

ROSE HILL
SPECIAL UTILITY DISTRICT
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020

MURREY PASCHALL & CAPERTON, PC
Certified Public Accountants

Rose Hill Special Utility District
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December 31, 2020

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF KAUFMAN

I, Randy Reznicek of the
(Name of Duly Authorized District Representative)

ROSE HILL SPECIAL UTILITY DISTRICT

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the 23rd day of FEBRUARY its annual audit report for the fiscal year or period ended DECEMBER 31, 2020 and those copies of the annual audit report have been filed in the district office, located at:

1377 CR 274, TERRELL, TEXAS 75160

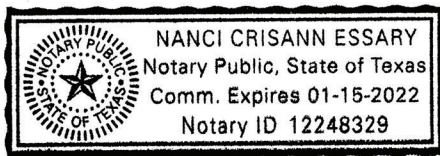
(Address of District)

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

Date: 3-2-2021 By: Randy Reznicek
(Signature of District Representative)

Randy Reznicek, President
(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 2 day of MARCH 2021
(SEAL)



Nanci Crisann Essary
(Signature of Notary)

My Commission Expires On: 01-15-2022
Notary Public in the State of Texas.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rose Hill Special Utility District
Terrell, Texas

We have audited the accompanying financial statements of the business-type activities of the Rose Hill Special Utility District ("District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Rose Hill Special Utility District, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

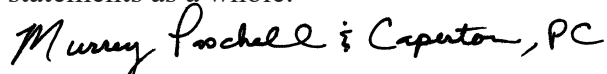
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-9 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information (TSI) schedules on pages 23-30 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 TSI schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Murrey, Paschall & Caperton, P.C.

Certified Public Accountants

Forney, Texas

February 5, 2021

Rose Hill Special Utility District
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

Schedule
Reference
Number

Findings

(None noted)

Rose Hill Special Utility District
Corrective Actions Planned
For the Year Ended December 31, 2020

Schedule
Reference
Number

Actions Planned

(None)

Rose Hill Special Utility District
Management's Discussion and Analysis
December 31, 2020

This section of Rose Hill Special Utility District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2020. Please read it in conjunction with the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities by \$5,515,556 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$5,156,517. Of the \$5,515,556 in net assets, \$1,235,919 (unrestricted net assets) may be used to meet the District's ongoing obligations to customers and creditors.
- During the year, the District's operating revenues of \$1,657,671 generated from charges for services, customer charges and fees and investments for business-type activities exceeded expenses by \$352,886.

OVERVIEW OF THE FINANCIAL STATEMENTS

Three components of the District's annual financial report include: 1) management's discussion and analysis, 2) the basic financial statements, and 3) other supplementary information.

District-wide financial statements

The District's annual report includes two district-wide financial statements.

The first of these financial statements is the *Statement of Net Assets*. This is a statement of financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as *net assets*. Over time, the increases or decreases of net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

The second financial statement is the *Statement of Activities and Changes in Net Assets*, which reports how the District's net assets changed during the current fiscal year. All current year revenue and expenses are included regardless of when cash is received or paid.

Both financial statements distinguish the functions of the District that are principally supported by functions that collect user fees and charges (business-type activities) used to recover all or a significant portion of their costs. The District's utility operations are the utility (business-type activities).

Utility Funds are reported in the fund financial statements and generally reports services for which the District charges customers a fee. The District maintains one utility fund.

Notes to Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole.

The District's net assets at fiscal year-end are \$5,515,556. Of this amount, 77.59% reflects its investments in capital assets such as land, buildings, distribution system, improvements, machinery and equipment and construction in progress, less any debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to customers and are therefore not available for future spending. Please note, however, that even though the investments in capital assets are reported net of their related debt, that the capital assets themselves cannot be used to liquidate this debt, those resources must be provided from other sources. The following table provides a summary of the District's net assets at December 31:

SUMMARY OF NET ASSETS

Assets:	Business-Type Activities	
	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 1,376,906	\$ 1,220,814
Other Current Assets	168,539	153,412
Non-Current Assets, net	<u>4,374,653</u>	<u>4,375,916</u>
Total assets	<u>\$ 5,920,098</u>	<u>\$ 5,750,142</u>
Liabilities:		
Current Liabilities	\$ 104,980	\$ 220,297
Long-term Liabilities	<u>299,562</u>	<u>373,328</u>
Total Liabilities	<u>404,542</u>	<u>593,625</u>
Net assets:		
Invested in capital assets, net of related debt	4,279,637	4,077,017
Unrestricted	<u>1,235,919</u>	<u>1,079,500</u>
Total net assets	<u>5,515,556</u>	<u>5,156,517</u>
Total Liabilities and Net Assets	<u>\$ 5,920,098</u>	<u>\$ 5,750,142</u>

ANALYSIS OF THE DISTRICT'S OPERATIONS

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's changes in net assets for the year ended December 31, 2020. Business-type activities increased the District's net assets by \$359,039.

