



**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2022**

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 .....	8
STATEMENT OF NET POSITION .....	9
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION .....	10
STATEMENT OF CASH FLOWS.....	11
NOTES TO BASIC FINANCIAL STATEMENTS .....	13
REQUIRED SUPPLEMENTARY INFORMATION .....	26
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL.....	27
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS .....	29
SCHEDULE OF EMPLOYER CONTRIBUTIONS.....	30
SUPPLEMENTARY INFORMATION.....	31
TSI-1. SERVICES AND RATES .....	32
TSI-2. ENTERPRISE FUND EXPENSES.....	34
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS .....	35
TSI-6. CHANGES IN LONG-TERM BONDED DEBT.....	38
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES.....	39
TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS .....	40
COMPLIANCE SECTION.....	41
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.....	42
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE .....	44
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	47
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	48
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	49

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 26th day of January, 2023, its annual audit report of the fiscal period ended September 30, 2022, 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.

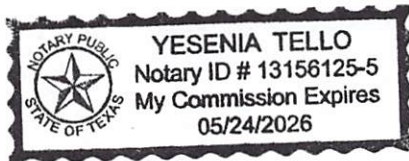
Date: February 6, 2023

By:   
(Signature of District Official)

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

Sworn to and subscribed to before me this 6th day of February, 2023.

  
(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, 2022, 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, 2022, 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 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, 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 20, 2023 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.

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

Armstrong, Vaughan & Associates, P.C.  
January 20, 2023

## 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, 2022. Please read it in conjunction with the District’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District’s total net position was \$28.3 million at September 30, 2022, an increase of \$6.1 million. The increase was the result of significant connection fees collected from new developments in the area.
- During the year, the District’s operating revenues were \$419 thousand less than the \$10.2 million in operating expenses.

### 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 \$28.3 million at September 30, 2022. Of this amount, \$24.0 million was invested in capital assets, leaving an unrestricted net position of \$3.9 million. (See Table A-1).

**Table A-1**  
District's Net Position

	2022	2021	Percentage Change
<i>Assets:</i>			
Cash and Investments	\$ 5,061,790	\$ 381,509	1227%
Other Current Assets	2,007,709	1,630,489	23%
Other Assets	5,963,952	8,517,732	-30%
Capital Assets (Net)	<u>43,002,354</u>	<u>40,737,840</u>	6%
<i>Total Assets</i>	<u>56,035,805</u>	<u>51,267,570</u>	9%
<i>Deferred Outflows</i>	<u>129,084</u>	<u>199,890</u>	-35%
<i>Liabilities:</i>			
Current	5,470,074	5,636,272	-3%
Long Term	<u>22,263,557</u>	<u>23,561,158</u>	-6%
<i>Total Liabilities</i>	<u>27,733,631</u>	<u>29,197,430</u>	-5%
<i>Deferred Inflows</i>	<u>110,109</u>	<u>5,079</u>	2068%
<i>Net Position:</i>			
Net Investment in Capital Assets	24,027,245	21,558,759	11%
Restricted	353,525	284,623	24%
Unrestricted	<u>3,940,379</u>	<u>421,569</u>	835%
<i>Total Net Position</i>	<u>\$ 28,321,149</u>	<u>\$ 22,264,951</u>	27%

The District's total operating revenues were \$9.8 million, an increase of 13% over the prior year. The increase is the result of increased rates but also significant growth in the customer base. The operating expenses were \$10.2 million, an increase of 20% over the prior year. The District incurred significant legal and professional fees to evaluate and negotiate service agreements for the new developments. Non-operating revenues increased from connection and installation fees for new service. (See Table A-2)

**Table A-2**  
Changes in District Net Position

	2022	2021	Percentage Change
Operating Revenues	\$ 9,831,095	\$ 8,728,225	13%
Operating Expenses	<u>(10,249,909)</u>	<u>(8,509,680)</u>	20%
Operating Income (Loss)	(418,814)	218,545	-292%
Non-operating Income (Expense)	<u>6,475,012</u>	<u>2,862,578</u>	126%
Change in Net Position	6,056,198	3,081,123	97%
Net Position at Beginning of Year	<u>22,264,951</u>	<u>19,183,828</u>	
Net Position at End of Year	<u>\$ 28,321,149</u>	<u>\$ 22,264,951</u>	



