

HCWCID NO. 2
BOARD MEETING PACKET
2-4-21

HAYS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

TO: THE BOARD OF DIRECTORS OF HAYS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2 AND TO ALL OTHER INTERESTED PERSONS:

Notice is hereby given pursuant to Section 551 of the Texas Government Code, and the March 16, 2020 action of the Office of the Attorney General suspending certain requirements of Section 551, that the Board of Directors of Hays County Water Control and Improvement District No 2 will conduct a Special Board meeting by Zoom audio/video conference at 6:00 p.m. on Thursday, February 4, 2021, for the purposes stated herein.

In an effort to mitigate the spread of COVID-19 and pursuant to the Proclamation dated March 13, 2020 by Governor Greg Abbott (declaring Texas to be in a State of Disaster), as subsequently extended, and associated Press Release dated March 16, 2020 from the Texas Attorney General's office (suspending certain requirements of the Texas Open Meetings Act), the District will be conducting these meetings by Zoom video conference, and members of the public will be able to join by telephonic conference. **Members of the public may join this meeting toll-free by calling 1-346-248-7799 or 1-253-215-8782 (Meeting ID: 823 2189 5758; Passcode: 997108), and those who wish to provide public comments should send an email to commentsignup@hayswcid.org at least one hour prior to the meeting indicating their name and the item(s) upon which they would like to address the Board. An electronic copy of the agenda packet will be provided under the agenda tab on the District's website at: <https://www.hayswcid.org/hwcid-2/documents> before the meeting is conducted.**

1. Hear public communications and comments;
2. Review and approve September 30, 2020 annual audit of financial statements, review and acknowledge any reports to management and authorize filing of such reports with the Texas Commission on Environmental Quality, State Comptroller's Office and EMMA as related to required disclosure filing;
3. The Board may recess into Executive Session at any time to consult with its attorneys regarding any posted matter for which the Board may seek the advice of its attorneys under Government Code 551.071 (including without limitation contemplated or potential litigation matters, and other legal matters related to agenda items) or for any action on the agenda for which a closed session is permitted by law, and will reconvene in open session for any appropriate action on any matter considered in Executive Session.
4. If necessary, reconvene in Open Session and take any necessary action with regard to matters discussed in Executive Session.
5. Adjournment.

Note on Executive Session: The Board of Directors will go into Executive Session, if necessary and appropriate, pursuant to the applicable section of subchapter D, Chapter 551, Texas Government Code Annotated, the Texas Open Meetings Act, on any matter that may come before the Board. No action decision or vote on any subject or matter may be taken unless specifically listed on the agenda for this meeting.

Note on Public Comment: Any Person wishing to address the Board will be permitted to present comments at the time the presiding officer calls for public comments in accordance with the meeting notice. HCWCID No. 2 February 4, 2021.

EXECUTED this the 27th day of January, 2021.

HAYS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 2




Bill Harris, President

ITEM NO. 2

**Hays County
Water Control and
Improvement District No. 2**

**Financial Statements and
Supplemental Information
as of and for the Year Ended
September 30, 2020 and
Independent Auditors' Report**

Hays County Water Control and Improvement District No. 2

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Annual Filing Affidavit

The State of Texas

County of Hays

I, _____ of the
(Name of Duly Authorized District Representative)

_____ Hays County Water Control and Improvement District No. 2

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the _____ day of _____, 20____, its audit report for the year ended September 30, 2020, and that copies of the audit report have been filed in the District's office, located at c/o Winstead PC, 401 Congress Avenue, Suite 2100, Austin, Texas 78701.

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 all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: _____, 20____.

By: _____
(Signature of District Representative)

_____ Bill Harris, Board President
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this _____ day of _____, 20____.

(Signature of Notary)

(SEAL)

(Printed Name of Notary)

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

This document is a draft for internal review and discussion and is not intended for external distribution.

Independent Auditors' Report

To the Board of Directors of
Hays County Water Control and Improvement District No. 2:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Hays County Water Control and Improvement District No. 2 (the "District"), as of and for the year ended September 30, 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.

Auditors' 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 auditors' 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 governmental activities and each major fund of the District as of September 30, 2020, and the respective changes in financial position, and the respective budgetary comparison for the General Fund 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 on pages 5 through 10 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 supplemental information required by the Texas Commission on Environmental Quality (the "TCEQ") and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information required by the TCEQ listed in the table of contents 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 supplemental information required by the TCEQ listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Austin, Texas
February 4, 2021

Hays County Water Control and Improvement District No. 2

Management's Discussion and Analysis For the Year Ended September 30, 2020

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Hays County Water Control and Improvement District No. 2 (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2020. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Governmental Funds Total" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

Financial Highlights

- The liabilities of the District exceeded its assets and deferred outflows of resources at the close of the current fiscal year by \$2,001,898.
- As of the close of the current fiscal year, the District's governmental funds reported ending fund balance of \$6,617,403.
- The District issued \$6,270,000 in Series 2020 Unlimited Tax Utility Bonds during the current fiscal year. The District incurred capital outlay expenditures of \$5,234,832 from the Series 2020 Unlimited Tax Utility Bonds for infrastructure improvements during the current fiscal year.
- The District has \$5,565,000 of waterworks, sanitary sewer and drainage system bonds and \$26,710,000 of roadway system bonds authorized by the voters, but unissued by the District. See Note 10 in the *Notes to Basic Financial Statements* for more information on the District's plans related to roadway system bonds.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
 - *Statement of Net Position and Governmental Funds Balance Sheet*
 - *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to Basic Financial Statements*

This document is a draft for internal review and discussion and is not intended for external distribution.

Other supplementary information is also included.

The *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled “Governmental Funds Total”) that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District’s net position will indicate financial health.

The *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances* includes a column (titled “Governmental Funds Total”) that derives the change in fund balance resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District’s amended, final budget to its actual results.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*.

Schedules required by the Texas Commission on Environmental Quality and other supplementary information are presented immediately following the *Notes to Basic Financial Statements*.

Comparative Financial Statements

Statement of Net Position

	Governmental Activities		Change Increase (Decrease)
	2020	2019	
Current and Other Assets	\$ 12,929,891	\$ 6,968,605	\$ 5,961,286
Capital Assets	32,241,258	27,256,231	4,985,027
Total Assets	45,171,149	34,224,836	10,946,313
Deferred Outflows of Resources	162,090	174,559	(12,469)
Current Liabilities	8,586,636	2,556,562	6,030,074
Long-term Liabilities	38,748,501	34,741,473	4,007,028
Total Liabilities	47,335,137	37,298,035	10,037,102
Net Investment in Capital Assets	(7,998,973)	(8,877,974)	879,001
Restricted	1,174,656	1,160,663	13,993
Unrestricted	4,822,419	4,818,671	3,748
Total Net Position	\$ (2,001,898)	\$ (2,898,640)	\$ 896,742

The District's total assets were approximately \$45.2 million as of September 30, 2020. Of this amount, approximately \$24.5 million is accounted for by capital assets and approximately \$7.8 million is accounted for by intangible assets. The District had outstanding liabilities of approximately \$47.3 million of which approximately \$41.0 million is included in bonds payable.

Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2020	2019	
Property taxes	\$ 3,670,950	\$ 3,247,225	\$ 423,725
Basic services	1,140,892	1,030,764	110,128
Water and wastewater service	1,119,516	917,141	202,375
Tap connection/inspection fees	162,514	247,294	(84,780)
Park fees	750	72,750	(72,000)
Other	64,302	162,734	(98,432)
Penalties and interest	8,610	6,233	2,377
Total Revenues	6,167,534	5,684,141	483,393
Repairs and maintenance	805,624	527,108	278,516
Bulk water purchase	347,086	265,507	81,579
WTCPUA base fees	282,661	213,819	68,842
Garbage services	234,520	210,567	23,953
Legal fees	144,314	137,964	6,350
Management services	614,385	607,912	6,473
Engineering fees	100,062	75,204	24,858
Other	304,052	185,849	118,203
Debt service	1,450,755	1,557,388	(106,633)
Capital outlay	-	1,738,515	(1,738,515)
Depreciation and amortization	987,333	789,821	197,512
Total Expenses	5,270,792	6,309,654	(1,038,862)
Change in Net Position	896,742	(625,513)	1,522,255
Beginning Net Position	(2,898,640)	(2,273,127)	(625,513)
Ending Net Position	\$ (2,001,898)	\$ (2,898,640)	\$ 896,742

Total revenues were approximately \$6.2 million for the fiscal year ended September 30, 2020, which is an 8.5% increase from the prior year. Tap connection and inspection fees provided approximately \$163,000, property taxes provided approximately \$3,671,000, and water and wastewater service provided approximately \$1,120,000 during fiscal year 2020. Expenses decreased by approximately \$1,039,000 to a total of approximately \$5.3 million for the fiscal year ended September 30, 2020, with much of the decrease attributable to capital outlay. Net position increased approximately \$897,000 for the year ended September 30, 2020.

