

**HAYS COUNTY WATER  
CONTROL AND IMPROVEMENT  
DISTRICT NO. 2**

**Financial Statements and  
Supplemental Information  
as of and for the Year Ended  
September 30, 2016 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, 2016, 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)

Thomas Patrick Phillips, 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.

## **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, 2016, 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, 2016, 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") listed in the table of contents is presented for purposes of additional analysis and is 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.

Austin, Texas  
January 19, 2017

## **HAYS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**

### **Management's Discussion and Analysis For the Year Ended September 30, 2016**

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, 2016. 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 approximately \$773,000 (*net position*).
- As of the close of the current fiscal year, the District's governmental funds reported ending fund balance of approximately \$3,975,000
- The District issued \$6,000,000 in Unlimited Tax Bonds, Series 2016.
- The District issued \$3,885,000 in Unlimited Tax Refunding Bonds, Series 2016.
- The District has \$26,685,000 of waterworks, sanitary sewer and drainage bonds and \$32,070,000 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*

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 are presented immediately following the *Notes to Basic Financial Statements*.

## Comparative Financial Statements

### Statement of Net Position

	Governmental Activities		
	2016	2015	% Change
Current assets	\$ 4,507,011	\$ 3,493,486	29%
Capital and non-current assets	14,593,807	12,989,963	12%
Total assets	<u>19,100,818</u>	<u>16,483,449</u>	<u>16%</u>
Deferred outflows of resources	211,966	-	100%
Current liabilities	1,078,063	774,006	39%
Long-term liabilities	19,008,049	17,604,169	8%
Total liabilities	<u>20,086,112</u>	<u>18,378,175</u>	<u>9%</u>
Net investment in capital assets	(4,554,334)	(3,618,962)	(26%)
Restricted	1,039,836	833,708	25%
Unrestricted	2,741,170	890,528	208%
Total net position	<u>\$ (773,328)</u>	<u>\$ (1,894,726)</u>	<u>59%</u>

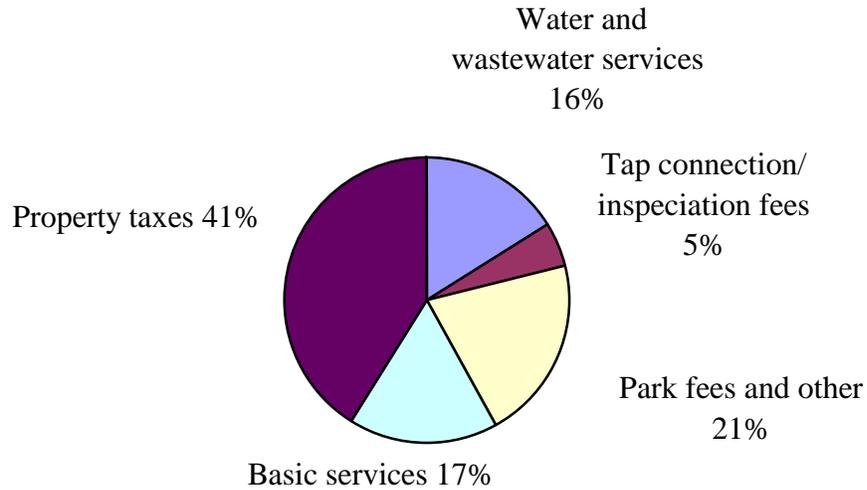
The District’s total assets were approximately \$19.1 million as of September 30, 2016. Of this amount, approximately \$5.6 million is accounted for by capital assets and approximately \$9.0 million is accounted for by intangible assets. The District had outstanding liabilities of approximately \$20.1 million of which approximately \$0.4 million is payable to the developer and approximately \$19.1 million is included in bonds payable.