## BUDGETARY HIGHLIGHTS

District revenues exceeded expectations in the budget by \$641 thousand. Operating expenses were \$151 thousand over budget, primarily in operations and professional fees. Operations was higher than expected to complete all the connections for new service and professional fees (legal and engineering) were also higher than expected for the new service agreements from several developments. Connection fees from new developments led to \$4.7 million in more non-operating revenue than anticipated. The net change in budgetary fund balance was an increase of \$5.9 million, compared to a budgeted increase of \$707 thousand.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2022, the District had invested \$53.4 million in a broad range of capital assets, including land, buildings, equipment, treatment plants, and distribution systems. Significant additions in 2022 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>2022</u>	<u>2021</u>	<u>Percentage Change</u>
Land	\$ 727,800	\$ 619,980	17%
Water Rights	7,079,526	7,079,526	0%
Building and Improvements	983,582	983,582	0%
Plant and Distribution System	38,164,543	29,853,954	28%
Machinery and Equipment	1,211,050	1,257,559	-4%
Construction in Progress	<u>5,249,346</u>	<u>10,279,727</u>	<u>-49%</u>
Totals at Historical Cost	<u>53,415,847</u>	<u>50,074,328</u>	<u>7%</u>
Total Accumulated Depreciation	<u>(10,413,493)</u>	<u>(9,336,488)</u>	<u>12%</u>
Net Capital Assets	<u>\$ 43,002,354</u>	<u>\$ 40,737,840</u>	<u>6%</u>

### Long-Term Debt

At year-end, the District had \$23.6 million in principal outstanding on bonded debt and notes. No new debt was issued in 2022. 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>2022</u>	<u>2021</u>	<u>Percentage Change</u>
Bonds Payable	\$ 15,887,000	\$ 16,452,000	-3%
Notes Payable	<u>7,673,977</u>	<u>8,389,890</u>	<u>-9%</u>
Total Long-Term Debt	<u>\$ 23,560,977</u>	<u>\$ 24,841,890</u>	<u>-5%</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The 2023 budget contemplates continued expenditures from the 2017 Texas Water Development Board Bonds for the Capital Improvement Plan. 2023 is the third year of a five year rate plan to help fund the cost of capital improvements. Base rates will increase for 2023 as well as increases in consumption rates. Aside from the construction, the District expects no major changes to services or operations. Rapid development in the area continues to put demands on the District's system.

## **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, 2022

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$ 5,061,790
Accounts Receivable (net)	1,949,652
Other Receivables	51,475
Prepaid Expense	6,582
<i>Total Current Assets</i>	7,069,499

*Other Assets:*

Restricted Cash for Construction	5,187,941
Restricted Cash for Debt Service	512,762
Net Pension Asset	263,249
<i>Total Other Assets</i>	5,963,952

<i>Capital Assets (net)</i>	43,002,354
<b>TOTAL ASSETS</b>	<b>56,035,805</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Pension Related Outflows	129,084
-----------------------------------	---------

**LIABILITIES**

*Current Liabilities:*

Accounts Payable	1,024,879
Payroll Liabilities	59,760
Accrued Wages	20,744
Customer Deposits	1,044,950
Accrued Interest	159,237
Accrued Compensated Absences	41,846
Payable to Canyon Regional Water Authority	1,821,238
Bonds and Notes Payable - Current	1,297,420
<i>Total Current Liabilities</i>	5,470,074

*Long-term Liabilities:*

Bonds and Notes Payable - Net of Current Portion	22,263,557
<i>Total Long-term Liabilities</i>	22,263,557
<b>TOTAL LIABILITIES</b>	<b>27,733,631</b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Pension Related Inflows	110,109
----------------------------------	---------