Analysis of Governmental Funds

	2020	2019	2018
Cash and temporary investments	\$ 12,326,398	\$ 6,453,980	\$ 6,200,979
Receivables and other assets	544,314	448,160	423,561
Due from other funds	63,878	26,520	51,576
Intergovernmental receivable	-	44,959	31,735
Prepaid costs	-	21,506	43,908
Total Assets	<u>\$ 12,934,590</u>	<u>\$ 6,995,125</u>	<u>\$ 6,751,759</u>
Accounts payable	609,699	648,690	437,405
Customer deposits	308,549	211,611	199,973
Due to other funds	63,878	26,520	51,576
Intergovernmental payable	59,014	-	-
Due to developer	5,254,165	-	-
Total Liabilities	<u>6,295,305</u>	<u>886,821</u>	<u>688,954</u>
Deferred inflows of resources	<u>21,882</u>	<u>18,713</u>	<u>14,798</u>
Restricted	1,804,258	1,279,422	1,715,471
Assigned	-	286,277	216,527
Unassigned	<u>4,813,145</u>	<u>4,523,892</u>	<u>4,116,009</u>
Total Fund Balances	<u>6,617,403</u>	<u>6,089,591</u>	<u>6,048,007</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,934,590</u>	<u>\$ 6,995,125</u>	<u>\$ 6,751,759</u>

The *General Fund* pays for daily operating expenditures. The General Fund's fund balance increased by approximately \$3,000 during the year resulting in an ending fund balance of approximately \$4,813,000 as of September 30, 2020. When comparing actual to budget, actual revenues were higher than budget by approximately \$324,000 predominately due to higher water and wastewater service revenue. Actual expenditures were higher than budget by approximately \$62,000 primarily due to more capital outlay than budgeted during the year.

The *Debt Service Fund* remitted bond principal of \$1,605,000 and interest of \$1,092,863 for the year ended September 30, 2020. More detailed information about the District's debt is presented in the *Notes to Basic Financial Statements*.

The *Capital Projects Fund* purchases the District's infrastructure. The Capital Projects Fund had capital outlay expenditures of \$5,234,832 for the year ended September 30, 2020.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the duration. Due to the nature of the District's services, the pandemic may negatively impact the District's business, results of operations, and financial position; however, the related financial impact cannot be reasonably estimated at this time.

Capital Assets

	9/30/2020	9/30/2019
Capital Assets:		
Water and wastewater facilities	\$ 25,073,621	\$ 18,599,451
Park improvements	1,220,548	1,042,534
Construction-in-progress	7,959	643,101
Less: Accumulated Depreciation	(1,823,556)	(1,158,659)
Total Net Capital Assets	<u>\$ 24,478,572</u>	<u>\$ 19,126,427</u>

More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

Intangible Assets

	9/30/2020	9/30/2019
Right to receive wastewater service	\$ 10,129,486	\$ 10,129,486
Less: Accumulated amortization	(2,366,800)	(2,062,609)
Total	<u>\$ 7,762,686</u>	<u>\$ 8,066,877</u>

More detailed information about the District's intangible assets is presented in the *Notes to Basic Financial Statements*.

Long-Term Debt Activity

	9/30/2020	9/30/2019
Series 2010 Bonds	\$ 185,000	\$ 360,000
Series 2013 Bonds	2,650,000	2,790,000
Series 2014 Bonds	4,605,000	4,830,000
Series 2016R Bonds	3,720,000	3,760,000
Series 2016 Bonds	5,080,000	5,325,000
Series 2017 Bonds	8,595,000	8,910,000
Series 2018 Bonds	3,245,000	3,375,000
Series 2018 Bonds	5,000,000	5,170,000
Series 2019 Bonds	1,695,000	1,860,000
Series 2020 Bonds	6,270,000	-
Total	<u>\$ 41,045,000</u>	<u>\$ 36,380,000</u>

At September 30, 2020, the District owed approximately \$41 million to bond holders. At September 30, 2020, the District had \$5,565,000 of waterworks, sanitary sewer and drainage system unlimited tax bonds and \$26,710,000 of roadway system unlimited tax bonds that were authorized by the District, but unissued. More detailed information about the District's long-term debt is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, and Conditions

For fiscal year 2021, which is the tax year 2020, the tax rate has been set at \$0.8650 per \$100 of assessed valuation of which \$0.175 is approved for maintenance and operations and \$0.690 is approved for debt service to provide for payment of principal and interest associated with outstanding bonds. The adopted budget for fiscal year 2021 projects an increase in fund balance of the General Fund of approximately \$201,000. When compared to the 2020 final budget, revenues are expected to decrease by approximately \$74,000 primarily due to a decrease in the tax rate allocated to the General Fund. Expenditures are expected to decrease by approximately \$561,000 primarily due to a decrease in capital outlay expenditures.

Requests for Information

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 requests for additional financial information should be addressed to the District c/o Winstead PC, 401 Congress Avenue, Suite 2100, Austin, Texas 78701.

Hays County Water Control and Improvement District No. 2

Statement of Net Position and Governmental Funds Balance Sheet September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments (Note 2)	Statement of Net Position
Assets:						
Cash and cash equivalents	\$ 825,714	19,330	-	845,044	-	845,044
Temporary investments	4,366,289	1,242,379	5,872,686	11,481,354	-	11,481,354
Receivables:						
Property taxes	9,274	12,608	-	21,882	-	21,882
Services	353,479	-	-	353,479	-	353,479
Due from other funds	63,878	-	-	63,878	(63,878)	-
Other receivables	167,926	-	1,027	168,953	-	168,953
Bond insurance costs	-	-	-	-	59,179	59,179
Intangible assets (net of accumulated amortization)-						
Right to receive wastewater service	-	-	-	-	7,762,686	7,762,686
Capital assets (net of accumulated depreciation):						
Water and wastewater facilities	-	-	-	-	23,667,987	23,667,987
Park improvements	-	-	-	-	802,626	802,626
Construction in progress	-	-	-	-	7,959	7,959
Total assets	<u>\$ 5,786,560</u>	<u>1,274,317</u>	<u>5,873,713</u>	<u>12,934,590</u>	<u>32,236,559</u>	<u>45,171,149</u>
Deferred outflows of resources-						
Deferred charges on bond refundings	-	-	-	-	162,090	162,090
Liabilities:						
Accounts payable	\$ 596,578	371	12,750	609,699	-	609,699
Refundable deposits	308,549	-	-	308,549	-	308,549
Due to other funds	-	9,081	54,797	63,878	(63,878)	-
Intergovernmental payable	59,014	-	-	59,014	-	59,014
Due to developer	-	-	5,254,165	5,254,165	-	5,254,165
Bond interest payable	-	-	-	-	90,209	90,209
Long-term liabilities:						
Due within one year	-	-	-	-	2,265,000	2,265,000
Due after one year	-	-	-	-	38,748,501	38,748,501
Total liabilities	<u>964,141</u>	<u>9,452</u>	<u>5,321,712</u>	<u>6,295,305</u>	<u>41,039,832</u>	<u>47,335,137</u>
Deferred inflows of resources-						
Deferred revenue - property taxes	<u>9,274</u>	<u>12,608</u>	<u>-</u>	<u>21,882</u>	<u>(21,882)</u>	<u>-</u>
Fund balances/net position:						
Fund balances:						
Restricted for:						
Debt service	-	1,252,257	-	1,252,257	(1,252,257)	-
Capital projects	-	-	552,001	552,001	(552,001)	-
Unassigned	<u>4,813,145</u>	<u>-</u>	<u>-</u>	<u>4,813,145</u>	<u>(4,813,145)</u>	<u>-</u>
Total fund balances	<u>4,813,145</u>	<u>1,252,257</u>	<u>552,001</u>	<u>6,617,403</u>	<u>(6,617,403)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,786,560</u>	<u>1,274,317</u>	<u>5,873,713</u>	<u>12,934,590</u>		
Net position:						
Net investment in capital assets					(7,998,973)	(7,998,973)
Restricted for debt service					1,174,656	1,174,656
Unrestricted					4,822,419	4,822,419
Total net position					<u>\$ (2,001,898)</u>	<u>\$ (2,001,898)</u>

The notes to the financial statements are an integral part of this statement.