## Statement of Activities

	Governmental Activities		
	2016	2015	% Change
Property taxes	\$ 1,699,437	\$ 1,319,546	29%
Basic services	712,473	576,927	23%
Water and wastewater service	665,142	505,086	32%
Tap connection/inspection fees	212,762	173,333	23%
Park fees	95,250	75,000	27%
Other	812,174	7,073	11,383%
Penalties and interest	3,230	1,144	182%
<b>Total revenue</b>	<b>4,200,468</b>	<b>2,658,109</b>	<b>58%</b>
Repair and maintenance	611,932	524,864	17%
Bulk water purchase	234,722	185,188	27%
WTCPUA fees	206,970	216,141	(4%)
Garbage services	130,139	111,703	17%
Legal fees	105,746	109,770	(4%)
Management services	90,832	78,301	16%
Engineering fees	89,007	29,380	203%
Tap inspection fees	82,792	53,711	54%
Other	94,140	63,433	48%
Bond issuance costs	557,558	377,327	48%
Debt service	493,208	491,815	<1%
Amortization	303,341	391,703	(23%)
Depreciation	78,683	42,102	87%
<b>Total expenses</b>	<b>3,079,070</b>	<b>2,675,438</b>	<b>15%</b>
Change in net position	1,121,398	(17,329)	6,571%
Beginning net position	(1,894,726)	(1,877,397)	(1%)
<b>Ending net position</b>	<b>\$ (773,328)</b>	<b>\$ (1,894,726)</b>	<b>59%</b>

Total revenues were approximately \$4.2 million for the fiscal year ended September 30, 2016, which is a 58% increase from the prior year. Tap connection and inspection fees provided approximately \$213,000, property taxes provided approximately \$1,699,000, and water and wastewater service provided approximately \$665,000. Expenses increased by approximately \$404,000 to a total of approximately \$3.1 million for the fiscal year ended September 30, 2016, with much of the increase attributable to the bond issuance costs from the Series 2016 bond issuances and an increase depreciation expense due to the increase in capital assets. Net position increased approximately \$1.1 million for the year ended September 30, 2016.

**Sources of Revenues**



**Analysis of Governmental Funds**

	2016	2015
Cash and temporary investments	\$ 4,270,179	\$ 3,206,189
Receivables	236,832	268,115
Due from other funds	5,245	3,200
Due from Hays County WCID No. 1	-	19,182
<b>Total assets</b>	<b>\$ 4,512,256</b>	<b>\$ 3,496,686</b>
Accounts payable	\$ 296,627	\$ 358,315
Customer deposits	133,748	124,873
Due to other funds	5,245	3,200
Due to Hays County WCID No. 1	56,651	-
Unearned revenue	35,400	-
<b>Total liabilities</b>	<b>527,671</b>	<b>486,388</b>
Deferred inflows of resources	9,175	7,223
Restricted fund balances	1,451,285	1,455,511
Unassigned fund balance	2,524,125	1,547,564
<b>Total fund balances</b>	<b>3,975,410</b>	<b>3,003,075</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,512,256</b>	<b>\$ 3,496,686</b>

The *General Fund* pays for daily operating expenditures. The General Fund's fund balance increased by approximately \$977,000 during the year resulting in an ending fund balance of approximately \$2,524,000 as of September 30, 2016. When comparing actual to budget, actual revenues were higher than budget by approximately \$473,000 due to more tap connection/inspection fees, more park fees, more basic service fees, higher property tax collections, and higher water and wastewater service revenue. Actual expenditures were lower than budget by approximately \$332,000 primarily due to no capital outlay expenditures during the year.

The *Debt Service Fund* remitted bond principal of \$265,000 and interest of approximately \$458,000. 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 approximately \$5,200,000 for the year ended September 30, 2016.

### Capital Assets

	2016	2015
Water and wastewater facilities	\$ 5,165,777	\$ -
Park improvements	631,521	631,521
Accumulated depreciation	(220,652)	(141,969)
Total	<u>\$ 5,576,646</u>	<u>\$ 489,552</u>

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

### Intangible Assets

	2016	2015
Right to receive wastewater service	\$ 10,129,486	\$ 13,790,943
Accumulated amortization	(1,150,693)	(1,290,532)
Total	<u>\$ 8,978,793</u>	<u>\$ 12,500,411</u>

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

### Long-Term Debt Activity

	2016	2015
Series 2010 Bonds	\$ 810,000	\$ 4,510,000
Series 2013 Bonds	3,170,000	3,285,000
Series 2014 Bonds	5,250,000	5,250,000
Series 2016R Bonds	3,870,000	-
Series 2016 Bonds	6,000,000	-
Developer advances	4,509,169	4,809,169
Total	<u>\$ 23,609,169</u>	<u>\$ 17,854,169</u>

At September 30, 2016, the District owed approximately \$0.4 million to the developer for advances used to fund construction. At September 30, 2016, the District owed approximately \$19.1 million to bond holders. At September 30, 2016, the District has \$26,685,000 of waterworks, sanitary sewer and drainage unlimited tax bonds and \$32,070,000 of roadway system unlimited tax bonds that were authorized by the District, but unissued.