**NET POSITION**

Net Investment in Capital Assets	24,027,245
Restricted:	
Debt Service and USDA Reserve	353,525
Unrestricted	3,940,379
<b>TOTAL NET POSITION</b>	<b>\$ 28,321,149</b>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**OPERATING REVENUES**

Water Sales	\$ 9,152,688
Wastewater Charges	126,481
Other Charges	551,926
<b>TOTAL OPERATING REVENUES</b>	<u>9,831,095</u>

**OPERATING EXPENSES**

Water Purchase	3,963,504
Personnel	2,136,762
Depreciation	1,146,470
Operations and Maintenance	1,023,278
Professional Fees	1,332,923
Admin Expenses	238,809
Vehicles and Equipment	185,381
Utilities	133,827
Insurance	88,955
<b>TOTAL OPERATING EXPENSES</b>	<u>10,249,909</u>

**OPERATING INCOME (LOSS)** (418,814)

**NON-OPERATING REVENUES (EXPENSES)**

Interest Income	24,406
Impact and Installation Fees	7,032,432
Interest Expense	(581,826)
<b>TOTAL NON-OPERATING REVENUES</b>	<u>6,475,012</u>

**CHANGE IN NET POSITION** 6,056,198

Net Position at Beginning of Year 22,264,951

Net Position at End of Year \$ 28,321,149

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

**Cash Flows from Operating Activities**

Cash Received from Customers		\$ 9,632,080
Cash Payments to Suppliers for Goods and Services		(7,262,912)
Cash Payments to Employees for Services		<u>(2,201,276)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>		<u>167,892</u>

**Cash Flows from Capital and Related Financing Activities**

Principal Payments on Bonds and Notes Payable		(1,280,913)
Impact and Installation Fees		7,032,432
Interest Paid		(585,813)
Proceeds from Sale of Capital Assets		45,000
Purchase of Property, Plant and Equipment		<u>(3,455,984)</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>		<u>1,754,722</u>

**Cash Flows from Investing Activities**

Interest and Investment Income		<u>24,406</u>
<b>Net Cash Provided (Used) by Investing Activities</b>		<u>24,406</u>

Net Increase (Decrease) in Cash and Cash Equivalents 1,947,020

**Beginning Cash and Cash Equivalents**

Unrestricted	828,638	
Restricted	<u>7,986,835</u>	<u>8,815,473</u>

**Ending Cash and Cash Equivalents**

Unrestricted	5,061,790	
Restricted	<u>5,700,703</u>	<u>\$ 10,762,493</u>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

<b>Reconciliation of Operating Income to Net Cash Provided (Used)</b>	
<b>by Operating Activities</b>	
Operating Income (Loss)	\$ (418,814)
Adjustments to Reconcile Income from Operations to Net Cash	
Provided by Operating Activities:	
Depreciation	1,146,470
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(325,445)
(Increase) Decrease in Other Receivables	(51,475)
(Increase) Decrease in Prepaid Expenses	(300)
(Increase) Decrease in Deferred Pension Related Outflows	70,806
Increase (Decrease) in Accounts Payable	(244,460)
Increase (Decrease) in Payroll Liabilities	(43,222)
Increase (Decrease) in Customer Deposits	126,430
Increase (Decrease) in Accrued Compensated Absences	(17,647)
Increase (Decrease) in Net Pension Liability/Asset	(179,481)
Increase (Decrease) in Deferred Pension Related Inflows	105,030
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 167,892</b>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Crystal Clear Special Utility District (the “District”) was created pursuant to Texas Senate Bill 116, 83<sup>rd</sup> 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, 2022

**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, 2022

**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, 2022

**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, 2022, 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, 2022, 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, 2022 is \$3,468,330.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

**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, 2022, consisted of the following:

Customer Balances	\$	870,409
Unbilled Services Rendered		874,118
Bulk Water Agreement		277,226
Allowance for Uncollectible Accounts		<u>(72,101)</u>
Total Accounts Receivable (net)	\$	<u><u>1,949,652</u></u>