This document is a draft for internal review and discussion and is not intended for external distribution.

Hays County Water Control and Improvement District No. 2

Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances Year Ended September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments (Note 2)	Statement of Activities
Expenditures/expenses:						
Service operations:						
Repairs and maintenance	\$ 805,624	-	-	805,624	-	805,624
Bulk water purchases	347,086	-	-	347,086	-	347,086
WTCPUA base fees	282,661	-	-	282,661	-	282,661
Garbage services	234,520	-	-	234,520	-	234,520
Legal fees	144,314	-	-	144,314	-	144,314
Management services	614,385	-	-	614,385	-	614,385
Engineering fees	100,062	-	-	100,062	-	100,062
Tax assessor/collector fees	6,951	19,380	-	26,331	-	26,331
Directors' fees	21,961	-	-	21,961	-	21,961
Audit fees	16,500	-	-	16,500	-	16,500
Accounting fees	18,000	-	-	18,000	-	18,000
Insurance	9,360	-	-	9,360	-	9,360
Developer interest	-	-	125,245	125,245	-	125,245
Other	78,496	8,159	-	86,655	-	86,655
Debt service:						
Principal	-	1,605,000	-	1,605,000	(1,605,000)	-
Interest	-	1,092,863	-	1,092,863	(1,052)	1,091,811
Bond issuance costs	-	-	358,944	358,944	-	358,944
Capital outlay	782,210	-	5,234,832	6,017,042	(6,017,042)	-
Amortization	-	-	-	-	322,436	322,436
Depreciation	-	-	-	-	664,897	664,897
Total expenditures/expenses	3,462,130	2,725,402	5,719,021	11,906,553	(6,635,761)	5,270,792
Revenues:						
Program revenues:						
Basic services	1,140,892	-	-	1,140,892	-	1,140,892
Water and wastewater service	1,119,516	-	-	1,119,516	-	1,119,516
Tap connection/inspection fees	162,514	-	-	162,514	-	162,514
Park fees	750	-	-	750	-	750
Total program revenues	2,423,672	-	-	2,423,672	-	2,423,672
Net program expenses						(2,847,120)
General revenues:						
Property taxes	968,359	2,699,422	-	3,667,781	3,169	3,670,950
Interest income and other	43,403	20,702	197	64,302	-	64,302
Penalties and interest on tax accounts	2,287	6,323	-	8,610	-	8,610
Total general revenues	1,014,049	2,726,447	197	3,740,693	3,169	3,743,862
Total revenues	3,437,721	2,726,447	197	6,164,365	3,169	6,167,534
Excess (deficiency) of revenues over (under) expenditures	(24,409)	1,045	(5,718,824)	(5,742,188)	5,742,188	-
Other financing sources (uses):						
Issuance of bonds	-	-	6,270,000	6,270,000	(6,270,000)	-
Transfers in (out), net	27,385	9,499	(36,884)	-	-	-
Total other financing sources, net	27,385	9,499	6,233,116	6,270,000	(6,270,000)	-
Changes in fund balances/net position	2,976	10,544	514,292	527,812	368,930	896,742
Fund balances/net position:						
Beginning of year	4,810,169	1,241,713	37,709	6,089,591	(8,988,231)	(2,898,640)
End of year	\$ 4,813,145	1,252,257	552,001	6,617,403	(8,619,301)	(2,001,898)

The notes to the financial statements are an integral part of this statement.

This document is a draft for internal review and discussion and is not intended for external distribution.

Hays County Water Control and Improvement District No. 2

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Year Ended September 30, 2020

	Budget	Actual	Variance
Revenues:			
Property taxes	\$ 957,906	\$ 968,359	\$ 10,453
Basic services	1,161,150	1,140,892	(20,258)
Water and wastewater service	735,147	1,119,516	384,369
Tap connection/inspection fees	164,650	162,514	(2,136)
Park fees	-	750	750
Penalties and interest	11,000	2,287	(8,713)
Interest income and other	84,000	43,403	(40,597)
Total revenues	3,113,853	3,437,721	323,868
Expenditures:			
Service operations:			
Repairs and maintenance	831,625	805,624	26,001
Bulk water purchases	257,797	347,086	(89,289)
WTCPUA base fees	285,517	282,661	2,856
Garbage services	246,096	234,520	11,576
Legal fees	144,120	144,314	(194)
Management services	621,691	614,385	7,306
Engineering fees	100,000	100,062	(62)
Tax assessor/collector fees	7,000	6,951	49
Directors' fees	41,880	21,961	19,919
Audit fees	17,500	16,500	1,000
Accounting fees	-	18,000	(18,000)
Insurance	14,750	9,360	5,390
Other	114,189	78,496	35,693
Capital outlay	717,965	782,210	(64,245)
Total expenditures	3,400,130	3,462,130	(62,000)
Excess (deficiency) of revenues over (under) expenditures	(286,277)	(24,409)	261,868
Other financing sources-			
Transfers in, net	-	27,385	27,385
Change in fund balance	(286,277)	2,976	289,253
Fund balance:			
Beginning of year	4,810,169	4,810,169	-
End of year	\$ 4,523,892	\$ 4,813,145	\$ 289,253

The notes to the financial statements are an integral part of this statement.
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Hays County Water Control and Improvement District No. 2

Notes to Basic Financial Statements

Year Ended September 30, 2020

1. Summary of Significant Accounting Policies

Hays County Water Control and Improvement District No. 2 (the “District”) was created in January 2001 by the Hays County Commissioners Court and operates pursuant to Chapter 51 of the Texas Water Code. It is a political subdivision of the State of Texas and is operated by an elected Board of Directors (the “Board”). The 77th Legislature confirmed the creation of the District and further granted the District all powers in Chapters 49, 51, and 54 of the Texas Water Code. The District provides water, sewer, and drainage facilities and services within the District.

The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board, which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”), since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units included in the District’s reporting entity.

Government-Wide and Fund Financial Statements

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the “Governmental Funds Total” column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net position and the statement of activities.

The government-wide financial statements report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Major revenue sources considered susceptible to accrual include interest income. No accrual for property taxes to be collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due.

The Capital Projects Fund is used to account for financial resources restricted for authorized construction and other capital asset acquisitions.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. Formal budgetary integration is not employed for the Debt Service Fund or the Capital Projects Fund. The budget is proposed by the District Manager for the fiscal year commencing the following October 1, and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Cash and Cash Equivalents - The District's cash and cash equivalents are considered to be cash-on-hand and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - Temporary investments throughout the year consisted of investments in an external local government investment pool. The external local government investment pool is recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Prepaid Items - Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

Accounts Receivable - The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. As of September 30, 2020, there was no allowance for uncollectible accounts.

Intangible Assets - Intangible assets, which consist of the right to receive wastewater service, are reported in the governmental activities column in the government-wide financial statements. Intangible assets are defined by GASB Statement No. 51 as assets which lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. Intangible assets are amortized using the straight line method over the estimated life of the assets, which in this case is estimated to be 40 years based on the initial term of the Joint Facilities Agreement entered into between the District and Hays County Water Control and Improvement District No. 1 ("Hays County WCID No. 1").

Capital Assets - Capital assets, which consist of water and wastewater facilities, park improvements, and construction in progress, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with a useful life of at least two years and an initial, individual cost of at least \$10,000. Such assets are recorded at estimated acquisition cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than construction in progress) are depreciated using the straight line method over the following estimated useful lives: water and wastewater facilities - forty years; park improvements - three to twenty-five years.

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as bond insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond insurance costs are reported as assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, including bond insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the period incurred.

Ad Valorem Property Taxes - Property taxes, penalties, and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 8 for additional information on deferred outflows of resources.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 11 for additional information on those fund balance classifications.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncement

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020. The objective of GASB Statement No. 89 is to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest costs incurred before the end of a construction period. Under GASB Statement No. 89, interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. Management has chosen to early implement GASB Statement No. 89 during the year ended September 30, 2020, the effect of which is reflected in the financial statements and within the footnotes.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2022.

2. Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds		\$	6,617,403
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			
Capital and intangible assets	\$	36,431,614	
Less: Accumulated depreciation and amortization		<u>(4,190,356)</u>	32,241,258
Revenue is recognized when earned in the government-wide statements, regardless of availability.			
Governmental funds report deferred inflows of resources for revenues earned but not available.			21,882
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Bonds payable		(41,045,000)	
Bond discounts/premiums, net		31,499	
Bond insurance premium, net		59,179	
Deferred charges on refundings, net		162,090	
Accrued bond interest payable		<u>(90,209)</u>	<u>(40,882,441)</u>
Total net position			<u>\$ (2,001,898)</u>

Amounts reported for governmental activities in the statement of activities are different because:

Changes in fund balances - governmental funds		\$	527,812
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report:			
Capital expenditures in year paid	\$	6,017,042	
Bond principal in year paid		1,605,000	
Interest expenditures in year paid		1,052	
Tax revenue when collected		3,169	
Bond issuance		<u>(6,270,000)</u>	1,356,263
Governmental funds do not report:			
Depreciation/amortization			<u>(987,333)</u>
Change in net position			<u>\$ 896,742</u>

3. Cash, Cash Equivalents and Temporary Investments

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2020, such deposits, consisting of bank deposits and money market mutual funds, were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

The District is entitled to invest in obligations of the United States, the State of Texas and their agencies or any state, county, city and any other political subdivisions of any state rated by a nationally recognized investment rating firm with a rating not less than A or its equivalent, certificates of deposit of state or national banks or savings and loan associations within the State, prime domestic bankers' acceptances, commercial paper with a stated maturity of 270 days or less from the date of its issuance, fully collateralized repurchase agreements, no-load money market mutual funds regulated by the United States Securities and Exchange Commission, and eligible public funds investment pools.

Investments held at September 30, 2020 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Government Investment Pool- TexPool	<u>\$ 11,481,354</u>	1	AAAm

Although Texas Local Governmental Investment Pool ("TexPool") is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool's investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manages daily operations of TexPool under a contract with the Comptroller and serves as the investment manager for the pool. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the external local government investment pool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. This pool does not impose any liquidity fees or redemption gates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty 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 September 30, 2020, investments were included in an external local governmental investment pool with ratings from Standard & Poor's in compliance with the District's investment policy.

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 District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At September 30, 2020, the District was not exposed to custodial credit risk.

Interest Rate Risk - The District's investment policy requires that the District manage its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to short-term investments with necessary liquidity to ensure that sufficient funds are available for the continued operations and debt service requirements of the District. The District considers the holdings in TexPool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value.

4. Property Taxes

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Hays Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected and become available to finance expenditures of the District in the current fiscal period. The balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

In September 2019, the District levied a tax rate of \$0.875 per \$100 of assessed valuation to finance the operating expenditures and debt service requirements of the District. The maintenance tax rate and the debt service tax rate were \$0.231 and \$0.644, respectively. The total 2019 tax levy was \$3,674,745 based on a taxable valuation of \$419,502,471.

5. Interfund Receivables, Payables, and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of September 30, 2020, is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 9,081
General	Capital Projects	54,797
Total		<u>\$ 63,878</u>

During the year, the Capital Projects Fund transferred \$27,385 to the General Fund to reimburse the General Fund for capital outlay expenditures. The Capital Project Fund transferred \$9,499 to the Debt Service Fund for debt service payments.

6. Intangible Assets

Intangible asset activity for the year ended September 30, 2020, was as follows:

	Balance September 30, 2019	Additions	Retirements and Transfers	Balance September 30, 2020
Intangible assets- Right to receive wastewater service	\$ 10,129,486	-	-	10,129,486
Total intangible assets being amortized	10,129,486	-	-	10,129,486
Less accumulated amortization for- Right to receive wastewater service	(2,062,609)	(304,191)	-	(2,366,800)
Intangible assets, net	<u>\$ 8,066,877</u>	<u>(304,191)</u>	<u>-</u>	<u>7,762,686</u>

7. Capital Assets

Capital assets activity for the year ended September 30, 2020, was as follows:

	Balance 9/30/2019	Additions	Deletions and Adjustments	Balance 9/30/2020
Capital assets not being depreciated-				
Construction in progress	\$ 643,101	\$ 7,959	\$ (643,101)	\$ 7,959
Total capital assets not being being depreciated	643,101	7,959	(643,101)	7,959
Capital assets being depreciated:				
Water/Wastewater/Drainage Facilities	18,599,451	5,831,069	643,101	25,073,621
Park improvements	1,042,534	178,014	-	1,220,548
Total capital assets being depreciated	19,641,985	6,009,083	643,101	26,294,169
Less accumulated depreciation for:				
Water/Wastewater/Drainage Facilities	(816,131)	(589,503)	-	(1,405,634)
Park improvements	(342,528)	(75,394)	-	(417,922)
Total accumulated depreciation	(1,158,659)	(664,897)	-	(1,823,556)
Capital assets being depreciated, net	18,483,326	5,344,186	643,101	24,470,613
Total capital assets, net of accumulated depreciation	\$19,126,427	\$ 5,352,145	\$ -	\$24,478,572

8. Deferred Charges on Bond Refundings

The following is a summary of changes in deferred charges on bond refundings for the year ended September 30, 2020:

	Beginning Balance	Additions	Retirements	Ending Balance
Deferred charges on bond refundings	\$ 174,559	-	(12,469)	162,090

9. Long-term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2020:

	Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020
Unlimited Tax Bonds, Series 2010	\$ 360,000	-	(175,000)	185,000
Unlimited Tax Bonds, Series 2013	2,790,000	-	(140,000)	2,650,000
Unlimited Tax Bonds, Series 2014	4,830,000	-	(225,000)	4,605,000
Unlimited Tax Bonds, Series 2016R (direct placement)	3,760,000	-	(40,000)	3,720,000
Unlimited Tax Bonds, Series 2016	5,325,000	-	(245,000)	5,080,000
Unlimited Tax Bonds, Series 2017	8,910,000	-	(315,000)	8,595,000
Unlimited Tax Road Bonds, Series 2018	3,375,000	-	(130,000)	3,245,000
Unlimited Tax Utility Bonds, Series 2018	5,170,000	-	(170,000)	5,000,000
Unlimited Tax Road Bonds, Series 2019 (direct placement)	1,860,000	-	(165,000)	1,695,000
Unlimited Tax Utility Bonds, Series 2020 (direct placement)	-	6,270,000	-	6,270,000
Original Issue Discount	(92,433)	-	5,101	(87,332)
Premium on Bond Issuances	58,906	-	(3,073)	55,833
	<u>\$36,346,473</u>	<u>6,270,000</u>	<u>(1,602,972)</u>	<u>41,013,501</u>

Long-term debt at September 30, 2020 was comprised of the following individual issue:

Series	Description	Matures Through	Interest Rate %	Balance September 30, 2020	Due Within One Year
2010	Unlimited Tax Bonds	2021	3.0% - 5.0%	\$ 185,000	\$ 185,000
2013	Unlimited Tax Bonds	2033	2.6% - 3.4%	2,650,000	145,000
2014	Unlimited Tax Bonds	2034	2.0% - 3.4%	4,605,000	235,000
2016R	Unlimited Tax Bonds (direct placement)	2033	2.6% - 3.2%	3,720,000	40,000
2016	Unlimited Tax Bonds	2034	2.0% - 2.8%	5,080,000	260,000
2017	Unlimited Tax Bonds	2037	2.0% - 3.35%	8,595,000	335,000
2018	Unlimited Tax Road Bonds	2038	2.0% - 3.5%	3,245,000	135,000
2018	Unlimited Tax Utility Bonds	2038	3.5% - 4.0%	5,000,000	180,000
2019	Unlimited Tax Road Bonds (direct placement)	2029	2.58%	1,695,000	170,000
2020	Unlimited Tax Utility Bonds (direct placement)	2030	1.39%	6,270,000	580,000
Total				<u>\$ 41,045,000</u>	<u>\$ 2,265,000</u>

On September 22, 2020, the District issued \$6,270,000 of Unlimited Tax Utility Bonds, Series 2020, to reimburse the District's developer for construction and engineering costs, pay interest on funds advanced by the developer on behalf of the District, and pay certain other costs related to the issuance of bonds. The net proceeds of \$6,007,103 (after payment of \$262,897 in issuance costs) was deposited in the District's Capital Projects Fund to fund developer reimbursements and subsequent bond issuance costs.

