,922,000 | - | (52,000) | 2,870,000 | 53,000 |
| Revenue Bonds, Series 2017 | 12,965,000 | - | (515,000) | 12,450,000 | 520,000 |
| Totals | \$ 23,560,977 | \$ - | \$ (1,297,554) | \$ 22,263,423 | \$ 1,318,499 |

All debt was privately placed with no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Bonds Payable

Combination Water and Sewer System Revenue Refunding Bonds, Series 2015 were issued by the District in July 2016 to pay off short term borrowings for construction of system improvements. The bonds were purchased at closing by the United States Department of Agriculture. The bonds bear interest at 2.75% and mature serially through December 1, 2055.

Combination Water and Sewer System Revenue Bonds, Series 2017 were issued by the District in November 2017 to fund system improvements. The bonds were placed with the Texas Water Development Board. The bonds bear interest at rates ranging from 0.02% to 2.33% and mature serially through December 1, 2043.

The bonds require debt service and reserve accounts to which the District has complied.

CoBank Notes

The District signed promissory notes with CoBank to refinance existing notes in 2015. The CoBank notes bear interest at 4.1-4.4% and require quarterly payments of interest and principal until maturity on April 20, 2036. The notes require the District to maintain debt service coverage and debt to capitalization ratios to which the District has complied.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE F -- LONG-TERM DEBT (Continued)

Promissory Notes

The District signed promissory notes to purchase water rights from landowners in 2020 for \$4,516,898. The notes require monthly payments of \$40,000 until maturity at January 10, 2030. The notes bear interest at an effective rate of 1.23%.

The annual requirements to amortize all outstanding privately-placed debt as of September 30, 2023, including interest payments, are as follows:

| Year End September 30, | Principal Payments | Interest Payments | Total |
|---------------------------|-----------------------|----------------------|----------------------|
| 2024 | \$ 1,318,499 | \$ 532,951 | \$ 1,851,450 |
| 2025 | 1,346,073 | 506,174 | 1,852,247 |
| 2026 | 1,368,069 | 478,086 | 1,846,155 |
| 2027 | 1,396,476 | 448,329 | 1,844,805 |
| 2028 | 1,425,308 | 417,229 | 1,842,537 |
| 2029-2033 | 5,489,648 | 1,618,638 | 7,108,286 |
| 2034-2038 | 4,416,350 | 934,244 | 5,350,594 |
| 2039-2043 | 4,047,000 | 442,447 | 4,489,447 |
| 2044-2048 | 498,000 | 166,899 | 664,899 |
| 2049-2053 | 573,000 | 93,298 | 666,298 |
| 2054-2056 | 385,000 | 16,088 | 401,088 |
| Total | <u>\$ 22,263,423</u> | <u>\$ 5,654,383</u> | <u>\$ 27,917,806</u> |

NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Plan Description

The District participates as one of 830 plans in the nontraditional, defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the state of Texas and administered in accordance with the TCDRS Act as an agent multiple-employer retirement system for County and District employees in the State of Texas. The Board of Trustees of TCDRS is responsible for the administration and management of the system. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS. Members can retire at age 60 and above with 8 or more years of service or with 20 years regardless of age or when the sum of their age and years of service equals 80 or more. A member is vested after 8 years but must leave his accumulated contributions in the plan. Members who withdraw their personal contributions in a partial lump sum are entitled to any amounts contributed by the employer.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Contributions

The District has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The District contributed more than the actuarially determined rate of 3.75% and 3.67% for the calendar years of 2022 and 2023, respectively.

The contribution rate payable by the employee members is 7% and the District matches 1 to 1 as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Benefits Provided

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the District-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

| | 12/31/2022 |
|---------------------------------------|------------|
| Inactive Employees Receiving Benefits | 3 |
| Inactive Employees | 23 |
| Active Employees | 26 |
| | 52 |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 13.6 years (based on contribution rate calculated in 12/31/22 valuation) |
| Asset Valuation Method | 5 Year Smoothed Market |
| Inflation | 2.50% |
| Salary Increases | Varies by age and service. 4.7% average over career including inflation. |
| Investment Rate of Return | 7.50%, net of investment expenses, including inflation |

The long-term expected rate of return on pension plan investments is 7.50%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Expected Real Rate of Return (Geometric)</u> |
|------------------------------------|--------------------------|---|
| US Equities | 11.50% | 4.95% |
| Private Equity | 25.00% | 7.95% |
| Global Equities | 2.50% | 4.95% |
| International Equities - Developed | 5.00% | 4.95% |
| International Equities - Emerging | 6.00% | 4.95% |
| Investment-Grade Bonds | 3.00% | 2.40% |
| Strategic Credit | 9.00% | 3.39% |
| Direct Lending | 16.00% | 6.95% |
| Distressed Debt | 4.00% | 7.60% |
| REIT Equities | 2.00% | 4.15% |
| Master Limited Partnerships (MLPs) | 2.00% | 5.30% |
| Private Real Estate Partnerships | 6.00% | 5.70% |
| Hedge Funds | 6.00% | 2.90% |
| Cash Equivalents | 2.00% | 0.20% |
| | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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

| | <u>Discount Rate 6.60%</u> | <u>Discount Rate 7.60%</u> | <u>Discount Rate 8.60%</u> |
|-------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Net Pension Liability (Asset) | \$ 120,079 | \$ (120,606) | \$ (309,997) |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)

Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2022:

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|--------------------------------------|----------------------------|--------------------------------|--------------------------|
| Balance at December 31, 2021 | \$ 941,809 | \$ 1,205,058 | \$ (263,249) |
| Changes for the year: | | | |
| Service Cost | 171,090 | - | 171,090 |
| Interest on total pension liability | 81,880 | - | 81,880 |
| Change of Benefit Terms | - | - | - |
| Economic/Demographic gains or losses | 12,419 | - | 12,419 |
| Changes of Assumptions | - | - | - |
| Refund of Contributions | (56,477) | (56,477) | - |
| Benefit Payments | (15,907) | (15,907) | - |
| Administrative Expense | - | (736) | 736 |
| Member Contributions | - | 121,615 | (121,615) |
| Net Investment Income | - | (80,397) | 80,397 |
| Employer Contributions | - | 65,151 | (65,151) |
| Other | - | 17,113 | (17,113) |
| Net Changes | 193,005 | 50,362 | 142,643 |
| Balance at December 31, 2022 | \$ 1,134,814 | \$ 1,255,420 | \$ (120,606) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained at www.tcdrs.com.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the District recognized pension expense of \$49,133. Also as of September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows Outflows of of Resources | Deferred Inflows Inflows of of Resources |
|--|--|--|
| Differences between Expected and Actual Economic Experience | \$ 45,994 | \$ 2,099 |
| Changes in Actuarial Assumptions | 26,479 | 625 |
| Differences Between Projected and Actual Investment Earnings | 61,664 | - |
| Contributions Subsequent to the Measurement Date | 49,271 | - |
| | \$ 183,408 | \$ 2,724 |

Deferred outflows of resources in the amount of \$49,271 result from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| For the Year ended December 31, | | |
|---------------------------------|----|---------|
| 2023 | \$ | 28,788 |
| 2024 | | 31,539 |
| 2025 | | 31,576 |
| 2026 | | 37,441 |
| 2027 | | 2,069 |
| Thereafter | | - |
| | \$ | 131,413 |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE H -- JOINT VENTURE – CANYON REGIONAL WATER AUTHORITY

The District is a member entity of Canyon Regional Water Authority (CRWA) through a regional taxable water supply contract dated August 1, 1998. CRWA was created to purchase, own, hold, lease and otherwise acquire sources of potable water; build, operate and maintain facilities for the treatment and transportation of water; sell potable water to local governments, water supply corporations and other persons in Texas; to protect, preserve and restore the purity and sanitary condition of water in the area. The participating entities, of which there are 13, are contractually obligated to fund a pro-rata portion of CRWA’s operating, debt service and project costs. The District has pledged its system revenues to fund its share of CRWA costs and debts (approximately 7%). For the fiscal year ended September 30, 2023, CRWA reported assets of \$183 million and liabilities of \$124 million, including bonds payable of \$114 million. Annual required funding payments are recorded as water purchases.

In addition, CRWA is a member of Alliance Regional Water Authority under a similar arrangement. In 2014, the District agreed to reimburse CRWA for 53.52% of CRWA’s share of Alliance in exchange for the future water developed by Alliance. The agreement required the District to fund the annual requirements in addition to the past costs incurred by CRWA in relation to the Alliance project. The District makes regular contributions for annual funding, but is not required at this time to make payments on the prior costs, which are recognized as a liability on the Statement of Net Position in the amount of \$1,821,238. The District is responsible for approximately 16% of Alliance’s budget and debt. For the fiscal year ended September 30, 2022 (the most recent year available), Alliance reported assets of \$363 million and liabilities of \$276 million, including bonds payable of \$231 million. Annual required funding payments are recorded as water purchases.

Furthermore, the District entered into a reservation agreement with a development neighboring the District’s CCN. The reservation agreement reserves 20.19% of the District’s 53.52% of the Alliance responsibility and benefits. The development is billed monthly their share of the costs resulting from the Alliance project as a reservation fee.

NOTE I – COMMITMENTS

As of September 30, 2023, the District had the following commitments related to construction projects:

| | Total Commitment | Expended to Date | Estimated Remaining |
|--------------|---------------------|---------------------|------------------------|
| Construction | \$ 6,383,027 | \$ 2,834,493 | \$ 3,548,534 |
| Engineering | 641,767 | 475,253 | 166,514 |
| | \$ 7,024,794 | \$ 3,309,746 | \$ 3,715,048 |

NOTE J -- LITIGATION

The District is subject to various claims regarding easements, decertifications from the District’s CCN, water rights and impact fees. If decided adversely to the District, the outcomes would not be expected to have a significant impact on these financial statements. No loss contingencies have been recorded.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE K -- SUBSEQUENT EVENT

In November 2023, the District issued \$1.95 million in bonds through the Texas Water Development Board to complete the capital projects planned as part of the 2017 bond series. The bonds mature serially through 2043 and bear interest at rates ranging from 2.6% to 3.49%.