**NOTE E -- CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2022 was as follows:

	Balances at 10/1/21	Additions	Transfers/ Disposals	Balances at 9/30/2022
Land	\$ 619,980	\$ 107,820	\$ -	\$ 727,800
Water Rights	7,079,526	-	-	7,079,526
Building and Improvements	983,582	-	-	983,582
Plant and Distribution System	29,853,954	-	8,310,589	38,164,543
Machinery and Equipment	1,257,559	67,956	(114,465)	1,211,050
Construction in Progress	<u>10,279,727</u>	<u>3,280,208</u>	<u>(8,310,589)</u>	<u>5,249,346</u>
	<u>50,074,328</u>	<u>3,455,984</u>	<u>(114,465)</u>	<u>53,415,847</u>
<i>Less Accumulated Depreciation</i>				
Building and Improvements	(325,593)	(24,916)	-	(350,509)
Plant and Distribution System	(8,087,390)	(1,013,993)	-	(9,101,383)
Machinery and Equipment	<u>(923,505)</u>	<u>(107,561)</u>	<u>69,465</u>	<u>(961,601)</u>
	<u>(9,336,488)</u>	<u>(1,146,470)</u>	<u>69,465</u>	<u>(10,413,493)</u>
Capital Assets, Net	<u>\$ 40,737,840</u>	<u>\$ 2,309,514</u>	<u>\$ (45,000)</u>	<u>\$ 43,002,354</u>

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

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

**NOTE F -- LONG-TERM DEBT**

The District's long-term debt activity as of and for the year ending September 30, 2022 is as follows:

Bonds Payable, Series	Balance Outstanding 10/1/2021	Additions	Retirements	Balance Outstanding 9/30/2022
Notes and Bonds	\$ 24,841,890	\$ -	\$ (1,280,913)	\$ 23,560,977
Net Pension Liability (Asset)	(83,768)	258,111	(437,592)	(263,249)
Compensated Absences	59,493	41,846	(59,493)	41,846
Totals	<u>\$ 24,817,615</u>	<u>\$ 299,957</u>	<u>\$ (1,777,998)</u>	<u>\$ 23,339,574</u>

The District's bond and note activity as of and for the year ending September 30, 2022 is as follows:

Bonds Payable, Series	Balance Outstanding 10/1/2021	Additions	Retirements	Balance Outstanding 9/30/2022	Due Within One Year
CoBank Notes	\$ 4,587,435	\$ -	\$ (280,177)	\$ 4,307,258	\$ 289,301
Promissory Notes	3,802,455	-	(435,736)	3,366,719	441,119
Revenue Bonds, Series 2015	2,972,000	-	(50,000)	2,922,000	52,000
Revenue Bonds, Series 2017	13,480,000	-	(515,000)	12,965,000	515,000
Totals	<u>\$ 24,841,890</u>	<u>\$ -</u>	<u>\$ (1,280,913)</u>	<u>\$ 23,560,977</u>	<u>\$ 1,297,420</u>

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 with monthly transfers. The District has complied with the debt service account but not the reserve account.

*CoBank Notes*

The District signed promissory notes with CoBank to refinance existing notes in 2015. The CoBank notes bear interest at 4.5-4.8% 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, 2022

**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 simple interest of 5% until maturity, which is an effective interest rate of 1.23%.

The annual requirements to amortize all outstanding privately-placed debt as of September 30, 2022, including interest payments, are as follows:

Year End September 30,	Principal Payments	Interest Payments	Total
2023	\$ 1,297,420	\$ 557,722	\$ 1,855,142
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
2028-2032	5,963,023	1,768,430	7,731,453
2033-2037	4,614,417	1,058,851	5,673,268
2038-2042	3,955,000	535,187	4,490,187
2043-2047	1,239,000	189,124	1,428,124
2048-2052	557,000	108,908	665,908
2053-2056	506,000	28,344	534,344
Total	<u>\$ 23,560,977</u>	<u>\$ 6,212,106</u>	<u>\$ 29,773,083</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 a comprehensive annual financial report (CAFR) 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, 2022

**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 2.51% and 3.60% for the calendar years of 2021 and 2022, 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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

	12/31/2021
Inactive Employees Receiving Benefits	3
Inactive Employees	24
Active Employees	26
	53

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

**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, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	0 years (based on contribution rate calculated in 12/31/21 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.