Debt service requirements to maturity for the District's non-direct placement bonds are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2021	\$ 1,475,000	\$ 909,136	\$ 2,384,136
2022	1,340,000	870,131	2,210,131
2023	1,410,000	836,181	2,246,181
2024	1,475,000	798,100	2,273,100
2025	1,550,000	757,489	2,307,489
2026 - 2030	8,995,000	3,059,625	12,054,625
2031 - 2035	9,845,000	1,490,204	11,335,204
2036 - 2038	3,270,000	211,364	3,481,364
	<u>\$ 29,360,000</u>	<u>\$ 8,932,230</u>	<u>\$ 38,292,230</u>

Debt service requirements to maturity for the District's direct placement bonds are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2021	\$ 790,000	\$ 221,999	\$ 1,011,999
2022	1,005,000	213,601	1,218,601
2023	1,035,000	194,678	1,229,678
2024	1,060,000	175,100	1,235,100
2025	1,085,000	154,995	1,239,995
2026 - 2030	5,600,000	488,940	6,088,940
2031 - 2033	1,110,000	73,066	1,183,066
	<u>\$ 11,685,000</u>	<u>\$ 1,522,379</u>	<u>\$ 13,207,379</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks.

At September 30, 2020, there were \$5,565,000 of waterworks, sanitary sewer and drainage system bonds authorized by voters of the District but unissued. At September 30, 2020, there were \$26,710,000 of roadway system bonds authorized by voters of the District, but unissued. See Note 10 for further discussion regarding the estimated amount of roadway system bonds the District will issue.

10. Commitments and Contingent Liabilities

Water Supply Source - The District has contractual commitments with the West Travis County Public Utility Agency (the “WTCPUA”) and the Lower Colorado River Authority (the “LCRA”) to provide capacity for up to 1,146 Living Unit Equivalents (“LUEs”). The District executed a Firm Water Contract with the LCRA dated June 6, 2014, whereby the District obtained rights to 680.35 acre-feet of raw or untreated water per annum. Raw water is treated, delivered, and supplied to the District by the WTCPUA pursuant to a Water Services Agreement between the LCRA and the District dated August 30, 2010, as amended. The Water Services Agreement was assigned to the WTCPUA as a successor and assignee of LCRA commensurate with the LCRA’s sale of certain assets to the WTCPUA. Under the Water Services Agreement, as amended, the WTCPUA is obligated to provide the District with treated water capacity of up to 1,166,170 gallons per day for up to 1,146 LUEs.

Wastewater Treatment Facilities - The District and Hays County WCID No. 1 have entered into a Joint Facilities Agreement dated June 9, 2005, as subsequently amended. Pursuant to the Joint Facilities Agreement, the District has paid Hays County WCID No. 1 certain wastewater capacity fees and shared capital costs in exchange for the right to receive wastewater treatment and disposal capacity. In addition, the District has paid a proportionate share of construction costs related to the wastewater treatment plant expansion; these construction costs entitle the District to receive wastewater treatment and disposal capacity but do not accord the District ownership of the wastewater treatment plant. Hays County WCID No. 1 owns title to the wastewater treatment plant.

District Development and Developer Reimbursement - The District is currently under development and the construction of facilities is being paid by the developers of the District. The Board of the District authorized the funding of the projects and the reimbursement of the developer for the cost of the projects out of bond proceeds when the bonds are authorized and issued. The bond proceeds will be used to purchase all of the capital assets within the District including related infrastructure. The estimate of total bonds needed to purchase the waterworks, sanitary sewer and drainage system infrastructure is \$46,185,000. The total bonds needed to purchase the roadways were initially estimated at \$32,070,000. Due to changes in law since such bond authorization, the District does not anticipate issuance of roadway system bonds in the full amount authorized. The District anticipates that issuance of roadway system bonds will be limited to reimbursement for design and construction of roads meeting the criteria of Hays County for a “thoroughfare, arterial or collector road.” As of September 30, 2020, the District does not anticipate any additional issuances of roadway system bonds.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the duration. Due to the nature of the District’s services, the pandemic may negatively impact the District’s business, results of operations, and financial position; however, the related financial impact cannot be reasonably estimated at this time.

11. Fund Balances

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, the Board may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 11. Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has the authority to assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

12. Risk Management

The District's risk management program includes coverage through third party insurance providers for director and officer liability, public official position liability, and general liability. Losses in excess of the various deductible levels are covered through traditional indemnity coverage. No claims were filed during the current period.

Hays County Water Control and Improvement District No. 2

Index of Supplemental Schedules Required by the Texas Commission on Environmental Quality Year Ended September 30, 2020

Schedule Included			
Yes	No		
<u>X</u>	<u> </u>	TSI-0	Notes Required by the Water District Accounting Manual
<u>X</u>	<u> </u>	TSI-1	Schedule of Services and Rates
<u>X</u>	<u> </u>	TSI-2	Schedule of General Fund Expenditures
<u>X</u>	<u> </u>	TSI-3	Schedule of Temporary Investments
<u>X</u>	<u> </u>	TSI-4	Analysis of Taxes Levied and Receivable
<u>X</u>	<u> </u>	TSI-5	Long-Term Debt Service Requirements by Years
<u>X</u>	<u> </u>	TSI-6	Analysis of Changes in Long-Term Bonded Debt
<u>X</u>	<u> </u>	TSI-7	Comparative Schedule of Revenues and Expenditures - General Fund - Five Years Ended September 30, 2020
<u>X</u>	<u> </u>	TSI-8	Board Members, Key Personnel and Consultants

Hays County Water Control and Improvement District No. 2

TSI-0 Notes Required by the Water District Accounting Manual Year Ended September 30, 2020

The notes which follow are not necessarily required for fair presentation of the audited financial statements of the District which are contained in the preceding section of this report. They are presented in conformity with requirements of the Texas Commission on Environmental Quality to assure disclosure of specifically required facts.

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

See Note 10 to basic financial statements.

(C) Pension Coverage

Not applicable.

(D) Pledge of Revenues

See Note 9 to basic financial statements.

(E) Compliance with Debt Service Requirements

See Note 9 to basic financial statements.

(F) Redemption of Bonds

See Note 9 to basic financial statements.

Hays County Water Control and Improvement District No. 2

TSI-1 Schedule of Service and Rates Year Ended September 30, 2020

1. Services Provided by the District:

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input checked="" type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input checked="" 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:

a. Retail Rates for a 5/8" Meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum Use	Usage Levels
Water	\$ 35.00	-	Y	\$ 2.30	0 to 2,000
				3.85	2,001 to 5,000
				4.24	5,001 to 10,000
				4.88	10,001 to 20,000
				5.86	20,001 to 25,000
				7.03	25,001 to 30,000
				10.55	30,001 to 40,000
				15.83	40,001 and above
Wastewater	\$ 35.00	-	Y	\$ 3.63	Per 1,000 above minimum
Surcharge	\$ None			\$	
District employs winter averaging for wastewater usage?				<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Total charges per 10,000 gallons usage: Water: \$				72.35	Wastewater: \$ 71.30

(continued)

Hays County Water Control and Improvement District No. 2

TSI-1 Schedule of Service and Rates (continued)

Year Ended September 30, 2020

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	x 1.0	-
<=3/4"	1,014	1,011	x 1.0	1,011
1"	2	2	x 2.5	5
1 1/2"	-	-	x 5.0	-
2"	1	1	x 8.0	8
3"	-	-	x 15.0	-
4"	-	-	x 25.0	-
6"	-	-	x 50.0	-
8"	-	-	x 80.0	-
10"	-	-	x 115.0	-
Total Water	1,017	1,014		1,024
Total Wastewater	1,011	1,008	x 1.0	1,088

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

Gallons pumped into system:	117,741,000	Water Accountability Ratio:
Gallons billed to customers:	108,784,000	(Gallons billed/Gallons pumped)
		92.4%

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: N/A

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

If yes, Date of the most recent Commission Order: N/A

(continued)

Hays County Water Control and Improvement District No. 2

TSI-1 Schedule of Service and Rates (continued) Year Ended September 30, 2020

5. Location of District:

County(ies) in which district is located:	Hays		
Is the District located entirely within one county?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
Is the District located within a city?	<input type="checkbox"/> Entirely	<input type="checkbox"/> Partly	<input checked="" type="checkbox"/> Not at all
City(ies) in which District is located:	N/A		
Is the District located within a city's extra territorial jurisdiction (ETJ?)	<input checked="" type="checkbox"/> Entirely	<input type="checkbox"/> Partly	<input type="checkbox"/> Not at all
ETJ's in which district is located:	Dripping Springs		
Are Board members appointed by an office outside the District?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
If yes, by whom?	N/A		