REQUIRED SUPPLEMENTARY INFORMATION

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Budget Amounts | | Actual Amounts (Budgetary Basis) | Variance With Final Budget- Positive (Negative) |
|---|-------------------|---------------------|---|--|
| | Original | Final | | |
| Operating Revenues: | | | | |
| Water Sales | \$ 9,930,338 | \$ 9,930,338 | \$ 10,847,113 | \$ 916,775 |
| Waterwater Charges | 129,800 | 129,800 | 135,125 | 5,325 |
| Other Charges | 421,100 | 421,100 | 483,332 | 62,232 |
| Total Operating Revenues | 10,481,238 | 10,481,238 | 11,465,570 | 984,332 |
| Operating Expenses: | | | | |
| Water Purchase | 4,855,500 | 4,855,500 | 4,635,473 | 220,027 |
| Personnel | 2,863,200 | 2,863,200 | 2,448,881 | 414,319 |
| Operations and Maintenance | 789,500 | 789,500 | 878,225 | (88,725) |
| Professional Fees | 1,011,200 | 1,011,200 | 800,908 | 210,292 |
| Admin Expenses | 312,500 | 312,500 | 257,766 | 54,734 |
| Vehicles and Equipment | 214,500 | 214,500 | 225,208 | (10,708) |
| Utilities | 134,000 | 134,000 | 142,864 | (8,864) |
| Insurance | 100,000 | 100,000 | 100,780 | (780) |
| Total Operating Expenses | 10,280,400 | 10,280,400 | 9,490,105 | 790,295 |
| Operating Income (Loss) | 200,838 | 200,838 | 1,975,465 | 1,774,627 |
| Non-Operating Revenues (Expenses): | | | | |
| Interest Income | 500 | 500 | 409,047 | 408,547 |
| Capital, Impact and Installation Fees | 3,114,784 | 3,114,784 | 4,333,698 | 1,218,914 |
| Other Revenues | 30,000 | 30,000 | 200,116 | 170,116 |
| Capital Purchases | (827,000) | (2,348,000) | (4,776,735) | (2,428,735) |
| Principal & Interest on Long-Term Debt | (1,874,000) | (1,874,000) | (1,842,007) | 31,993 |
| Non-Operating Revenues | 444,284 | (1,076,716) | (1,675,881) | (599,165) |
| Budgetary Net Income | \$ 645,122 | \$ (875,878) | \$ 299,584 | \$ 1,175,462 |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The budget is prepared on a modified accrual basis of accounting. The annually adopted budget is not a legally binding document, but is used as a planning tool. The District does not use encumbrance accounting.

The following schedule reconciles the budgetary basis to generally accepted accounting principles.

| | |
|-------------------------------------|---------------------|
| Net Income (Budgetary Basis) | \$ 299,584 |
| Bond Principal Payments | 1,297,554 |
| Capital Purchases | 4,776,735 |
| Depreciation | <u>(1,244,222)</u> |
| Change in Net Position (GAAP Basis) | <u>\$ 5,129,651</u> |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE SEVEN PLAN (CALENDAR) YEARS

| | Total Pension Liability | | | | | | |
|---|-----------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Service Cost | \$ 51,116 | \$ 81,798 | \$ 86,710 | \$ 123,711 | \$ 158,386 | \$ 202,735 | \$ 171,090 |
| Interest (on the Total Pension Liability) | 2,030 | 10,608 | 16,376 | 28,758 | 46,210 | 66,917 | 81,880 |
| Changes of Benefit Terms | - | - | - | - | - | 5,111 | - |
| Difference between Expected and Actual Experience | 44 | (9,839) | 32,719 | 37,023 | 15,018 | (3,499) | 12,419 |
| Change of Assumptions | - | (83) | - | - | 52,960 | (1,041) | - |
| Benefit Payments, Including Refunds of Employee Contributions | - | (8,217) | (24,475) | (15,225) | (1,929) | (12,112) | (72,384) |
| Net Change in Total Pension Liability | 53,190 | 74,267 | 111,330 | 174,267 | 270,645 | 258,111 | 193,005 |
| Total Pension Liability - Beginning | - | 53,190 | 127,457 | 238,787 | 413,054 | 683,699 | 941,810 |
| Total Pension Liability - Ending | <u>\$ 53,190</u> | <u>\$ 127,457</u> | <u>\$ 238,787</u> | <u>\$ 413,054</u> | <u>\$ 683,699</u> | <u>\$ 941,810</u> | <u>\$ 1,134,815</u> |
| | Plan Fiduciary Net Position | | | | | | |
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Contributions - Employer | \$ 17,706 | \$ 32,415 | \$ 45,759 | \$ 113,104 | \$ 129,487 | \$ 123,901 | \$ 65,151 |
| Contributions - Employee | 32,109 | 58,016 | 82,279 | 64,636 | 129,487 | 123,901 | 121,615 |
| Net Investment Income | - | 8,704 | (1,498) | 40,473 | 47,605 | 195,665 | (80,397) |
| Benefit Payments, Including Refunds of Employee Contributions | - | (8,217) | (24,475) | (15,225) | (1,929) | (12,112) | (72,384) |
| Administrative Expense | - | (95) | (199) | (347) | (562) | (652) | (736) |
| Other | 754 | 1,101 | 3,101 | 5,627 | 7,651 | 6,889 | 17,113 |
| Net Change in Plan Fiduciary Net Position | 50,569 | 91,924 | 104,967 | 208,268 | 311,739 | 437,592 | 50,362 |
| Plan Fiduciary Net Position - Beginning | - | 50,569 | 142,493 | 247,460 | 455,728 | 767,467 | 1,205,059 |
| Plan Fiduciary Net Position - Ending | <u>\$ 50,569</u> | <u>\$ 142,493</u> | <u>\$ 247,460</u> | <u>\$ 455,728</u> | <u>\$ 767,467</u> | <u>\$ 1,205,059</u> | <u>\$ 1,255,421</u> |
| Net Pension Liability (Asset) - Ending | \$ 2,621 | \$ (15,036) | \$ (8,673) | \$ (42,674) | \$ (83,768) | \$ (263,249) | \$ (120,606) |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 95.07% | 111.80% | 103.63% | 110.33% | 112.25% | 127.95% | 110.63% |
| Covered Payroll | \$ 458,699 | \$ 828,805 | \$ 1,175,420 | \$ 1,615,767 | \$ 1,849,808 | \$ 1,770,017 | \$ 1,737,364 |
| Net Pension Liability as a Percentage of Covered Payroll | 0.57% | -1.81% | -0.74% | -2.64% | -4.53% | -14.87% | -6.94% |