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, 2022

**NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Cont.)**

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%	3.80%
Global Equities	2.50%	4.10%
International Equities - Developed	5.00%	3.80%
International Equities - Emerging	6.00%	4.30%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	1.77%
Direct Lending	16.00%	6.25%
Distressed Debt	4.00%	4.50%
REIT Equities	2.00%	3.10%
Master Limited Partnerships (MLPs)	2.00%	3.85%
Private Real Estate Partnerships	6.00%	5.10%
Private Equity	25.00%	6.80%
Hedge Funds	6.00%	1.55%
Cash Equivalents	2.00%	-1.05%
	<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)	\$ (67,752)	\$ (263,249)	\$ (416,529)

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

**NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Cont.)**

Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2021:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 683,698	\$ 767,466	\$ (83,768)
Changes for the year:			
Service Cost	202,735	-	202,735
Interest on total pension liability	66,917	-	66,917
Change of Benefit Terms	5,111	-	5,111
Economic/Demographic gains or losses	(3,499)	-	(3,499)
Changes of Assumptions	(1,041)	-	(1,041)
Refund of Contributions	(8,687)	(8,687)	-
Benefit Payments	(3,425)	(3,425)	-
Administrative Expense	-	(652)	652
Member Contributions	-	123,901	(123,901)
Net Investment Income	-	195,665	(195,665)
Employer Contributions	-	123,901	(123,901)
Other	-	6,889	(6,889)
Net Changes	258,111	437,592	(179,481)
Balance at December 31, 2021	\$ 941,809	\$ 1,205,058	\$ (263,249)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCERS financial report. That report may be obtained at [www.tcdrs.com](http://www.tcdrs.com).

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

**NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Cont.)**

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

For the year ended September 30, 2022, the District recognized pension expense of \$70,166. Also as of September 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>of Resources</u>	<u>of Resources</u>
Differences between Expected and Actual Economic Experience	\$ 47,534	\$ 4,438
Changes in Actuarial Assumptions	35,306	845
Differences Between Projected and Actual Investment Earnings	-	104,826
Contributions Subsequent to the Measurement Date	46,244	-
	<u>\$ 129,084</u>	<u>\$ 110,109</u>

Deferred outflows of resources in the amount of \$46,244 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, 2022. 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,		
2022	\$	(6,846)
2023		(8,654)
2024		(5,903)
2025		(5,866)
2026		-
Thereafter		-
	<u>\$</u>	<u>(27,269)</u>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

**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, 2022, CRWA reported assets of \$183 million and liabilities of \$124 million, including bonds payable of \$117 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, 2021 (the most recent year available), Alliance reported assets of \$282 million and liabilities of \$247 million, including bonds payable of \$240 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, 2022, the District had the following commitments:

	Total Commitment	Expended to Date	Estimated Remaining
Construction	\$ 4,345,604	\$ 4,252,029	\$ 93,575
Engineering	523,207	401,890	121,317
	\$ 4,868,811	\$ 4,653,919	\$ 214,892