### **Currently Known Facts, Decisions, and Conditions**

For fiscal year 2017, which is the tax year 2016, the tax rate has been set at \$0.8750 per \$100 of assessed valuation of which \$0.4439 is approved for maintenance and operations and \$0.4311 is approved for debt service to provide for payment of principal and interest associated with outstanding bonds. The adopted budget for 2017 projects an increase in fund balance of the General Fund of approximately \$36,000. When compared to the 2016 amended budget, revenues are expected to increase by approximately \$298,000 and expenditures are expected to increase by approximately \$433,000.

### **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, 2016

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	GOVERNMENTAL FUNDS TOTAL	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET POSITION
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 2,578,360	830,353	369,908	3,778,621	-	3,778,621
Temporary investments	245,779	245,779	-	491,558	-	491,558
Receivables:						
Property taxes	5,079	4,096	-	9,175	-	9,175
Services	209,098	-	-	209,098	-	209,098
Due from other funds	-	5,245	-	5,245	(5,245)	-
Other receivables	18,559	-	-	18,559	-	18,559
Bond insurance costs	-	-	-	-	38,368	38,368
Intangible assets (net of accumulated amortization)-						
Right to receive wastewater service	-	-	-	-	8,978,793	8,978,793
Capital assets (net of accumulated depreciation):						
Water and wastewater facilities	-	-	-	-	5,129,196	5,129,196
Park improvements	-	-	-	-	447,450	447,450
Total assets	<u>\$ 3,056,875</u>	<u>1,085,473</u>	<u>369,908</u>	<u>4,512,256</u>	<u>14,588,562</u>	<u>19,100,818</u>
<b>DEFERRED OUTFLOWS OF RESOURCES-</b>						
Deferred charges on bond refundings	-	-	-	-	211,966	211,966
<b>LIABILITIES:</b>						
Accounts payable	\$ 296,627	-	-	296,627	-	296,627
Refundable deposits	133,748	-	-	133,748	-	133,748
Due to other funds	5,245	-	-	5,245	(5,245)	-
Due to Hays County WCID No. 1	56,651	-	-	56,651	-	56,651
Bond interest payable	-	-	-	-	45,637	45,637
Unearned revenue	35,400	-	-	35,400	-	35,400
Long-term liabilities:						
Due within one year	-	-	-	-	510,000	510,000
Due after one year	-	-	-	-	18,590,000	18,590,000
Developer advances	-	-	-	-	418,049	418,049
Total liabilities	<u>527,671</u>	<u>-</u>	<u>-</u>	<u>527,671</u>	<u>19,558,441</u>	<u>20,086,112</u>
<b>DEFERRED INFLOWS OF RESOURCES-</b>						
Deferred revenue - property taxes	5,079	4,096	-	9,175	(9,175)	-
<b>FUND BALANCES/ NET POSITION:</b>						
Fund balances:						
Restricted for:						
Debt service	-	1,081,377	-	1,081,377	(1,081,377)	-
Capital projects	-	-	369,908	369,908	(369,908)	-
Unassigned	2,524,125	-	-	2,524,125	(2,524,125)	-
Total fund balances	<u>2,524,125</u>	<u>1,081,377</u>	<u>369,908</u>	<u>3,975,410</u>	<u>(3,975,410)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,056,875</u>	<u>1,085,473</u>	<u>369,908</u>	<u>4,512,256</u>		
Net position:						
Net investment in capital assets					(4,554,334)	(4,554,334)
Restricted for debt service					1,039,836	1,039,836
Unrestricted					2,741,170	2,741,170
Total net position					<u>\$ (773,328)</u>	<u>\$ (773,328)</u>