SUMMARY OF CHANGES IN NET ASSETS

	2020	2019
OPERATING REVENUES:		
Water sales	\$ 1,556,116	\$ 1,463,525
Customer charges/fees	<u>101,555</u>	<u>160,528</u>
Total operating revenues	<u>1,657,671</u>	<u>1,624,053</u>
OPERATING EXPENSES:		
Payroll and benefits	269,923	257,513
Water purchased	548,361	538,255
Repairs and maintenance	61,569	64,846
Supplies & analysis	13,027	14,234
Professional and legal fees	33,948	28,501
Insurance	12,876	11,812
Other operating costs	124,241	100,161
Depreciation and amortization	<u>240,840</u>	<u>218,535</u>
Total operating expenses	<u>1,304,785</u>	<u>1,233,857</u>
Net operating revenue (expenses)	<u>352,886</u>	<u>390,196</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,047	1,555
Interest expense	(6,708)	(13,469)
Gain (Loss) on disposal of assets	<u>10,814</u>	<u>(501)</u>
Total nonoperating revenue (expenses):	<u>6,153</u>	<u>(12,415)</u>
NET REVENUES (EXPENSES)	<u>359,039</u>	<u>377,781</u>
NET POSITION - BEGINNING	<u>5,156,517</u>	<u>4,778,736</u>
NET POSITION - ENDING	<u>\$ 5,515,556</u>	<u>\$ 5,156,517</u>

CAPITAL ASSETS

The District's investment in capital assets for its business-type activities, net of depreciation and related debt, as of December 31, 2020 is \$4,279,637. These include land, buildings, improvements, machinery and equipment, infrastructure and construction in progress.

	<u>2020</u>	<u>2019</u>
Land	\$ 148,123	\$ 148,123
Water Distribution System	6,595,150	6,549,790
Buildings	23,928	23,928
Vehicles	120,279	65,247
Machinery and Equipment	242,739	182,887
Construction in Progress	<u>-</u>	<u>-</u>
Total at Historical Cost	7,130,219	6,969,974
Total Accumulated Depreciation	<u>2,765,116</u>	<u>2,605,518</u>
Net Capital Assets	<u>\$ 4,365,103</u>	<u>\$ 4,364,456</u>

Capital assets are comprised of the various long-term assets through which the District receives, treats, and distributes the water to the residents and businesses of the area. Capital assets are depreciated over the estimated useful life of the assets and the District charges this depreciation as an operating expense. The District recognized \$238,930 of depreciation expense in 2020 compared to the prior year when depreciation was \$216,625. Capital asset items sold or deemed obsolete and any related accumulated depreciation are removed from the capital asset listing each year.

LONG-TERM DEBT

At year end, the District had \$85,466 in total long-term loans payable to American National Bank. This compares to the prior year when outstanding debt was \$287,439. More detailed information about the District's debt is presented in the notes to the basic financial statements.

ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGETS AND RATES

At this time, Rose Hill Special Utility District is not aware of any decisions or conditions that would impact the District's operations through 2021.

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 funds it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Nanci Essary, General Manager for the District.

Rose Hill Special Utility District
Statement of Net Assets
Utility Fund
December 31, 2020

	Business-type Activities-Enterprise (Utility Fund)
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,376,906
Accounts receivable (net)	115,928
Inventory field supplies	44,642
Prepaid and other assets	7,969
Total current assets	<hr/> 1,545,445 <hr/>
Non-current assets	
SUD conversion cost (net)	9,550
Capital assets (net)	4,365,103
Total non-current assets	<hr/> 4,374,653 <hr/>
TOTAL ASSETS	<hr/> \$ 5,920,098 <hr/>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 3,116
Accrued expenses	655
Assessments collected and payable	15,743
Loans payable, current portion	85,466
Total current liabilities	<hr/> 104,980 <hr/>
Non-current liabilities:	
Customer deposits payable	299,562
Loans payable, less current portion	-
Total non-current liabilities	<hr/> 299,562 <hr/>
TOTAL LIABILITIES	<hr/> 404,542 <hr/>
NET ASSETS	
Invested in capital assets, net of related debt	4,279,637
Unrestricted	1,235,919
TOTAL NET ASSETS	<hr/> 5,515,556 <hr/>
TOTAL LIABILITIES AND NET ASSETS	<hr/> \$ 5,920,098 <hr/>

The accompanying notes are an integral part of the financial statements.