**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.

REQUIRED SUPPLEMENTARY INFORMATION

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Operating Revenues:</b>				
Water Sales	\$ 8,844,340	\$ 8,844,340	\$ 9,152,688	\$ 308,348
Waterwater Charges	70,600	70,600	126,481	55,881
Other Charges	274,800	274,800	551,926	277,126
<b>Total Operating Revenues</b>	9,189,740	9,189,740	9,831,095	641,355
<b>Operating Expenses:</b>				
Water Purchase	3,970,100	3,970,100	3,963,504	6,596
Personnel	2,618,650	2,618,650	2,136,762	481,888
Operations and Maintenance	580,000	580,000	1,023,278	(443,278)
Professional Fees	1,011,200	1,011,200	1,332,923	(321,723)
Admin Expenses	347,500	347,500	238,809	108,691
Vehicles and Equipment	179,500	179,500	185,381	(5,881)
Utilities	155,000	155,000	133,827	21,173
Insurance	90,000	90,000	88,955	1,045
<b>Total Operating Expenses</b>	8,951,950	8,951,950	9,103,439	(151,489)
<b>Operating Income (Loss)</b>	237,790	237,790	727,656	489,866
<b>Non-Operating Revenues (Expenses):</b>				
Interest Income	500	500	24,406	23,906
Capital, Impact and Installation Fees	2,341,888	2,341,888	7,032,432	4,690,544
Principal & Interest on Long-Term Debt	(1,873,000)	(1,873,000)	(1,862,739)	10,261
<b>Non-Operating Revenues</b>	469,388	469,388	5,194,099	4,724,711
<b>Budgetary Net Income</b>	\$ 707,178	\$ 707,178	\$ 5,921,755	\$ 5,214,577

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, 2022

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)	\$ 5,921,755
Bond Principal Payments	1,280,913
Depreciation	<u>(1,146,470)</u>
Change in Net Position (GAAP Basis)	<u><u>\$ 6,056,198</u></u>

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

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

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



CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
 LAST SEVEN FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Contribution Covered Payroll	Contributions As Percent of Payroll
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	0 years (based on contribution rate calculated in 12/31/21 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
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, 2022

**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	\$ 73.46	N/A	No	\$ 5.50	0 to 5,000
				\$ 6.05	5,000 to 10,000
				\$ 7.19	10,000 to 20,000
				\$ 9.72	20,000 to 50,000
				\$ 12.42	50,000 to 70,000
				\$ 12.96	Over 70,000
Wastewater	\$ 35.32	N/A	No	\$ 3.07	0 to 5,000
				\$ 2.79	Over 5,000
Surcharge	\$ -			\$ -	

District employs winter averaging for wastewater usage? No

Total Charges per 10,000 gallons usage:

Water	<u>\$ 131.21</u>
Wastewater	<u>\$ 64.62</u>

**Water and Wastewater Retail Connections**

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	<u>0</u>	<u>0</u>	1.0	<u>0</u>
<=3/4"	<u>5,928</u>	<u>5,910</u>	1.0	<u>5,910</u>
1"	<u>39</u>	<u>38</u>	2.5	<u>95</u>
1 1/2"	<u>3</u>	<u>3</u>	5.0	<u>15</u>
2"	<u>23</u>	<u>23</u>	8.0	<u>184</u>
3"	<u>3</u>	<u>3</u>	15.0	<u>45</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>5,998</u>	<u>5,979</u>		<u>6,299</u>
Total Wastewater	<u>192</u>	<u>192</u>	1.0	<u>192</u>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-1. SERVICES AND RATES (CONTINUED)  
 FISCAL YEAR ENDING SEPTEMBER 30, 2022

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

Gallons pumped into system	688,458,900		Water Accountability Ratio: (Gallons billed/Gallons pumped)
Gallons billed to customers:	539,781,000		78%

**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, 2022

<b>Personnel Expenditures</b> (including benefits)		\$ 2,136,762
<b>Professional Fees:</b>		
Legal		477,722
Engineering		704,113
Accounting and Audit		17,500
Other		133,588
<b>Water and Transmission Costs</b>		3,963,504
<b>Utilities</b>		133,827
<b>Repairs and Maintenance</b>		1,208,659
<b>Administrative Expenses</b>		327,764
<b>Depreciation and Amortization</b>		1,146,470
<b>Interest</b>		<u>581,826</u>
<b>Total Expenses</b>		<u><u>\$ 10,831,735</u></u>
Total number of persons employed by the District	Full-Time	<u>28</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, 2022