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

# 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, 2016

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	GOVERNMENTAL FUNDS TOTAL	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
<b>EXPENDITURES/EXPENSES:</b>						
Service operations:						
Repair and maintenance	\$ 611,932	-	-	611,932	-	611,932
Bulk water purchases	234,722	-	-	234,722	-	234,722
WTCPUA base fees	155,210	-	-	155,210	-	155,210
Garbage services	130,139	-	-	130,139	-	130,139
Legal fees	105,746	-	-	105,746	-	105,746
Management services	90,832	-	-	90,832	-	90,832
Engineering fees	89,007	-	-	89,007	-	89,007
WTCPUA reservation fees	51,760	-	-	51,760	-	51,760
Tap inspection fees	82,792	-	-	82,792	-	82,792
Directors' fees	21,554	-	-	21,554	-	21,554
Audit fees	22,000	-	-	22,000	-	22,000
Insurance	6,518	-	-	6,518	-	6,518
Financial advisor fees	2,700	-	-	2,700	-	2,700
Other	32,977	8,352	39	41,368	-	41,368
Debt service:						
Principal	-	265,000	-	265,000	(265,000)	-
Interest and fiscal agent fees	-	457,574	-	457,574	19,420	476,994
Bond issuance costs	-	95,724	502,334	598,058	(40,500)	557,558
Developer reimbursement	-	-	316,214	316,214	(300,000)	16,214
Capital outlay	-	-	5,234,462	5,234,462	(5,234,462)	-
Amortization	-	-	-	-	303,341	303,341
Depreciation	-	-	-	-	78,683	78,683
Total expenditures/expenses	<u>1,637,889</u>	<u>826,650</u>	<u>6,053,049</u>	<u>8,517,588</u>	<u>(5,438,518)</u>	<u>3,079,070</u>
<b>REVENUES:</b>						
Program revenues:						
Basic services	712,473	-	-	712,473	-	712,473
Water and wastewater service	665,142	-	-	665,142	-	665,142
Tap connection/inspection fees	212,762	-	-	212,762	-	212,762
Park fees	95,250	-	-	95,250	-	95,250
Total program revenues	<u>1,685,627</u>	<u>-</u>	<u>-</u>	<u>1,685,627</u>	<u>-</u>	<u>1,685,627</u>
Net program expenses						<u>(1,393,443)</u>
General revenues:						
Property taxes	926,275	771,210	-	1,697,485	1,952	1,699,437
Interest income and other	792	6,393	831	8,016	-	8,016
Penalties and interest on tax accounts	1,756	1,474	-	3,230	-	3,230
Other contributions	-	-	-	-	804,158	804,158
Total general revenues	<u>928,823</u>	<u>779,077</u>	<u>831</u>	<u>1,708,731</u>	<u>806,110</u>	<u>2,514,841</u>
Total revenues	<u>2,614,450</u>	<u>779,077</u>	<u>831</u>	<u>3,394,358</u>	<u>806,110</u>	<u>4,200,468</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>976,561</u>	<u>(47,573)</u>	<u>(6,052,218)</u>	<u>(5,123,230)</u>	<u>6,244,628</u>	<u>1,121,398</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of bonds	-	162,140	5,837,860	6,000,000	(6,000,000)	-
Issuance of refunding bonds	-	3,885,000	-	3,885,000	(3,885,000)	-
Payment to refunded bond escrow agent	-	(3,789,435)	-	(3,789,435)	3,789,435	-
Total other financing sources, net	<u>-</u>	<u>257,705</u>	<u>5,837,860</u>	<u>6,095,565</u>	<u>(6,095,565)</u>	<u>-</u>
Change in fund balances/net position	976,561	210,132	(214,358)	972,335	149,063	1,121,398
<b>FUND BALANCES/ NET POSITION:</b>						
Beginning of year	1,547,564	871,245	584,266	3,003,075	(4,897,801)	(1,894,726)
End of year	<u>\$ 2,524,125</u>	<u>1,081,377</u>	<u>369,908</u>	<u>3,975,410</u>	<u>(4,748,738)</u>	<u>(773,328)</u>

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

*This document is a preliminary draft for use in 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, 2016

	Budget Amounts		Actual	Variance
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 879,616	879,616	926,275	46,659
Basic services	627,624	627,624	712,473	84,849
Water and wastewater service	361,892	426,311	665,142	238,831
Tap connection/inspection fees	180,400	180,400	212,762	32,362
Park fees	27,000	27,000	95,250	68,250
Penalties and interest on tax accounts	500	500	1,756	1,256
Interest income and other	50	50	792	742
Total revenues	2,077,082	2,141,501	2,614,450	472,949
<b>EXPENDITURES:</b>				
Service operations:				
Repair and maintenance	586,022	641,240	611,932	29,308
Bulk water purchases	181,206	205,947	234,722	(28,775)
WTCPUA base fees	167,214	148,555	155,210	(6,655)
Garbage services	125,000	125,000	130,139	(5,139)
Legal fees	103,060	103,060	105,746	(2,686)
Management services	85,000	85,000	90,832	(5,832)
Engineering fees	66,000	66,000	89,007	(23,007)
WTCPUA reservation fees	59,888	49,693	51,760	(2,067)
Tap inspection fees	48,400	48,400	82,792	(34,392)
Directors' fees	42,700	42,700	21,554	21,146
Audit fees	15,000	15,000	22,000	(7,000)
Insurance	8,000	8,000	6,518	1,482
Financial advisor fees	2,500	2,500	2,700	(200)
Other	31,620	43,583	32,977	10,606
Capital outlay	385,000	385,000	-	385,000
Total expenditures	1,906,610	1,969,678	1,637,889	331,789
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	170,472	171,823	976,561	804,738
<b>FUND BALANCE:</b>				
Beginning of year	1,547,564	1,547,564	1,547,564	-
End of year	\$ 1,718,036	1,719,387	2,524,125	804,738