Hays County Water Control and Improvement District No. 2

TSI-2 Schedule of General Fund Expenditures Year Ended September 30, 2020

Personnel expenditures (including benefits)	\$ -
Professional fees:	
Auditing	16,500
Legal	144,314
Engineering	100,062
Financial advisor	-
Purchased services for resale-	
Bulk water purchases	347,086
Contracted services:	
General manager	614,385
Appraisal district	6,951
Tax collector	-
Other contracted services	-
Utilities	51,394
Repairs and maintenance	805,624
Administrative expenditures:	
Directors' fees	21,961
Office supplies	-
Insurance	9,360
Other administrative expenses	-
Capital outlay:	
Capitalized assets	782,210
Expenditures not capitalized	-
Tap connection expenditures	-
Solid waste disposal	234,520
Fire fighting	-
Parks and recreation	-
Other expenditures	327,763
Total expenditures	<u>\$ 3,462,130</u>

Number of persons employed by the District: 0 Full-Time 5 Part-Time
(Does not include independent contractors or consultants)

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Hays County Water Control and Improvement District No. 2

TSI-3 Schedule of Temporary Investments Year Ended September 30, 2020

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at September 30, 2020	Accrued Interest Receivable at September 30, 2020
<u>General Fund-</u>					
TexPool	XXX0003	Various	N/A	\$ 4,366,289	\$ -
<u>Debt Service Fund:</u>					
TexPool	XXX0006	Various	N/A	2,502	-
TexPool	XXX0005	Various	N/A	1,209,206	-
TexPool	XXX0004	Various	N/A	30,671	-
Totals				1,242,379	-
<u>Capital Projects Fund -</u>					
TexPool	XXX0007	Various	N/A	5,872,686	\$ -
Totals				5,872,686	-
Total - All Funds				\$ 11,481,354	\$ -

Hays County Water Control and Improvement District No. 2

TSI-4 Analysis of Taxes Levied and Receivable Year Ended September 30, 2020

	Maintenance Taxes	Debt Service Taxes		
Taxes Receivable, September 30, 2019	\$ 8,502	\$ 10,211		
2019 Tax Roll	970,133	2,704,612		
Adjustments	(1,002)	(2,422)		
Total to be accounted for	977,633	2,712,401		
Tax collections:				
Current year	968,058	2,699,199		
Prior years	301	594		
Total collections	968,359	2,699,793		
Taxes Receivable, September 30, 2020	\$ 9,274	\$ 12,608		
Taxes Receivable, by Years				
2018 and before	\$ 8,201	\$ 9,617		
2019	1,073	2,991		
Taxes Receivable, September 30, 2020	\$ 9,274	\$ 12,608		
	2019	2018	2017	2016
Property Valuations-				
Land improvements and personal property	\$ 419,502,471	\$ 364,133,255	\$ 293,212,685	\$ 245,300,522
Tax Rates per \$100 Valuation:				
Maintenance tax rates	0.231	0.2943	0.2222	0.4439
Debt service tax rates	0.644	0.5807	0.6528	0.4311
Total Tax Rates per \$100 Valuation	\$ 0.8750	\$ 0.8750	\$ 0.8750	\$ 0.8750
Original Tax Levy *	\$ 3,674,745	\$ 3,186,166	\$ 2,754,888	\$ 2,180,639
Percent of Taxes Collected to Taxes Levied *	99.9%	99.9%	99.9%	99.9%

* 2016 includes rollback adjustments.

Hays County Water Control and Improvement District No. 2

TSI-5 Long-Term Debt Service Requirements by Years September 30, 2020

Due During Fiscal Years Ending 9/30	Unlimited Tax Bonds Series 2010			Unlimited Tax Bonds Series 2013			Unlimited Tax Bonds Series 2014			Unlimited Tax Bonds Series 2016R		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
2021	\$ 185,000	7,770	192,770	145,000	106,643	251,643	235,000	142,736	377,736	40,000	96,199	136,199
2022	-	-	-	155,000	102,583	257,583	245,000	138,036	383,036	240,000	95,165	335,165
2023	-	-	-	165,000	97,933	262,933	260,000	131,910	391,910	255,000	88,958	343,958
2024	-	-	-	170,000	92,653	262,653	270,000	124,110	394,110	265,000	82,364	347,364
2025	-	-	-	180,000	86,873	266,873	285,000	116,010	401,010	275,000	75,511	350,511
2026	-	-	-	190,000	80,033	270,033	300,000	107,460	407,460	285,000	68,400	353,400
2027	-	-	-	200,000	72,813	272,813	315,000	98,460	413,460	300,000	61,030	361,030
2028	-	-	-	210,000	64,563	274,563	330,000	89,010	419,010	305,000	66,600	371,600
2029	-	-	-	220,000	55,900	275,900	350,000	79,110	429,110	315,000	56,739	371,739
2030	-	-	-	235,000	46,220	281,220	365,000	68,260	433,260	330,000	46,555	376,555
2031	-	-	-	245,000	35,880	280,880	385,000	56,580	441,580	350,000	35,886	385,886
2032	-	-	-	260,000	24,610	284,610	400,000	43,876	443,876	370,000	24,571	394,571
2033	-	-	-	275,000	12,650	287,650	420,000	30,277	450,277	390,000	12,609	402,609
2034	-	-	-	-	-	-	445,000	15,575	460,575	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 185,000</u>	<u>7,770</u>	<u>192,770</u>	<u>2,650,000</u>	<u>879,354</u>	<u>3,529,354</u>	<u>4,605,000</u>	<u>1,241,410</u>	<u>5,846,410</u>	<u>3,720,000</u>	<u>810,587</u>	<u>4,530,587</u>

(continued)

Hays County Water Control and Improvement District No. 2

TSI-5 Long-Term Debt Service Requirements by Years (continued) September 30, 2020

Due During Fiscal Years Ending 9/30	Unlimited Tax Bonds Series 2016			Unlimited Tax Bonds Series 2017			Unlimited Tax Bonds Series 2018		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
2021	\$ 260,000	120,781	380,781	335,000	236,875	571,875	135,000	102,919	237,919
2022	270,000	115,581	385,581	350,000	230,175	580,175	135,000	99,544	234,544
2023	285,000	110,181	395,181	365,000	223,175	588,175	140,000	96,170	236,170
2024	300,000	104,481	404,481	385,000	215,875	600,875	145,000	91,969	236,969
2025	315,000	98,481	413,481	405,000	207,694	612,694	150,000	87,619	237,619
2026	330,000	92,181	422,181	425,000	199,088	624,088	160,000	83,119	243,119
2027	350,000	85,169	435,169	445,000	189,525	634,525	165,000	78,318	243,318
2028	365,000	77,294	442,294	470,000	177,844	647,844	170,000	73,368	243,368
2029	385,000	68,625	453,625	490,000	165,506	655,506	175,000	68,268	243,268
2030	400,000	59,000	459,000	515,000	152,031	667,031	180,000	62,800	242,800
2031	420,000	49,000	469,000	540,000	136,581	676,581	185,000	57,175	242,175
2032	445,000	38,501	483,501	570,000	120,381	690,381	195,000	51,162	246,162
2033	465,000	26,264	491,264	600,000	103,281	703,281	200,000	44,825	244,825
2034	490,000	13,474	503,474	625,000	85,281	710,281	205,000	38,325	243,325
2035	-	-	-	660,000	65,750	725,750	215,000	31,406	246,406
2036	-	-	-	690,000	45,125	735,125	220,000	24,150	244,150
2037	-	-	-	725,000	23,563	748,563	230,000	16,450	246,450
2038	-	-	-	-	-	-	240,000	8,400	248,400
	<u>5,080,000</u>	<u>1,059,013</u>	<u>6,139,013</u>	<u>8,595,000</u>	<u>2,577,750</u>	<u>11,172,750</u>	<u>3,245,000</u>	<u>1,115,987</u>	<u>4,360,987</u>

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Hays County Water Control and Improvement District No. 2

TSI-5 Long-Term Debt Service Requirements by Years (continued) September 30, 2020