Rose Hill Special Utility District
Statement of Activities and Changes in Net Assets
Utility Fund
For the Year Ended December 31, 2020

	Business-type Activities-Enterprise (Utility Fund)
OPERATING REVENUES:	
Water sales	\$ 1,556,116
Customer charges/fees	101,555
Total operating revenues	<u>1,657,671</u>
OPERATING EXPENSES:	
Payroll and benefits	269,923
Water purchased	548,361
Repairs and maintenance	61,569
Supplies & analysis	13,027
Professional and legal fees	33,948
Insurance	12,876
Other operating costs	124,241
Depreciation and amortization	240,840
Total operating expenses	<u>1,304,785</u>
Net operating revenue (expenses)	<u>352,886</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	2,047
Interest expense	(6,708)
Gain (Loss) on disposal of assets	10,814
Total nonoperating revenue (expenses):	<u>6,153</u>
CHANGE IN NET ASSETS:	359,039
TOTAL NET ASSETS - BEGINNING	<u>5,156,517</u>
TOTAL NET ASSETS - ENDING	<u><u>\$ 5,515,556</u></u>

The accompanying notes are an integral part of the financial statements.

Rose Hill Special Utility District
Statement of Cash Flows
Utility Fund
For the Year Ended December 31, 2020

	Business-type Activities-Enterprise (Utility Fund)
Cash flows from operating activities:	
Receipts from customers and users	\$ 1,645,050
Payments to suppliers	(795,339)
Payments to employees	(269,923)
Net cash provided (used) by operating activities	<u>579,788</u>
Cash flows from noncapital financing activities:	
Cash provided (used) by noncapital financing activities	<u>11,700</u>
Net cash provided (used) by noncapital financing activities	<u>11,700</u>
Cash flows from capital and related financing activities:	
Principal paid on loans payable	(201,973)
Interest paid on loans payable	(6,708)
TML check for wrecked vehicle	23,124
Acquisition and construction of capital assets	(251,886)
Net cash provided (used) by capital and related financing activities	<u>(437,443)</u>
Cash flows from investing activities:	
Interest received	<u>2,047</u>
Net cash provided (used) by investing activities	<u>2,047</u>
Net increase (decrease) in cash and cash equivalents	156,092
Cash and cash equivalents at beginning of year	<u>1,220,814</u>
Cash and cash equivalents at end of year	<u>\$ 1,376,906</u>

The accompanying notes are an integral part of the financial statements.

Rose Hill Special Utility District
Statement of Cash Flows - continued
Utility Fund
For the Year Ended December 31, 2020

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	\$ 352,886
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	240,840
Change in assets and liabilities	
(Increase) decrease in accounts receivable	(12,621)
(Increase) decrease in inventory field supplies	(4,666)
(Increase) decrease in prepaid and other assets	2,160
Increase (decrease) in accounts payable and accrued expenses	232
Increase (decrease) in assessments collected and payable	957
Total adjustments	<u>226,902</u>
Net cash provided by operating activities	<u><u>\$ 579,788</u></u>

The accompanying notes are an integral part of the financial statements.

Rose Hill Special Utility District
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rose Hill Special Utility District (District) was approved by the voters within the District on September 20, 2005. The Rose Hill Special Utility District is an organization as set forth under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Chapter 65 of the Texas Water Code.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles of the District follow.

Reporting Entity

The Board of Directors (Board), a five member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to providing water services within the jurisdiction of the Rose Hill Special Utility District. Members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District is not included in any other governmental "Reporting Entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units presented.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The proprietary financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are both measurable and available. Revenues are considered available within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if collected within sixty days after the current fiscal period. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. However, materials and supplies inventories are not considered expenditures until they are consumed. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the statement of net assets.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges for customers for sales or services and fees charged with the intention

Rose Hill Special Utility District
Notes to Financial Statements
December 31, 2020

of recovering costs associated with connecting new customers. Principal operating expenses are the costs of providing the water services and include administrative expenses and depreciation of capital assets. All revenues and expenses not meeting these criteria are reported as general revenues and expenses.