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

# HAYS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2016

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### 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 77<sup>th</sup> Legislature confirmed the creation of the District and further granted the District all powers in Chapter 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 Governmental Accounting Standards Board (“GASB”) Statement No. 14, 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**

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, 2016, there was no allowance for uncollectible accounts.

*This document is a preliminary draft for use in internal review and discussion and is not intended for external distribution*

Investments - 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.

Intangible Assets - Intangible assets, which consist of the right to receive wastewater service, are reported in the governmental activities columns 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 and park improvements, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with 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 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.

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 adopted 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 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.

Implementation of GASB Statement No. 72 did not have a significant impact on the District's financial statements for the year ended September 30, 2016.

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Governmental funds total fund balances	\$	3,975,410
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, net of accumulated depreciation		5,576,646
Intangible assets, net of accumulated amortization		8,978,793
Bond insurance costs		38,368
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.		9,175
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds payable		(19,100,000)
Less: Deferred charges on bond refundings		211,966
Bond interest payable		(45,637)
Developer advances		(418,049)
Total net position	\$	<u>(773,328)</u>

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

Excess of revenues and other financing sources over expenditures	\$	972,335
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense.		
Capital outlay		5,234,462
Depreciation expense		(78,683)
Disposal of intangible assets		(3,286,962)
Amortization expense		(303,341)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred tax revenue		1,952
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayment of bond principal		265,000
Proceeds from sale of bonds		(6,000,000)
Issuance of refunding bonds		(3,885,000)
Payment to refunded bond escrow agent		3,789,435
Repayment of developer advances		300,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in bond interest payable		(4,819)
Change in developer advances		4,091,120
Amortization of deferred charge on refundings		(12,469)
Bond insurance premium		40,500
Amortization of bond insurance costs		(2,132)
Change in net position	\$	<u>1,121,398</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, 2016, such deposits, consisting of bank deposits, certificates of deposit, 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, 2016 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Certificates of deposit	<u>\$ 491,558</u>	236	N/A

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. The District's investment policy requires that certificates of deposit be either federally insured or collateralized. At September 30, 2016, all certificates of deposits were collateralized in compliance with the District's investment policy.

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. Certificates of deposit held by the District have set interest rates.

#### 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 2015, 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 \$0.4775 and \$0.3975, respectively. The total 2015 tax levy was \$1,699,479 based on a taxable valuation of \$186,073,538.

## 5. INTERFUND RECEIVABLES AND PAYABLES

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, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 5,245

## 6. INTANGIBLE ASSETS

Intangible asset activity for the year ended September 30, 2016, was as follows:

	Balance September 30, 2015	Additions	Retirements and Transfers	Balance September 30, 2016
Intangible assets- Right to receive wastewater service	\$ 13,790,943	68,685	(3,730,142)	10,129,486
Total intangible assets being amortized	13,790,943	68,685	(3,730,142)	10,129,486
Less accumulated amortization for- Right to receive wastewater service	(1,290,532)	(303,341)	443,180	(1,150,693)
Intangible assets, net	<u>\$ 12,500,411</u>	<u>(234,656)</u>	<u>(3,286,962)</u>	<u>8,978,793</u>

## 7. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2016, was as follows:

	Balance September 30, 2015	Additions	Retirements and Transfers	Balance September 30, 2016
Park improvements	\$ 631,521	-	-	631,521
Water and wastewater facilities	-	5,165,777	-	5,165,777
Total capital assets	631,521	5,165,777	-	5,797,298
Less accumulated depreciation for:				
Park improvements	(141,969)	(42,102)	-	(220,652)
Water and wastewater facilities	-	(36,581)	-	(36,581)
Total accumulated depreciation	(141,969)	(78,683)	-	(220,652)
Capital assets, net	<u>\$ 489,552</u>	<u>5,087,094</u>	<u>-</u>	<u>5,576,646</u>