Combination Water and Sewer Revenue Refunding Bonds, Series 2015			
Fiscal Year Ending September 30,	Principal Due Each Year	Interest Due Each Year	Total
2023	\$ 52,000	\$ 79,642	\$ 131,642
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>\$ 2,922,000</u>	<u>\$ 1,583,041</u>	<u>\$ 4,505,041</u>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS (CONTINUED)  
 SEPTEMBER 30, 2022

Combination Water and Sewer System Revenue Bonds, Series 2017			
Fiscal Year Ending September 30,	Principal Due Each Year	Interest Due Each Year	Total
2023	\$ 515,000	\$ 240,125	\$ 755,125
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
	<u>\$ 12,965,000</u>	<u>\$ 3,051,538</u>	<u>\$ 16,016,538</u>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS (CONTINUED)  
 SEPTEMBER 30, 2022

Fiscal Year Ending September 30,	Annual Requirements for all Series		
	Principal Due Each Year	Interest Due Each Year	Total
2023	\$ 567,000	\$ 319,767	\$ 886,767
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>\$ 15,887,000</u>	<u>\$ 4,634,579</u>	<u>\$ 20,521,579</u>



CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
TSI-6. CHANGES IN LONG-TERM BONDED DEBT  
FISCAL YEAR ENDING SEPTEMBER 30, 2022

	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	\$ 2,972,000	\$ 13,480,000	\$ 16,452,000
Bonds Sold During the Year	-	-	-
Bonds Retired During the Year	(50,000)	(515,000)	(565,000)
Ending Bonds Outstanding	<u>\$ 2,922,000</u>	<u>\$ 12,965,000</u>	<u>\$ 15,887,000</u>
Interest Paid During the Year	<u>\$ 81,044</u>	<u>\$ 243,369</u>	<u>\$ 324,413</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>\$ 512,762</u>
Average Annual Debt Service			<u>\$ 603,576</u>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES  
 FISCAL YEAR ENDING SEPTEMBER 30, 2022