Budget

The Board adopts an annual budget for the Utility Fund. It is prepared by the general manager of the District and adopted under a basis that is consistent with generally accepted accounting principles. Board approval is required for amendments, if any.

Other Significant Accounting Policies

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers cash on hand, demand deposits and all highly liquid investments with a maturity of three months or less from the acquisition date to be cash and cash equivalents.

Receivables – Accounts receivable as presented in the statement of net assets reflect the amounts that management expects to collect from its customers net of allowance for uncollectible accounts. Based on collection history, management does not believe an allowance for loss is necessary.

Inventory supplies and prepaid items – Prepaid expenses consist of items paid for in the current period to be used in the following accounting period. Prepaid supplies and materials consist of supplies and repair parts for the distribution system, valued at cost. The cost of supplies and materials is recorded as an expense when consumed rather than when purchased.

Amortization of Equity Fee and Organizational Costs - The District has assets recorded in the basic financial statements entitled “SUD Conversion Costs, Net.” Generally accepted accounting principles require that the District capitalize the costs associated with these assets and amortize those costs over a period not less than 60 months, rather than expensing the entire amount in the year incurred. The expense associated with this amortization appears in the basic financial statements as “Amortization.” The amount expensed during the year, was \$ 1,910. The amount recorded as an asset (net of amortization) in the basic financial statements at year end, totaled \$9,550.

Capital Assets - The District’s capital assets, which include buildings, property and equipment, vehicles, improvements and distribution system. Additions are recorded at cost or, if contributed property, at it’s estimated fair value at the time of contribution. Repairs and maintenance are directly expensed in the period incurred; renewals and significant improvements are capitalized and depreciated. Sales or dispositions of capital assets are recorded by removing the historical cost and related accumulated depreciation from the statement of net assets and any resulting gain or loss recorded as appropriate to non-operating income or expense.

Outlays for major (normally over \$5,000) capital asset additions and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of

Rose Hill Special Utility District
Notes to Financial Statements
December 31, 2020

business-type activities is included as part of the capitalized value of the constructed assets less any interest earned on the invested proceeds over the same period.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and Fixtures	5-10
Vehicles	5-10
Land Improvements	5-10
Equipment	7-10
Buildings	30
Distribution System	15-40

Depreciation expense for the year ended December 31, 2020 was \$238,930.

Impairment of Long-lived Assets – The District reviews potential impairments of long-lived assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. An impairment loss is recognized if the sum of the expected, undiscounted future cash flows is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the excess of the net book value of the assets over the estimated fair value. As of December 31, 2020, no impairment of long-lived assets is necessary.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, actual results could vary from those estimates.

Retirement Plan – The District participates in a Simple IRA plan administered by Capital Group, to provide retirement benefits for its employees. Employees may contribute up to the maximum annual amount as set periodically by the Internal Revenue Service. The District matches employee contributions dollar for dollar up to a maximum of 3% of the employee's compensation as determined by the Board annually, or the limit set by the Internal Revenue Service, whichever is less. To be eligible to participate employees must be employed full time for three months and all matching contributions vest immediately. The District's matching contributions to the Simple IRA plan during the fiscal year totaled approximately \$4,533.

Compensated Absences - District employees are entitled to certain compensated absences based on their length of employment.

Rose Hill Special Utility District
Notes to Financial Statements
December 31, 2020

NOTE 2 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year:

Business-Type Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 148,123	\$ -	\$ -	\$ 148,123
Water Distribution System	6,549,790	45,360	-	6,595,150
Buildings	23,928	-	-	23,928
Vehicles	65,247	80,498	(25,466)	120,279
Machinery and Equipment	182,887	126,027	(66,175)	242,739
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets at historical cost	6,969,974	251,885	(91,641)	7,130,219
Less accumulated depreciation for:				
Total accumulated depreciation	<u>2,605,518</u>	<u>238,930</u>	<u>(79,332)</u>	<u>2,765,116</u>
Business-type activities capital assets, net	<u>\$ 4,364,456</u>	<u>\$ 12,955</u>	<u>\$ (12,309)</u>	<u>\$ 4,365,103</u>