Due During Fiscal Years Ending 9/30	Unlimited Tax Utility Bonds Series 2018			Unlimited Tax Road Bonds Series 2019			Unlimited Tax Utility Bonds Series 2020			Annual Requirements For All Series		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due	Interest Due	Total
2021	\$ 180,000	191,412	371,412	170,000	43,731	213,731	580,000	82,069	662,069	2,265,000	1,131,135	3,396,135
2022	185,000	184,212	369,212	175,000	39,345	214,345	590,000	79,091	669,091	2,345,000	1,083,732	3,428,732
2023	195,000	176,812	371,812	180,000	34,830	214,830	600,000	70,890	670,890	2,445,000	1,030,859	3,475,859
2024	205,000	169,012	374,012	185,000	30,186	215,186	610,000	62,550	672,550	2,535,000	973,200	3,508,200
2025	215,000	160,812	375,812	190,000	25,413	215,413	620,000	54,071	674,071	2,635,000	912,484	3,547,484
2026	225,000	152,212	377,212	195,000	20,511	215,511	630,000	45,453	675,453	2,740,000	848,457	3,588,457
2027	240,000	143,212	383,212	195,000	15,480	210,480	645,000	36,696	681,696	2,855,000	780,703	3,635,703
2028	250,000	133,612	383,612	200,000	10,449	210,449	655,000	27,730	682,730	2,955,000	720,470	3,675,470
2029	265,000	123,612	388,612	205,000	5,289	210,289	665,000	18,626	683,626	3,070,000	641,675	3,711,675
2030	275,000	113,012	388,012	-	-	-	675,000	9,382	684,382	2,975,000	557,260	3,532,260
2031	290,000	103,388	393,388	-	-	-	-	-	-	2,415,000	474,490	2,889,490
2032	305,000	93,238	398,238	-	-	-	-	-	-	2,545,000	396,339	2,941,339
2033	320,000	82,562	402,562	-	-	-	-	-	-	2,670,000	312,468	2,982,468
2034	335,000	71,362	406,362	-	-	-	-	-	-	2,100,000	224,017	2,324,017
2035	350,000	58,800	408,800	-	-	-	-	-	-	1,225,000	155,956	1,380,956
2036	370,000	45,676	415,676	-	-	-	-	-	-	1,280,000	114,951	1,394,951
2037	390,000	31,800	421,800	-	-	-	-	-	-	1,345,000	71,813	1,416,813
2038	405,000	16,200	421,200	-	-	-	-	-	-	645,000	24,600	669,600
	<u>\$ 5,000,000</u>	<u>2,050,946</u>	<u>7,050,946</u>	<u>1,695,000</u>	<u>225,234</u>	<u>1,920,234</u>	<u>6,270,000</u>	<u>486,558</u>	<u>6,756,558</u>	<u>41,045,000</u>	<u>10,454,609</u>	<u>51,499,609</u>

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Hays County Water Control and Improvement District No. 2

TSI-6 Analysis of Changes in Long-Term Bonded Debt September 30, 2020

	Series 2010	Series 2013	Series 2014	Series 2016R	Series 2016	Series 2017	Series 2018	Series 2018	Series 2019	Series 2020	Total
Interest rate	3.00% to 5.00%	2.60% to 3.40%	2.00% to 3.40%	2.59% to 3.23%	2.00% to 2.75%	2.00% to 3.35%	2.00% to 3.50%	3.50% to 4.00%	2.58%	1.39%	
Dates interest payable	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	
Maturity date	2021	2033	2034	2033	2034	2037	2038	2038	2029	2030	
Bonds outstanding, beginning of year	\$ 360,000	\$ 2,790,000	\$ 4,830,000	\$ 3,760,000	\$ 5,325,000	\$ 8,910,000	\$ 3,375,000	\$ 5,170,000	\$ 1,860,000	\$ -	\$ 36,380,000
Bonds issued during current year	-	-	-	-	-	-	-	-	-	6,270,000	6,270,000
Bonds retired during current year	(175,000)	(140,000)	(225,000)	(40,000)	(245,000)	(315,000)	(130,000)	(170,000)	(165,000)	-	(1,605,000)
Bonds outstanding, end of year	<u>\$ 185,000</u>	<u>\$ 2,650,000</u>	<u>\$ 4,605,000</u>	<u>\$ 3,720,000</u>	<u>\$ 5,080,000</u>	<u>\$ 8,595,000</u>	<u>\$ 3,245,000</u>	<u>\$ 5,000,000</u>	<u>\$ 1,695,000</u>	<u>\$ 6,270,000</u>	<u>\$ 41,045,000</u>
Interest paid during current year	<u>\$ 14,945</u>	<u>\$ 110,283</u>	<u>\$ 147,235</u>	<u>\$ 97,234</u>	<u>\$ 125,681</u>	<u>\$ 243,175</u>	<u>\$ 105,844</u>	<u>\$ 198,212</u>	<u>\$ 50,254</u>	<u>\$ -</u>	<u>\$ 1,092,863</u>
Paying agent's name & address:	Regions Bank Houston, TX	Amegy Bank Houston, TX	Amegy Bank Houston, TX	Regions Bank Houston, TX	Amegy Bank Houston, TX	Amegy Bank Houston, TX	Amegy Bank Houston, TX	Amegy Bank Houston, TX	BOKF, NA Dallas, TX	BOKF, NA Dallas, TX	
		(1)	(1)								
		Waterworks, Sanitary Sewer and Drainage System Tax Bonds	Roadway System Tax Bonds	Waterworks, Sanitary Sewer and Drainage System Refunding Bonds	Roadway System Refunding Bonds						
Bond authority:											
Bond authorized by voters		\$ 46,185,000	32,070,000	46,185,000	45,070,000						
Amount issued		<u>40,620,000</u>	<u>5,360,000</u>	<u>3,885,000</u>	<u>-</u>						
Remaining to be issued		<u>\$ 5,565,000</u>	<u>26,710,000</u>	<u>42,300,000</u>	<u>45,070,000</u>						

(1) In 2007, the voters of the District authorized issuance of \$32,070,000 in roadway system bonds for the purpose of constructing, maintaining and operating roads, and issuance of \$45,070,000 in refunding bonds for refunding of roadway system bonds. Due to changes in law since such authorizations, the District does not anticipate issuance of roadway system bonds in the full amount authorized. The District anticipates that issuance of roadway system bonds will be limited to reimbursement for design and construction of roads meeting the criteria of Hays County for a "thoroughfare, arterial or collector road." As of September 30, 2020, the District does not anticipate any additional issuances of roadway system bonds.

Debt Service Fund cash and temporary investments balances
as of September 30, 2020: \$ 1,261,709

Average annual debt service payments (principal & interest)
for remaining term of debt: \$ 2,861,089

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Hays County Water Control and Improvement District No. 2

TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund Five Years Ended September 30, 2020