## 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, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance
Deferred charges on bond refundings	\$ -	224,435	(12,469)	211,966

## 9. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2016:

	Balance September 30, 2015	Additions	Reductions	Balance September 30, 2016
Unlimited Tax Bonds, Series 2010	\$ 4,510,000	-	(3,700,000)	810,000
Unlimited Tax Bonds, Series 2013	3,285,000	-	(115,000)	3,170,000
Unlimited Tax Bonds, Series 2014	5,250,000	-	-	5,250,000
Unlimited Tax Bonds, Series 2016R	-	3,885,000	(15,000)	3,870,000
Unlimited Tax Bonds, Series 2016	-	6,000,000	-	6,000,000
	<u>\$ 13,045,000</u>	<u>9,885,000</u>	<u>(3,830,000)</u>	<u>19,100,000</u>

Long-term debt at September 30, 2016 was comprised of the following individual issue:

Series	Description	Matures Through	Interest Rate %	Balance September 30, 2016	Due Within One Year
2010	Unlimited Tax Bonds	2021	3.0% - 5.0%	\$ 810,000	\$ 140,000
2013	Unlimited Tax Bonds	2033	2.6% - 3.4%	3,170,000	120,000
2014	Unlimited Tax Bonds	2034	2.0% - 3.4%	5,250,000	-
2016R	Unlimited Tax Refunding Bonds	2033	2.6% - 3.2%	3,870,000	35,000
2016	Unlimited Tax Bonds	2034	2.0% - 2.8%	6,000,000	215,000
Total				<u>\$ 19,100,000</u>	<u>\$ 510,000</u>

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

Fiscal Year	Principal	Interest	Total
2017	\$ 510,000	547,643	1,057,643
2018	740,000	533,928	1,273,928
2019	785,000	515,323	1,300,323
2020	825,000	495,379	1,320,379
2021	865,000	474,129	1,339,129
2022 - 2026	5,040,000	2,008,904	7,048,904
2027 - 2031	6,375,000	1,272,694	7,647,694
2032 - 2034	3,960,000	250,194	4,210,192
Total	\$ 19,100,000	6,098,194	25,198,194

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.

On April 21, 2016, the District issued \$3,885,000 of Unlimited Tax Refunding Bonds, Series 2016, to advance refund \$3,565,000 of the Series 2010 previously issued in order to lower its overall debt service requirements. The net proceeds of \$3,789,527 (after payment of \$95,474 in underwriting fees, insurance, and other issuance costs) were used for the following: \$3,789,435 was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and \$92 was deposited in the Debt Service Fund for principal and interest. As a result, \$3,565,000 of bond principal is considered defeased, and the liability of these bonds was removed from the basic financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$224,435. This amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt which was equal to the life of the new debt issued. The advance refunding resulted in a gross savings of \$676,682 and an economic gain of \$533,912.

On July 12, 2016, the District issued \$6,000,000 Unlimited Tax Bonds, Series 2016, to reimburse the District's developer for construction, engineering and operating 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 \$5,584,913 (after payment of \$420,113 in underwriter fees, insurance, and other bond related costs) were deposited with the District investment accounts to provide payments for developer reimbursements and to pay for future bond interest and subsequent bond issue costs.

In the current year, the District defeased outstanding general obligation bonds through the issuance of refunding bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for the future debt service payments on the refunded bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements. At September 30, 2016, outstanding bonds of \$3,565,000 are considered defeased.

At September 30, 2016, there were \$26,685,000 of waterworks, sanitary sewer and drainage bonds authorized by voters of the District but unissued. At September 30, 2016, there were \$32,070,000 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 LUE's.

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 in exchange for the right to receive wastewater collection and treatment services. 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 collection and treatment services but do not accord the District ownership of the wastewater treatment plant. Hays County WCID No. 1 owns title to the wastewater treatment plant. At September 30, 2016, the District owes Hays County WCID No. 1 \$56,651 under the Agreement.

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 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 the 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." The District currently estimates that the District will issue approximately \$4,000,000 to \$7,000,000 in roadway system bonds, and is in the process of identifying those roads that will be reimbursable.