**Significant additions (2 new Utility Trucks, radio meters, mini excavator, tractor loader, trailer and Scada upgrade).*

**Significant disposal (2017 utility truck, 2008 backhoe, trailer, various other field equipment)*

NOTE 3 - DEPOSITS, SECURITIES AND INVESTMENTS

The District's funds appear to be deposited and invested under the loan agreement with the financial institution. The agreement requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2020, it appears that District's cash deposits were properly covered by FDIC insurance or by pledged collateral.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to be in compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of states or agencies having a national investment rating of "A" or greater,
- e. guaranteed or securitized certificates of deposit issued by a bank domiciled in the State of TX, or
- f. fully collateralized repurchase agreements.

District investments include deposits in money market accounts at the local depository. All money market accounts are reported at share price (fair value) and are presented as cash and cash equivalents. As of December 31, 2020, Money Market Accounts rated AAAM valued \$1,030,951.

Rose Hill Special Utility District
Notes to Financial Statements
December 31, 2020

GASB Statement No. 40 requires determination as to whether the District was exposed to the following specific investment risks at year end and if necessary, certain related disclosures:

- **Credit Risk**
Credit risk is related to the risk that an issuer or other party to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At December 31, 2020, the District was not significantly exposed to credit risk.
- **Custodial Credit Risk**
Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At December 31, 2020, the District was not exposed to custodial credit risk.

- **Concentration of Credit Risk**
This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2020, the District was not exposed to concentrations of credit risk.
- **Interest Rate Risk**
This is the risk that changing interest rates will have an adverse effect on the fair value of an investment. At December 31, 2020, the District was not significantly exposed to interest rate risk
- **Foreign Currency Risk**
This is the risk that is associated with exchange rates and the possibility that they will adversely affect the fair value of an investment. At December 31, 2020, the District was not exposed to foreign currency risk.

NOTE 5 – OTHER INFORMATION

A. Risk management

At any given time, the District is exposed to risks of loss related to torts; theft of, physical damage to, or destruction of its assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance coverage in an amount that management believes is sufficient to cover these risks is maintained.

Rose Hill Special Utility District
Notes to Financial Statements
December 31, 2020

B. Commitments

The District has a contract with the North Texas Municipal Water District in which the District purchases water for distribution to its customers. The agreement notes that each year new purchase rates are provided by NTMWD. As of December 2020, the monthly rate was \$46,318.

C. Customer Deposits

Each new customer of the District is required to pay \$275 (or \$400 for renters), representing a refundable deposit to secure payment of the customer's water bill. At December 31, 2020, the District was obliged to its customers in the amount of \$299,562.

D. Litigation

The District does not appear to be involved in any litigation as of December 31, 2020.

NOTE 6 – LOANS PAYABLE

The District had an outstanding loan at year end with American National Bank of Texas. The loan requires monthly payments of principal and interest and will mature in May 2021. The original amount issued was \$2,900,000 at 3.375%.

During the year ended December 31, 2020, the following changes occurred in long-term notes:

<u>Balance</u> <u>12/31/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2020</u>
\$ 287,439	\$ -	\$ 201,973	\$ 85,466

Maturities of loan balances at year end are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2021	\$ 85,466	\$ 726	\$ 86,192
Total	\$ 85,466	\$ 726	\$ 86,192

NOTE 7 – SUBSEQUENT EVENTS

Rose Hill Special Utility District has evaluated subsequent events through February 5, 2021, the date which the financial statements were available to be issued. There do not appear to be any events occurring after year end that could have a material effect on the financial statements at year end as presented.

REQUIRED SUPPLEMENTARY INFORMATION

Rose Hill Special Utility District
Budgetary Comparison Schedule
Utility Fund
For the Year Ended December 31, 2020