	Amounts					Percent of Fund Total Revenues				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
General Fund										
Revenues and other sources:										
Water and wastewater services	\$ 1,119,516	917,141	924,012	873,764	665,142	32.3 %	25.4	31.3	28.3	25.4
Park fees	750	72,750	91,500	66,750	95,250	-	2.0	3.1	2.2	3.6
Tap connection/inspection fees	162,514	247,294	213,097	212,432	212,762	4.7	6.9	7.2	6.9	8.1
Basic services	1,140,892	1,030,764	903,965	828,161	712,473	32.9	28.6	30.6	26.8	27.3
Property taxes	968,359	1,085,833	706,764	1,104,911	926,275	27.9	30.1	23.9	35.7	35.4
Penalties and interest on tax accounts	2,287	2,096	1,221	1,713	1,756	0.1	-	-	0.1	0.1
Interest income and other	43,403	104,464	26,307	1,424	792	1.3	2.9	0.9	-	0.1
Transfers in	27,385	146,314	87,747	-	-	0.8	4.1	3.0	-	-
Total revenues and other sources	3,465,106	3,606,656	2,954,613	3,089,155	2,614,450	100.0	100.0	100.0	100.0	100.0
Expenditures:										
Service operations:										
Repairs and maintenance	805,624	527,108	517,776	614,842	611,932	23.3	14.6	17.5	19.9	23.4
Bulk water purchases	347,086	265,507	270,222	237,016	234,722	10.1	7.4	9.1	7.7	9.0
WTCPUA base fees	282,661	213,819	213,819	211,564	155,210	8.3	5.9	7.2	6.8	5.9
Garbage services	234,520	210,567	185,534	157,186	130,139	6.9	5.8	6.3	5.1	5.0
Legal fees	144,314	137,964	137,700	146,348	105,746	4.2	3.8	4.7	4.7	4.0
Management services	614,385	607,912	573,847	281,750	90,832	17.7	16.9	19.4	9.1	3.5
Engineering fees	100,062	75,204	66,876	44,519	89,007	2.9	2.1	2.3	1.4	3.4
WTCPUA reservation fees	-	49,764	49,702	49,897	51,760	-	1.4	1.7	1.6	2.0
Tap inspection fees	-	-	-	51,080	82,792	-	-	-	1.7	3.2
Directors' fees	21,961	26,620	21,970	18,752	21,554	0.6	0.7	0.7	0.6	0.8
Accounting fees	18,000	-	-	-	-	0.5	-	-	-	-
Audit fees	16,500	17,500	15,500	16,500	22,000	0.5	0.5	0.5	0.5	0.8
Insurance	9,360	8,953	8,206	7,400	6,518	0.3	0.2	0.3	0.2	0.2
Financial advisor fees	-	2,500	2,500	2,500	2,700	-	0.1	0.1	0.1	0.1
Other	85,447	63,553	54,815	38,067	32,977	2.5	1.8	1.9	1.2	1.3
Capital outlay	782,210	922,052	61,053	178,416	-	22.6	25.6	2.1	5.8	-
Total expenditures	3,462,130	3,129,023	2,179,520	2,055,837	1,637,889	99.9	86.8	73.8	66.4	62.6
Excess of revenues and other sources over expenditures	\$ 2,976	477,633	775,093	1,033,318	976,561	0.1 %	13.2	26.2	33.6	37.4
Debt Service Fund										
Revenues and other sources, net										
General revenues:										
Property taxes	\$ 2,699,422	2,157,477	2,060,822	1,073,051	771,210	98.7 %	95.7	97.0	99.1	74.4
Interest income and other	20,702	58,270	25,284	8,608	6,393	0.8	2.6	1.2	0.8	0.6
Penalties and interest on tax accounts	6,323	4,137	3,586	1,663	1,474	0.2	0.2	0.2	0.1	0.1
Transfers in	9,499	34,000	34,291	-	-	0.3	1.5	1.6	-	-
Proceeds from sale of bonds	-	-	-	-	162,140	-	-	-	-	15.7
Issuance of refunding bonds	-	-	-	-	3,885,000	-	-	-	-	374.7
Payment to refunded bond escrow agent	-	-	-	-	(3,789,435)	-	-	-	-	(365.5)
Total revenues and other sources, net	2,735,946	2,253,884	2,123,983	1,083,322	1,036,782	100.0	100.0	100.0	100.0	100.0
Expenditures:										
Service operations-										
Other	27,539	16,959	16,620	12,112	8,352	0.9	0.7	0.8	1.1	0.8
Debt service:										
Principal	1,605,000	1,390,000	1,030,000	510,000	265,000	58.8	61.7	48.5	47.1	25.6
Interest	1,092,863	1,020,053	757,467	547,642	457,574	39.9	45.3	35.7	50.6	44.1
Bond issuance costs	-	-	-	-	95,724	-	-	-	-	9.2
Total expenditures	2,725,402	2,427,012	1,804,087	1,069,754	826,650	99.6	107.7	85.0	98.8	79.7
Excess (deficiency) of revenues and other sources, net over (under) expenditures	\$ 10,544	(173,128)	319,896	13,568	210,132	0.4 %	(7.7)	15.0	1.2	20.3
Total Active Retail										
Water Connections	1,014	1,014	891	794	703					
Total Active Retail										
Wastewater Connections	1,008	1,008	886	789	699					

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Hays County Water Control and Improvement District No. 2

TSI-8 Board Members, Key Personnel and Consultants Year Ended September 30, 2020

Complete District Mailing Address: c/o Winstead PC
401 Congress Avenue, Suite 2100, Austin, Texas 78701

District Business Telephone Number: (512) 370-2939

Submission date of the most recent District Registration Form: November 30, 2020
(TWC Sections 36.054 and 49.054)

Limit on fees of office that a director may receive during a fiscal year: \$7,200
(Set by Board Resolution - TWC Sections 49.060)

Name	Term of Office Elected & Expires or Date Hired	Fees 9/30/20	Expense Reimbursements 9/30/20	Title at Year End
<u>Board Members:</u>				
Royce Wachsmann	Elected 5/16 -11/20	\$ 2,700	\$ -	President
Samantha E. Bethke	Elected 5/18- 5/22	4,500	-	Vice President
Sean McGillicuddy	Appointed 8/17- 11/20	4,650	-	Secretary
William Carroll Kelly, IV	Appointed 8/17- 11/20	3,450	-	Treasurer and Assistant Secretary
Bill Harris	Elected 5/18 - 5/22	5,100	-	Assistant Secretary

Note: No director is disqualified from serving on this board under the Texas Water Code.

(continued)

Hays County Water Control and Improvement District No. 2

TSI-8 Board Members, Key Personnel and Consultants (continued) Year Ended September 30, 2020

Name	Date Hired	Fees and Expense Reimbursements 9/30/20	Title at Year End
<u>Consultants:</u>			
Inframark, LLC	2001	\$ 617,738	General Manager and Operator
Andy Barrett and Associates PLLC	2001	\$ 16,500	Attorney
		\$ 50,160	Bond Services
Winstead PC	2015	\$ 54,428	Attorney
		\$ 82,510	Bond Services
Law Office of Matthew B. Kutac, PLLC	2017	\$ 74,956	Attorney
CMA Engineering, Inc.	2001	\$ 132,375	Engineer
Bott & Douthitt, PLLC	2020	\$ 10,500	Accountant
Maxwell Locke & Ritter LLP	2005	\$ 16,500	Auditor
		\$ 12,000	Bond Services
SAMCO Capital Markets	2005	\$ 2,500	Financial Advisor
		\$ 125,400	Bond Services
Hays Central Appraisal District	2006	\$ 25,633	Tax Appraiser
Hays County Tax Office	2007	\$ -	Tax Collector

Hays County Water Control and Improvement District No. 2

OSI-1 Principal Taxpayers

September 30, 2020

Taxpayer	Type of Property	Tax Roll Year		
		2020	2019	2018
LH Belterra LLC	Land & Improvements	\$ 6,122,880	\$ 5,794,890	\$ 3,335,020
Toll Southwest LLC	Land & Improvements	2,526,074	4,523,814	-
Kleist Living Trust	Land & Improvements	976,470	-	-
Homeowner	Land & Improvements	899,550	1,039,140	803,400
Homeowner	Land & Improvements	831,140	726,060	774,580
Corporation of the Presiding Bishop	Land & Improvements	755,900	-	-
Homeowner	Land & Improvements	742,440	-	768,040
Homeowner	Land & Improvements	741,710	-	740,770
Sitterle Homes-Austin LLC	Land & Improvements	741,390	2,054,610	2,684,880
Homeowner	Land & Improvements	721,740	-	-
Trendmaker Homes Inc.	Land & Improvements	-	2,135,774	3,876,700
Grand Haven Homes LP	Land & Improvements	-	1,443,020	-
MHI Partnership Ltd.	Land & Improvements	-	1,194,910	1,232,390
Scott Felder Homes LLC	Land & Improvements	-	1,147,300	822,830
Scott Felder Homes LLC	Land & Improvements	-	845,490	-
Highland Homes-Austin LLC	Land & Improvements	-	-	739,930
Total		<u>\$ 15,059,294</u>	<u>\$ 20,905,008</u>	<u>\$ 15,778,540</u>
Percent of Assessed Valuation		<u>3%</u>	<u>5%</u>	<u>4%</u>

Hays County Water Control and Improvement District No. 2

OSI-2 Assessed Value by Classification September 30, 2020

	Tax Roll Years					
	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 464,652,889	99%	\$ 402,578,595	96%	\$ 349,144,970	96%
Multi Family	-	-	-	-	-	-
Vacant Platted Lots/ Tracts	4,163,600	1%	6,691,070	2%	3,300,310	1%
Real Acreage	-	-	-	-	1,393,790	1%
Farm and Ranch Improvements	547,670	0%	451,830	0%	402,080	0%
Commercial/Industrial	13,710	0%	13,710	0%	13,710	0%
Tangible Personal, Business	1,724,593	0%	1,340,613	0%	261,751	0%
Real Inventory	7,560,300	2%	17,284,840	4%	15,174,570	4%
Exempt	1,839,860	1%	875,220	0%	741,730	0%
Adjustments	(12,789,989)	-3%	(9,733,407)	-2%	(6,299,656)	-2%
Total	<u>\$ 467,712,633</u>	<u>100%</u>	<u>\$ 419,502,471</u>	<u>100%</u>	<u>\$ 364,133,255</u>	<u>100%</u>