As of September 30, 2016, developer commitments under construction contracts (complete and in-progress) totaled approximately \$13,828,000. The District has outstanding liabilities of \$418,049 of developer advances as of September 30, 2016 which relates to the contributed intangible assets associated with the wastewater treatment plant and the Agreement discussed above. These amounts are expected to be repaid to the developer from future bond proceeds.

## 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, 2016

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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, 2016
<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, 2016

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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 SERVICES AND RATES YEAR ENDED SEPTEMBER 30, 2016

---

**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<br>(other than emergency interconnect) |   |  |
| <input type="checkbox"/> Other (specify): _____  |   |  |

**2. Retail Service Providers:**

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum Use</u>	<u>Usage Levels</u>
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?       Yes       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 SERVICES AND RATES (continued)  
YEAR ENDED SEPTEMBER 30, 2016**

**b. Water and Wastewater Retail Connections:**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	-	-	x 1.0	-
<=3/4"	699	699	x 1.0	699
1"	1	1	x 2.5	2.5
1 1/2"	-	-	x 5.0	-
2"	1	1	x 8.0	8
3"	2	2	x 15.0	30
4"	-	-	x 25.0	-
6"	-	-	x 50.0	-
8"	-	-	x 80.0	-
10"	-	-	x 115.0	-
Total Water	703	703		739.5
Total Wastewater	699	699	x 1.0	699

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

Gallons pumped into system:	<u>97,407,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>90,411,000</u>	(Gallons billed/Gallons pumped) <u>92.8%</u>

**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 SERVICES AND RATES (continued) YEAR ENDED SEPTEMBER 30, 2016

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#### 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, 2016

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Personnel expenditures (including benefits)	\$	-
Professional fees:		
Auditing		22,000
Legal		105,746
Engineering		89,007
Financial advisor		2,700
Purchased services for resale-		
Bulk water purchases		234,722
Contracted services:		
Bookkeeping		-
General manager		90,832
Appraisal district		7,172
Tax collector		239
Other contracted services		-
Utilities		9,728
Repairs and maintenance		611,932
Administrative expenditures:		
Directors' fees		21,554
Office supplies		-
Insurance		6,518
Other administrative expenses		543
Capital outlay:		
Capitalized assets		-
Expenditures not capitalized		-
Tap connection expenditures		82,792
Solid waste disposal		130,139
Fire fighting		-
Parks and recreation		-
Other expenditures		222,265
TOTAL EXPENDITURES	\$	<u>1,637,889</u>

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

## HAYS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

### TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS YEAR ENDED SEPTEMBER 30, 2016

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at September 30, 2016	Accrued Interest Receivable at September 30, 2016
<u>General Fund-</u>					
Certificate of Deposit - Crockett National Bank	16351	0.90%	5/24/2017	245,779	-
<u>Debt Service Fund-</u>					
Certificate of Deposit - Crockett National Bank	16350	0.90%	5/24/2017	245,779	-
Total - All Funds				\$ 491,558	\$ -

## HAYS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

### TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE YEAR ENDED SEPTEMBER 30, 2016

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
TAXES RECEIVABLE, SEPTEMBER 30, 2015	\$ 3,942	\$ 3,281
2015 Tax Roll	927,430	772,049
Adjustments	<u>(18)</u>	<u>(24)</u>
Total to be accounted for	<u>931,354</u>	<u>775,306</u>
Tax collections:		
Current year	926,031	770,884
Prior years	<u>244</u>	<u>326</u>
Total collections	<u>926,275</u>	<u>771,210</u>
TAXES RECEIVABLE, SEPTEMBER 30, 2016	<u><u>\$ 5,079</u></u>	<u><u>\$ 4,096</u></u>
TAXES RECEIVABLE, BY YEARS		
2015	\$ 1,400	\$ 1,165
2014	1,034	1,378
2013	1,266	928
2012	1,143	495
2011 and prior	<u>236</u>	<u>130</u>
TAXES RECEIVABLE, SEPTEMBER 30, 2016	<u><u>\$ 5,079</u></u>	<u><u>\$ 4,096</u></u>