The District began participating in the plan in 2016. Information will be accumulated until ten years are presented.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS

| Fiscal Year Ending September 30, | Actuarially Determined Contribution | Actual Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions As Percent of Payroll |
|-------------------------------------|---|-------------------------|--|--------------------|---|
| 2023 | \$ 68,178 | \$ 68,178 | - | \$ 1,846,714 | 3.69% |
| 2022 | 55,490 | 77,187 | (21,697) | 1,872,864 | 4.12% |
| 2021 | 49,740 | 131,100 | (81,360) | 1,872,864 | 7.00% |
| 2020 | 56,085 | 114,509 | (58,424) | 1,831,356 | 6.25% |
| 2019 | 55,134 | 55,134 | - | 1,384,658 | 3.98% |
| 2018 | 41,861 | 41,923 | (62) | 1,077,933 | 3.89% |
| 2017 | 29,934 | 29,934 | - | 775,492 | 3.86% |
| 2016 | 11,039 | 11,039 | - | 285,984 | 3.86% |

Valuation Timing:

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 13.6 years (based on contribution rate calculated in 12/31/22 valuation) |
| Asset Valuation Method | 5 Year Smoothed Market |
| Inflation | 2.50% |
| Salary Increases | Varies by age and service. 4.7% average over career including inflation. |
| Investment Rate of Return | 7.50%, net of investment expenses, including inflation |
| Retirement Age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| Mortality | 135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retiree Table for females, both projected with 100% of the MP-2021 Ultimate Scale after 2010. |
| Changes in Assumptions | 2015: New inflation, mortality and other assumptions 2017: New mortality assumptions 2019: New inflation, mortality and other assumptions 2022: New investment return and inflation assumptions were reflected |
| Changes in Plan Provisions | 2017: New annuity purchase rates |

The District began participating in the plan in 2016. Information will be accumulated until ten years are presented.

SUPPLEMENTARY INFORMATION

The following Supplementary Information is required to be included as additional information by the Texas Commission on Environmental Quality (TCEQ).

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
 TSI-1. SERVICES AND RATES
 FISCAL YEAR ENDING SEPTEMBER 30, 2023

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

| Retail Rates for a 5/8" Meter | Minimum Charge | Minimum Usage | Flat Rate | Rate per 1,000 Gallons Over Minimum | Usage Level |
|--------------------------------------|----------------|---------------|-----------|-------------------------------------|------------------|
| Water | \$ 82.23 | N/A | No | \$ 5.94 | 0 to 5,000 |
| | | | | \$ 6.53 | 5,000 to 10,000 |
| | | | | \$ 7.77 | 10,000 to 20,000 |
| | | | | \$ 10.50 | 20,000 to 50,000 |
| | | | | \$ 13.41 | 50,000 to 70,000 |
| | | | | \$ 14.00 | Over 70,000 |
| Wastewater | \$ 37.09 | N/A | No | \$ 3.22 | 0 to 5,000 |
| | | | | \$ 2.93 | Over 5,000 |
| Surcharge | \$ - | | | \$ - | |

District employs winter averaging for wastewater usage? No

Total Charges per 10,000 gallons usage:

| | |
|------------|------------------|
| Water | <u>\$ 144.58</u> |
| Wastewater | <u>\$ 67.84</u> |