						Percent of Total Revenues				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
<b>Operating Revenues:</b>										
Water Sales	\$ 6,947,697	\$ 7,104,895	\$ 7,900,012	\$ 8,170,634	\$ 9,152,688	94.0%	94.6%	94.3%	93.6%	93.1%
Wastewater Charges	55,266	65,111	142,853	97,993	126,481	0.7%	0.9%	1.7%	1.1%	1.3%
Other Charges	388,946	342,299	337,010	459,598	551,926	5.3%	4.6%	4.0%	5.3%	5.6%
<b>Total Operating Revenues</b>	<b>7,391,909</b>	<b>7,512,305</b>	<b>8,379,875</b>	<b>8,728,225</b>	<b>9,831,095</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Operating Expenses:</b>										
Water Purchase	1,710,218	1,959,600	2,562,292	3,291,729	3,963,504	23.1%	26.1%	30.6%	37.7%	40.3%
Personnel	1,488,070	1,868,559	2,259,003	2,293,954	2,136,762	20.1%	24.9%	27.0%	26.3%	21.7%
Depreciation	803,179	939,902	982,279	1,014,626	1,146,470	10.9%	12.5%	11.7%	11.6%	11.7%
Operations and Maintenance	901,956	578,206	926,973	574,209	1,023,278	12.2%	7.7%	11.1%	6.6%	10.4%
Professional Fees	805,627	501,652	968,284	716,651	1,332,923	10.9%	6.7%	11.6%	8.2%	13.6%
Admin Expenses	351,224	313,057	240,311	213,037	238,809	4.8%	4.2%	2.9%	2.4%	2.4%
Vehicles and Equipment	142,321	184,048	111,862	199,521	185,381	1.9%	2.4%	1.3%	2.3%	1.9%
Utilities	138,267	126,794	132,537	135,864	133,827	1.9%	1.7%	1.6%	1.6%	1.4%
Insurance	64,022	69,137	84,141	70,089	88,955	0.9%	0.9%	1.0%	0.8%	0.9%
<b>Total Operating Expenses</b>	<b>6,404,884</b>	<b>6,540,955</b>	<b>8,267,682</b>	<b>8,509,680</b>	<b>10,249,909</b>	<b>86.6%</b>	<b>87.1%</b>	<b>98.7%</b>	<b>97.5%</b>	<b>104.3%</b>
<b>Operating Income (Loss)</b>	<b>987,025</b>	<b>971,350</b>	<b>112,193</b>	<b>218,545</b>	<b>(418,814)</b>	<b>13.4%</b>	<b>12.9%</b>	<b>1.3%</b>	<b>2.5%</b>	<b>-4.3%</b>
<b>Non-Operating Revenues (Expenses):</b>										
Interest Income	126,882	271,436	91,256	2,414	24,406	1.7%	3.6%	1.1%	0.0%	0.2%
Capital, Reservation and Installation Fees	1,105,122	1,199,198	2,230,648	2,440,601	7,032,432	15.0%	16.0%	26.6%	28.0%	71.5%
Gain on the Sale of Property/Equipment	56,009	14,850	(3,219)	1,022,019	-	0.8%	0.2%	0.0%	11.7%	0.0%
Interest Expense	(536,081)	(583,667)	(602,403)	(602,456)	(581,826)	-7.3%	-7.8%	-7.2%	-6.9%	-5.9%
Other Expenses	(681,467)	-	-	-	-	-9.2%	0.0%	0.0%	0.0%	0.0%
<b>Total Non-Operating Revenues (Expenses)</b>	<b>70,465</b>	<b>901,817</b>	<b>1,716,282</b>	<b>2,862,578</b>	<b>6,475,012</b>	<b>1.0%</b>	<b>12.0%</b>	<b>20.5%</b>	<b>32.8%</b>	<b>65.9%</b>
<b>Change in Net Position</b>	<b>\$ 1,057,490</b>	<b>\$ 1,873,167</b>	<b>\$ 1,828,475</b>	<b>\$ 3,081,123</b>	<b>\$ 6,056,198</b>	<b>14.3%</b>	<b>24.9%</b>	<b>21.8%</b>	<b>35.3%</b>	<b>61.6%</b>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS  
 FISCAL YEAR ENDING SEPTEMBER 30, 2022

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* 9/30/22	Expense Reimbursements 9/30/22	Title at Year End
<b>Board of Trustees:</b>				
Don Bosworth	7/14-12/24	---	---	Secretary
Nick Reininger	12/21-12/24	---	---	Director
Jack Carson	11/08-12/25	---	---	Vice President
Mike Cox	1/11-12/25	---	---	President
Allen Pooley	4/20-12/25	---	---	Treasurer
Ernest Hartman, Jr	12/17-12/23	---	---	Director
Louis Upton	5/22-12/23	---	---	Director
<b>Administrative Personnel:</b>				
Regina Franke	8/15/2016	\$ 127,615	\$ -	General Manager
<b>Consultants:</b>				
M&S Engineering		\$ 921,615		Engineer
Terrill & Waldrop		\$ 605,417		Attorney
Texas Land & Right of Way Company		\$ 469,857		ROW Agent
Freese and Nichols		\$ 89,076		Engineer
Ardurra Group, Inc.		\$ 21,579		Engineer
Armstrong, Vaughan & Associates, P.C.		\$ 17,750		Auditor

\*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, 2022 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 20, 2023.

***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 20, 2023.

### **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 20, 2023



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, 2022. 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, 2022.

***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.

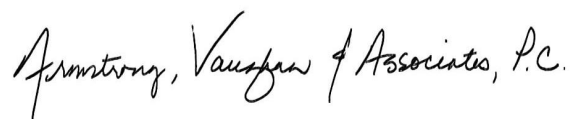


Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant 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 20, 2023

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S ENVIRONMENTAL PROTECTION AGENCY</b>			
<i>Passed through Texas Water Development Board</i>			
Drinking Water State Revolving Funds	66.468	L1000615	<u>\$ 1,125,423</u>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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.