	Final Budget	Actual	Variance
Operating revenues:			
Water sales	\$ 1,440,000	\$ 1,556,116	\$ 116,116
Customer charges/fees	<u>116,880</u>	<u>101,555</u>	<u>(15,325)</u>
Total operating revenues	<u>1,556,880</u>	<u>1,657,671</u>	<u>100,791</u>
Operating expenses:			
Payroll and benefits	312,340	269,923	42,417
Water purchased	560,025	548,361	11,664
Repairs and maintenance	95,080	61,569	33,511
Supplies & analysis	16,000	13,027	2,973
Professional and legal fees	32,020	33,948	(1,928)
Insurance	12,300	12,876	(576)
Other operating costs	113,600	124,241	(10,641)
Depreciation and amortization	<u>217,920</u>	<u>240,840</u>	<u>(22,920)</u>
Total operating expenses	<u>1,359,285</u>	<u>1,304,785</u>	<u>54,500</u>
Non-operating revenue (expenses):			
Interest income	1,500	2,047	547
Interest expense	(6,708)	(6,708)	-
Gain (Loss) on disposal of assets	<u>-</u>	<u>10,814</u>	<u>10,814</u>
Total nonoperating revenue (expenses):	<u>(5,208)</u>	<u>6,153</u>	<u>11,361</u>
Change in net assets	192,387	359,039	166,652
Total net assets-beginning	<u>5,156,517</u>	<u>5,156,517</u>	<u>-</u>
Total net assets-ending	<u>\$ 5,348,904</u>	<u>\$ 5,515,556</u>	<u>\$ 166,652</u>
Supplemental Information			
Exclude non-cash depreciation:	217,920	240,840	(22,920)
Capital purchases	(102,000)	(251,886)	(149,886)
Debt principal payments	<u>(201,973)</u>	<u>(201,973)</u>	<u>-</u>
Cash budget changes:	<u>106,334</u>	<u>146,020</u>	<u>(6,154)</u>

See independent auditor's report.

TEXAS SUPPLEMENTARY INFORMATION (TSI)
(Other Supplementary Information)

Rose Hill Special Utility District
Services and Rates
December 31, 2020

1. Services provided by the District:

☒ Retail Water ☐ Wholesale Water ☐ Drainage
☐ Retail Wholesaler ☐ Wholesale Wastewater ☐ Irrigation
☐ Parks/Recreation ☐ Fire Protection ☐ Security
☐ Solid Waste/Garbage ☐ Flood Control ☐ Roads
☒ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
☐ Other (specify): _____

2. Retail Rates Based on 5/8" Meter:

Most prevalent type of meter (if not a 5/8"): _____

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons over Minimum	Usage Levels
WATER:	\$ 39.00	0	N	\$ 6.75	0 up-to
				\$ 9.00	4,001 up-to
				\$ 11.25	7,001 up-to
				\$ 12.00	10,001 up-to
				\$ 13.00	15,001 up

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage: Water: \$126.75

Water Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	-	-	x 1.0	-
≤ 3/4"	1,626	1,517	x 1.0	1,517
1"	1	1	x 2.5	2.5
1 1/2"	-	-	x 5.0	-
2"	3	2	x 8.0	16
3"	-	-	x 15.0	-
Total Water	1,630	1,520		1,536
Total Wastewater	-	-	x 1.0	-

See independent auditor's report.

Rose Hill Special Utility District
Services and Rates (continued)
December 31, 2020

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

Gallons pumped into system:	114,883,000
Gallons billed to customers:	106,723,650
Water Accountability Ratio:	92.90%

4. Standby Fees: District does not levy standby fees.

5. Location of District: 1377 CR 274, Terrell, TX 75160

County(ies) in which district is located. Kaufman

Is the District located entirely in one county? X Yes No

City(ies) in which District is located: Post Oak Bend (fully) and Terrell (partially)

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

ETJs in which District is located. Terrell, Kaufman, Post Oak Bend

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

If yes, by whom? n/a

See independent auditor's report.

Rose Hill Special Utility District
Enterprise Fund Expenditures
December 31, 2020

Personnel Expenditures (including benefits)*	\$ 269,923
Professional Fees:	
Auditing	9,750
Legal	18,420
Engineering	5,778
Purchased Services For Resale:	
Bulk Water	548,361
Utilities	32,957
Repairs and Maintenance	
Field and Equipment	25,105
Repairs	59,203
Truck/Machine Maintenance	7,584
Administrative Expenditures:	
Operating Insurance	12,876
Office and Administrative	73,988
Other Expenditures	
Depreciation & Amortization	240,840
TOTAL OPERATING EXPENDITURES	<u>\$ 1,304,785</u>
 NON-OPERATING EXPENDITURES	
Interest Expense	<u>6,708</u>

* Number of persons employed by the District: 4 Full-Time 0 Part-Time

See independent auditor's report.