Water and Wastewater Retail Connections

| <u>Meter Size</u> | <u>Total Connections</u> | <u>Active Connections</u> | <u>ESFC Factor</u> | <u>Active ESFCs</u> |
|-------------------|--------------------------|---------------------------|--------------------|---------------------|
| Unmetered | <u>0</u> | <u>0</u> | 1.0 | <u>0</u> |
| <=3/4" | <u>6,102</u> | <u>6,102</u> | 1.0 | <u>6,102</u> |
| 1" | <u>37</u> | <u>37</u> | 2.5 | <u>93</u> |
| 1 1/2" | <u>4</u> | <u>4</u> | 5.0 | <u>20</u> |
| 2" | <u>15</u> | <u>15</u> | 8.0 | <u>120</u> |
| 3" | <u>19</u> | <u>19</u> | 15.0 | <u>285</u> |
| 4" | <u>2</u> | <u>2</u> | 25.0 | <u>50</u> |
| 6" | <u>0</u> | <u>0</u> | 50.0 | <u>0</u> |
| 8" | <u>0</u> | <u>0</u> | 80.0 | <u>0</u> |
| 10" | <u>0</u> | <u>0</u> | 115.0 | <u>0</u> |
| Total Water | <u>6,179</u> | <u>6,179</u> | | <u>6,670</u> |
| Total Wastewater | <u>185</u> | <u>185</u> | 1.0 | <u>185</u> |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
 TSI-1. SERVICES AND RATES (CONTINUED)
 FISCAL YEAR ENDING SEPTEMBER 30, 2023

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

| | | | |
|------------------------------|-------------|--|--|
| Gallons pumped into system | 804,006,510 | | Water Accountability Ratio: (Gallons billed/Gallons pumped) |
| Gallons billed to customers: | 558,694,000 | | 69% |

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

Does the District have Debt Service standby Fees? Yes No

If yes, Date of the most recent Commission Order: _____

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

If yes, Date of the most recent Commission Order: _____

5. Location of District:

Counties in which the District is located: Guadalupe, Comal, Hays

Is the District located entirely within one county? Yes No

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

Cities in which the District is located: San Marcos, Seguin, New Braunfels

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

ETJs in which the District is located: San Marcos, Seguin, New Braunfels

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

If Yes, by whom? _____

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
 TSI-2. ENTERPRISE FUND EXPENSES
 FISCAL YEAR ENDING SEPTEMBER 30, 2023

| | | |
|--|-----------|-----------------------------|
| Personnel Expenditures (including benefits) | | \$ 2,448,881 |
| Professional Fees: | | |
| Legal | | 398,979 |
| Engineering | | 272,549 |
| Accounting and Audit | | 15,350 |
| Other | | 114,030 |
| Water and Transmission Costs | | 4,635,473 |
| Utilities | | 142,864 |
| Repairs and Maintenance | | 1,103,433 |
| Administrative Expenses | | 358,546 |
| Depreciation and Amortization | | 1,244,222 |
| Interest | | <u>544,453</u> |
| Total Expenses | | <u><u>\$ 11,278,780</u></u> |
| | | |
| Total number of persons employed by the District | Full-Time | <u>27</u> |
| | Part-Time | <u>0</u> |

The following sections have been omitted since they do not pertain to this entity:

- TSI-3. Temporary Investments
- TSI-4. Taxes Levied and Receivable

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2023

| Combination Water and Sewer Revenue Refunding Bonds, Series 2015 | | | |
|--|----------------------------|---------------------------|---------------------|
| Fiscal Year Ending September 30, | Principal Due Each Year | Interest Due Each Year | Total |
| 2024 | \$ 53,000 | \$ 78,410 | \$ 131,410 |
| 2025 | 55,000 | 76,680 | 131,680 |
| 2026 | 56,000 | 75,187 | 131,187 |
| 2027 | 58,000 | 73,620 | 131,620 |
| 2028 | 60,000 | 72,192 | 132,192 |
| 2029 | 61,000 | 70,334 | 131,334 |
| 2030 | 63,000 | 68,629 | 131,629 |
| 2031 | 65,000 | 66,869 | 131,869 |
| 2032 | 67,000 | 65,229 | 132,229 |
| 2033 | 69,000 | 63,184 | 132,184 |
| 2034 | 71,000 | 61,259 | 132,259 |
| 2035 | 73,000 | 59,279 | 132,279 |
| 2036 | 75,000 | 57,398 | 132,398 |
| 2037 | 77,000 | 55,154 | 132,154 |
| 2038 | 79,000 | 53,009 | 132,009 |
| 2039 | 82,000 | 50,796 | 132,796 |
| 2040 | 84,000 | 48,643 | 132,643 |
| 2041 | 86,000 | 46,176 | 132,176 |
| 2042 | 89,000 | 43,770 | 132,770 |
| 2043 | 91,000 | 41,295 | 132,295 |
| 2044 | 94,000 | 38,854 | 132,854 |
| 2045 | 97,000 | 36,125 | 133,125 |
| 2046 | 100,000 | 33,416 | 133,416 |
| 2047 | 102,000 | 30,639 | 132,639 |
| 2048 | 105,000 | 27,865 | 132,865 |
| 2049 | 108,000 | 24,864 | 132,864 |
| 2050 | 111,000 | 21,853 | 132,853 |
| 2051 | 115,000 | 18,746 | 133,746 |
| 2052 | 118,000 | 15,580 | 133,580 |
| 2053 | 121,000 | 12,256 | 133,256 |
| 2054 | 125,000 | 8,873 | 133,873 |
| 2055 | 128,000 | 5,395 | 133,395 |
| 2056 | 132,000 | 1,820 | 133,820 |
| | <u>\$ 2,870,000</u> | <u>\$ 1,503,399</u> | <u>\$ 4,373,399</u> |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
 TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS (CONTINUED)
 SEPTEMBER 30, 2023

| Combination Water and Sewer System Revenue Bonds, Series 2017 | | | |
|---|----------------------------|---------------------------|---------------|
| Fiscal Year Ending September 30, | Principal Due Each Year | Interest Due Each Year | Total |
| 2024 | \$ 520,000 | \$ 235,827 | \$ 755,827 |
| 2025 | 530,000 | 230,547 | 760,547 |
| 2026 | 535,000 | 224,261 | 759,261 |
| 2027 | 545,000 | 216,940 | 761,940 |
| 2028 | 555,000 | 208,714 | 763,714 |
| 2029 | 560,000 | 199,681 | 759,681 |
| 2030 | 575,000 | 189,917 | 764,917 |
| 2031 | 585,000 | 179,504 | 764,504 |
| 2032 | 595,000 | 168,499 | 763,499 |
| 2033 | 605,000 | 156,887 | 761,887 |
| 2034 | 620,000 | 144,604 | 764,604 |
| 2035 | 630,000 | 131,728 | 761,728 |
| 2036 | 645,000 | 118,339 | 763,339 |
| 2037 | 660,000 | 104,374 | 764,374 |
| 2038 | 675,000 | 89,821 | 764,821 |
| 2039 | 690,000 | 74,737 | 764,737 |
| 2040 | 705,000 | 59,147 | 764,147 |
| 2041 | 725,000 | 42,951 | 767,951 |
| 2042 | 740,000 | 26,139 | 766,139 |
| 2043 | 755,000 | 8,796 | 763,796 |
| | \$ 12,450,000 | \$ 2,811,413 | \$ 15,261,413 |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
 TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS (CONTINUED)
 SEPTEMBER 30, 2023

| Fiscal Year Ending September 30, | Annual Requirements for all Series | | |
|-------------------------------------|------------------------------------|---------------------------|----------------------|
| | Principal Due Each Year | Interest Due Each Year | Total |
| 2024 | \$ 573,000 | \$ 314,237 | \$ 887,237 |
| 2025 | 585,000 | 307,227 | 892,227 |
| 2026 | 591,000 | 299,448 | 890,448 |
| 2027 | 603,000 | 290,560 | 893,560 |
| 2028 | 615,000 | 280,906 | 895,906 |
| 2029 | 621,000 | 270,015 | 891,015 |
| 2030 | 638,000 | 258,546 | 896,546 |
| 2031 | 650,000 | 246,373 | 896,373 |
| 2032 | 662,000 | 233,728 | 895,728 |
| 2033 | 674,000 | 220,071 | 894,071 |
| 2034 | 691,000 | 205,863 | 896,863 |
| 2035 | 703,000 | 191,007 | 894,007 |
| 2036 | 720,000 | 175,737 | 895,737 |
| 2037 | 737,000 | 159,528 | 896,528 |
| 2038 | 754,000 | 142,830 | 896,830 |
| 2039 | 772,000 | 125,533 | 897,533 |
| 2040 | 789,000 | 107,790 | 896,790 |
| 2041 | 811,000 | 89,127 | 900,127 |
| 2042 | 829,000 | 69,909 | 898,909 |
| 2043 | 846,000 | 50,091 | 896,091 |
| 2044 | 94,000 | 38,854 | 132,854 |
| 2045 | 97,000 | 36,125 | 133,125 |
| 2046 | 100,000 | 33,416 | 133,416 |
| 2047 | 102,000 | 30,639 | 132,639 |
| 2048 | 105,000 | 27,865 | 132,865 |
| 2049 | 108,000 | 24,864 | 132,864 |
| 2050 | 111,000 | 21,853 | 132,853 |
| 2051 | 115,000 | 18,746 | 133,746 |
| 2052 | 118,000 | 15,580 | 133,580 |
| 2053 | 121,000 | 12,256 | 133,256 |
| 2054 | 125,000 | 8,873 | 133,873 |
| 2055 | 128,000 | 5,395 | 133,395 |
| 2056 | 132,000 | 1,820 | 133,820 |
| | <u>\$ 15,320,000</u> | <u>\$ 4,314,812</u> | <u>\$ 19,634,812</u> |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
 TSI-6. CHANGES IN LONG-TERM BONDED DEBT
 FISCAL YEAR ENDING SEPTEMBER 30, 2023