Rose Hill Special Utility District
Temporary Investments
December 31, 2020

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at Year End</u>
American National Bank MM:				
Customer Deposits Reserve	0.00%	Monthly	\$ 287,862	\$ -
Regular Reserve	0.27%	Monthly	<u>743,089</u>	<u>-</u>
	Total		<u>\$ 1,030,951</u>	<u>\$ -</u>

See independent auditor's report.

Rose Hill Special Utility District
 Long-Term Debt Service Requirements
 American National Bank of Texas Loan
 December 31, 2020

<u>Year Ending</u>	<u>Principal*</u>	<u>Interest*</u>	<u>Total Payments</u>
2021	<u>\$ 85,466</u>	<u>\$ 726</u>	<u>\$ 86,192</u>
Total	<u>\$ 85,466</u>	<u>\$ 726</u>	<u>\$ 86,192</u>

*Principal and interest payments are made monthly to retire the debt.

See independent auditor's report.

Rose Hill Special Utility District
Change in Long-Term Bonded Debt
December 31, 2020

The district has no outstanding bonding indebtedness.

See independent auditor's report.

Rose Hill Special Utility District
Comparative Schedule of Revenues and Expenses
Utility Fund
For the Three Years Ended December 31, 2020

	AMOUNTS			PERCENT OF FUND TOTAL REVENUE		
	2020	2019	2018	2020	2019	2018
OPERATING REVENUES:						
Water sales	\$ 1,556,116	\$ 1,463,525	\$ 1,445,889	93.87%	90.12%	91.12%
Customer charges/fees	101,555	160,528	140,900	6.13%	9.88%	8.88%
Total operating revenues	1,657,671	1,624,053	1,586,789	100.00%	100.00%	100.00%
OPERATING EXPENSES:						
Payroll and benefits	269,923	257,513	287,503	16.28%	15.86%	18.12%
Water purchased	548,361	538,255	515,659	33.08%	33.14%	32.50%
Repairs and maintenance	61,569	64,846	99,115	3.71%	3.99%	6.25%
Supplies & analysis	13,027	14,234	7,906	0.79%	0.88%	0.50%
Professional and legal fees	33,948	28,501	16,485	2.05%	1.75%	1.04%
Insurance	12,876	11,812	13,188	0.78%	0.73%	0.83%
Other operating costs	124,241	100,161	143,779	7.49%	6.17%	9.06%
Depreciation and amortization	240,840	218,535	208,796	14.53%	13.46%	13.16%
Total operating expenses	1,304,785	1,233,857	1,292,431	78.71%	75.97%	81.45%
Net operating revenue (expenses)	352,886	390,196	294,358	21.29%	24.03%	18.55%
NON-OPERATING REVENUES (EXPENSES)						
Interest income	2,047	1,555	1,268	0.12%	0.10%	0.08%
Interest expense	(6,708)	(13,469)	(19,741)	-0.40%	-0.83%	-1.24%
Gain (Loss) on disposal of assets	10,814	(501)	11,800	0.65%	-0.03%	0.74%
Total nonoperating revenue (expenses):	6,153	(12,415)	(6,673)	0.37%	-0.76%	-0.42%
NET REVENUES (EXPENSES)	\$ 359,039	\$ 377,781	\$ 287,685	21.66%	23.26%	18.13%

See independent auditor's report

Rose Hill Special Utility District
Board Members, Key Personnel and Consultants
December 31, 2020

Complete District Mailing Address: 1377 County Road 274, Terrell, TX 75160

District Telephone Number: 972-932-3077

Submission Date of the most recent District Registration Form: January 28, 2019

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

	Term of Office (Elected or Appointed or <u>Date Hired</u>)	Fees of Office Paid <u>12/31/20</u>	Expense Reimbursements <u>12/31/20</u>	Title at <u>Year End</u>
Names:				
Board Members:				
Randy Reznicek	2018-2021	\$ -	\$ -	President
Steve Hilborn II	2018-2021	-	-	Vice President
Harold Ross	2019-2022	-	-	Secretary/Treasurer
Earl Martin	2020-2023	-	-	Director
Kathy Dodd	2020-2023	-	-	Director

Key Administrative
Personnel:

Nanci Essary	January 2018	81,442	-	General Manager
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Consultants:

Kemp Smith Law	18,109	-	Attorney
Murrey, Paschall & Caperton, P.C.	9,750	-	2019-2020 Auditor
Daniel & Brown	5,778	-	Engineer

*Note – The District does not pay Directors for service on the Board.

See independent auditor's report.