| | USDA Series 2015 | TWDB Series 2017 | Total |
|--|---------------------|----------------------|----------------------|
| Interest Rate | 2.75% | 0.02-2.33% | |
| Dates Interest Payable | Jun 1; Dec 1 | Jun 1; Dec 1 | |
| Maturity Dates | 12/1/2055 | 12/1/2042 | |
| Beginning Bonds Outstanding | \$ 2,922,000 | \$ 12,965,000 | \$ 15,887,000 |
| Bonds Sold During the Year | - | - | - |
| Bonds Retired During the Year | (52,000) | (515,000) | (567,000) |
| Ending Bonds Outstanding | <u>\$ 2,870,000</u> | <u>\$ 12,450,000</u> | <u>\$ 15,320,000</u> |
| Interest Paid During the Year | <u>\$ 79,642</u> | <u>\$ 240,125</u> | <u>\$ 319,767</u> |
| Paying Agent's Name | USDA | BOKF, NA | |
| City | Seguin, TX | Austin, TX | |
| <i>Bond Authority</i> | | | |
| Amount Authorized by | | | |
| The Board of Directors | \$ 3,200,000 | \$ 15,000,000 | \$ 18,200,000 |
| Amount Issued | <u>3,200,000</u> | <u>15,000,000</u> | <u>18,200,000</u> |
| Remaining to be Issued | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Debt Service Cash and Investments as of September 30 | | | <u>\$ 923,647</u> |
| Average Annual Debt Service | | | <u>\$ 594,994</u> |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
 TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
 FISCAL YEAR ENDING SEPTEMBER 30, 2023

| | | | | | | Percent of Total Revenues | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------------------|---------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating Revenues: | | | | | | | | | | |
| Water Sales | \$ 7,104,895 | \$ 7,900,012 | \$ 8,170,634 | \$ 9,152,688 | \$ 10,847,113 | 94.6% | 94.3% | 93.6% | 93.1% | 94.6% |
| Wastewater Charges | 65,111 | 142,853 | 97,993 | 126,481 | 135,125 | 0.9% | 1.7% | 1.1% | 1.3% | 1.2% |
| Other Charges | 342,299 | 337,010 | 459,598 | 551,926 | 483,332 | 4.6% | 4.0% | 5.3% | 5.6% | 4.2% |
| Total Operating Revenues | 7,512,305 | 8,379,875 | 8,728,225 | 9,831,095 | 11,465,570 | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Operating Expenses: | | | | | | | | | | |
| Water Purchase | 1,959,600 | 2,562,292 | 3,291,729 | 3,963,504 | 4,635,473 | 26.1% | 30.6% | 37.7% | 40.3% | 40.4% |
| Personnel | 1,868,559 | 2,259,003 | 2,293,954 | 2,136,762 | 2,448,881 | 24.9% | 27.0% | 26.3% | 21.7% | 21.4% |
| Depreciation | 939,902 | 982,279 | 1,014,626 | 1,146,470 | 1,244,222 | 12.5% | 11.7% | 11.6% | 11.7% | 10.9% |
| Operations and Maintenance | 578,206 | 926,973 | 574,209 | 1,023,278 | 878,225 | 7.7% | 11.1% | 6.6% | 10.4% | 7.7% |
| Professional Fees | 501,652 | 968,284 | 716,651 | 1,332,923 | 800,908 | 6.7% | 11.6% | 8.2% | 13.6% | 7.0% |
| Admin Expenses | 313,057 | 240,311 | 213,037 | 238,809 | 257,766 | 4.2% | 2.9% | 2.4% | 2.4% | 2.2% |
| Vehicles and Equipment | 184,048 | 111,862 | 199,521 | 185,381 | 225,208 | 2.4% | 1.3% | 2.3% | 1.9% | 2.0% |
| Utilities | 126,794 | 132,537 | 135,864 | 133,827 | 142,864 | 1.7% | 1.6% | 1.6% | 1.4% | 1.2% |
| Insurance | 69,137 | 84,141 | 70,089 | 88,955 | 100,780 | 0.9% | 1.0% | 0.8% | 0.9% | 0.9% |
| Total Operating Expenses | 6,540,955 | 8,267,682 | 8,509,680 | 10,249,909 | 10,734,327 | 87.1% | 98.7% | 97.5% | 104.3% | 93.6% |
| Operating Income (Loss) | 971,350 | 112,193 | 218,545 | (418,814) | 731,243 | 12.9% | 1.3% | 2.5% | -4.3% | 6.4% |
| Non-Operating Revenues (Expenses): | | | | | | | | | | |
| Interest Income | 271,436 | 91,256 | 2,414 | 24,406 | 409,047 | 3.6% | 1.1% | 0.0% | 0.2% | 3.6% |
| Capital, Reservation and Installation Fees | 1,199,198 | 2,230,648 | 2,440,601 | 7,032,432 | 4,333,698 | 16.0% | 26.6% | 28.0% | 71.5% | 37.8% |
| Gain on the Sale of Property/Equipment | 14,850 | (3,219) | 1,022,019 | - | - | 0.2% | 0.0% | 11.7% | 0.0% | 0.0% |
| Other Revenues | - | - | - | - | 200,116 | 0.0% | 0.0% | 0.0% | 0.0% | 1.7% |
| Interest Expense | (583,667) | (602,403) | (602,456) | (581,826) | (544,453) | -7.8% | -7.2% | -6.9% | -5.9% | -4.7% |
| Total Non-Operating Revenues (Expenses) | 901,817 | 1,716,282 | 2,862,578 | 6,475,012 | 4,398,408 | 12.0% | 20.5% | 32.8% | 65.9% | 38.4% |
| Change in Net Position | \$ 1,873,167 | \$ 1,828,475 | \$ 3,081,123 | \$ 6,056,198 | \$ 5,129,651 | 24.9% | 21.8% | 35.3% | 61.6% | 44.7% |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
 TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
 FISCAL YEAR ENDING SEPTEMBER 30, 2023

Complete Entity Mailing Address: 2370 FM 1979, San Marcos, TX 78666

Entity Business Telephone Number: 830-372-1031

Submission Date of the most recent Registration Form: May 2021

Limit of Fees of Office that a Trustee may receive during a fiscal year: \$7,200

| Names: | Term of Office (Elected or Appointed) or Date Hired | Fees of Office Paid* 9/30/23 | Expense Reimbursements 9/30/23 | Title at Year End |
|---------------------------------------|--|---------------------------------------|--------------------------------------|----------------------|
| Board of Trustees: | | | | |
| Don Bosworth | 7/14-12/24 | --- | --- | Secretary |
| Nick Reininger | 12/21-12/24 | --- | --- | Director |
| Robert Snipes | 1/23-12/25 | --- | --- | Director |
| Mike Cox | 1/11-12/25 | --- | --- | President |
| Allen Pooley | 4/20-12/25 | --- | --- | Treasurer |
| Ernest Hartman, Jr | 12/17-12/26 | --- | --- | Director |
| Louis Upton | 5/22-12/26 | --- | --- | Vice President |
| Administrative Personnel: | | | | |
| Regina Franke | 8/15/2016 | \$ 121,550 | \$ - | General Manager |
| Consultants: | | | | |
| M&S Engineering | | \$ 1,066,373 | | Engineer |
| Terrill & Waldrop | | \$ 357,496 | | Attorney |
| Texas Land & Right of Way Company | | \$ 448,014 | | ROW Agent |
| Freese and Nichols | | \$ 52,792 | | Engineer |
| PMSI | | \$ 36,905 | | Engineer |
| Armstrong, Vaughan & Associates, P.C. | | \$ 15,350 | | Auditor |
| Ardurra Group, Inc. | | \$ 974 | | Engineer |

*Fees of Office are the amounts actually paid to a director during the District's fiscal year.

COMPLIANCE SECTION



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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Crystal Clear Special Utility District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Crystal Clear Special Utility District as of September 30, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise Crystal Clear Special Utility District's basic financial statements, and have issued our report thereon dated January 18, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Crystal Clear Special Utility District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crystal Clear Special Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Crystal Clear Special Utility District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

We noted certain matters that we have reported to management of Crystal Clear Special Utility District in a separate letter dated January 18, 2024.

Purpose of this Report

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



Armstrong, Vaughan & Associates, P.C.

January 18, 2024



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Directors
Crystal Clear Special Utility District
San Marcos, TX

Report on Compliance for Each Major Federal Program

We have audited Crystal Clear Special Utility District's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023. Crystal Clear Special Utility District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Crystal Clear Special Utility District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Crystal Clear Special Utility District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Crystal Clear Special Utility District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Crystal Clear Special Utility District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Crystal Clear Special Utility District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Crystal Clear Special Utility District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Crystal Clear Special Utility District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Crystal Clear Special Utility District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Crystal Clear Special Utility District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

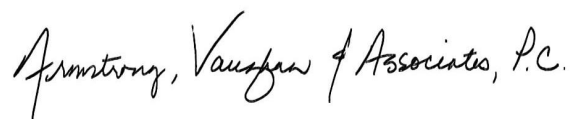
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

January 18, 2024

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Any material weaknesses identified? Yes No

Any significant deficiencies identified? Yes No

Noncompliance material to financial Statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Any material weaknesses identified? Yes No

Any significant deficiencies identified? Yes No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 66.468 | Drinking Water State Revolving Funds |

Dollar threshold used to distinguish between Type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. Prior Audit Findings

NONE

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

| Federal Grantor/ Pass-Through Grantor/ Program Title | Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---------------------------------|--|-------------------------|
| U.S ENVIRONMENTAL PROTECTION AGENCY | | | |
| <i>Passed through Texas Water Development Board</i> | | | |
| Drinking Water State Revolving Funds | 66.468 | L1000615 | <u>\$ 2,240,180</u> |

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal grant funds are considered to be expended as purchases are made under the provisions of the grant, and accordingly, may be in advance of the reimbursements received.

The Drinking Water State Revolving Funds program is a loan through the Texas Water Development Board and not from the Federal government. Thus, the loan amount is not reported on the face of the Schedule of Federal Expenditures and federal expenditures are recorded when expenses are incurred, not when advances from loan proceeds are made.

The District has not elected to use the 10% de minimis indirect cost rate as allowed by Uniform Guidance.