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
PROPERTY VALUATIONS-				
Land improvements and personal property	\$ 186,073,538	\$ 144,144,687	\$ 106,033,629	\$ 65,825,833
TAX RATES PER \$100 VALUATION:				
Maintenance tax rates	0.4775	0.3750	0.5050	0.6107
Debt service tax rates	<u>0.3975</u>	<u>0.5000</u>	<u>0.3700</u>	<u>0.2643</u>
TOTAL TAX RATES PER \$100 VALUATION	<u><u>\$ 0.8750</u></u>	<u><u>\$ 0.8750</u></u>	<u><u>\$ 0.8750</u></u>	<u><u>\$ 0.8750</u></u>
ORIGINAL TAX LEVY	<u><u>\$ 1,699,479</u></u>	<u><u>\$ 1,319,548 *</u></u>	<u><u>\$ 754,027</u></u>	<u><u>\$ 731,584</u></u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u><u>99.8%</u></u>	<u><u>99.8% *</u></u>	<u><u>99.7%</u></u>	<u><u>99.8%</u></u>

\* Includes rollback adjustments.

## HAYS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

### TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS SEPTEMBER 30, 2016

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX BONDS SERIES 2010			UNLIMITED TAX BONDS SERIES 2013			UNLIMITED TAX BONDS SERIES 2014		
	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
	2017	\$ 140,000	32,585	172,585	120,000	120,163	240,163	-	155,636
2018	150,000	27,195	177,195	125,000	117,043	242,043	205,000	155,636	360,636
2019	160,000	21,345	181,345	135,000	113,793	248,793	215,000	151,536	366,536
2020	175,000	14,945	189,945	140,000	110,283	250,283	225,000	147,236	372,236
2021	185,000	7,770	192,770	145,000	106,643	251,643	235,000	142,736	377,736
2022	-	-	-	155,000	102,583	257,583	245,000	138,036	383,036
2023	-	-	-	165,000	97,933	262,933	260,000	131,910	391,910
2024	-	-	-	170,000	92,653	262,653	270,000	124,110	394,110
2025	-	-	-	180,000	86,873	266,873	285,000	116,010	401,010
2026	-	-	-	190,000	80,033	270,033	300,000	107,460	407,460
2027	-	-	-	200,000	72,813	272,813	315,000	98,460	413,460
2028	-	-	-	210,000	64,563	274,563	330,000	89,010	419,010
2029	-	-	-	220,000	55,900	275,900	350,000	79,110	429,110
2030	-	-	-	235,000	46,220	281,220	365,000	68,260	433,260
2031	-	-	-	245,000	35,880	280,880	385,000	56,580	441,580
2032	-	-	-	260,000	24,610	284,610	400,000	43,876	443,876
2033	-	-	-	275,000	12,650	287,650	420,000	30,277	450,277
2034	-	-	-	-	-	-	445,000	23,362	468,362
	<u>\$ 810,000</u>	<u>103,840</u>	<u>913,840</u>	<u>3,170,000</u>	<u>1,340,636</u>	<u>4,510,636</u>	<u>5,250,000</u>	<u>1,859,241</u>	<u>7,109,241</u>

(continued)

## HAYS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

### TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS (continued)

**SEPTEMBER 30, 2016**

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX BONDS SERIES 2016R			UNLIMITED TAX BONDS SERIES 2016			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	Interest Due	Total
2017	\$ 35,000	100,078	135,078	215,000	139,181	354,181	510,000	547,643	1,057,643
2018	35,000	99,173	134,173	225,000	134,881	359,881	740,000	533,928	1,273,928
2019	40,000	98,268	138,268	235,000	130,381	365,381	785,000	515,323	1,300,323
2020	40,000	97,234	137,234	245,000	125,681	370,681	825,000	495,379	1,320,379
2021	40,000	96,199	136,199	260,000	120,781	380,781	865,000	474,129	1,339,129
2022	240,000	95,165	335,165	270,000	115,581	385,581	910,000	451,365	1,361,365
2023	255,000	88,958	343,958	285,000	110,181	395,181	965,000	428,982	1,393,982
2024	265,000	82,364	347,364	300,000	104,481	404,481	1,005,000	403,608	1,408,608
2025	275,000	75,511	350,511	315,000	98,481	413,481	1,055,000	376,875	1,431,875
2026	285,000	68,400	353,400	330,000	92,181	422,181	1,105,000	348,074	1,453,074
2027	300,000	61,030	361,030	350,000	85,169	435,169	1,165,000	317,472	1,482,472
2028	305,000	66,600	371,600	365,000	77,294	442,294	1,210,000	297,467	1,507,467
2029	315,000	56,739	371,739	385,000	68,625	453,625	1,270,000	260,374	1,530,374
2030	330,000	46,555	376,555	400,000	59,000	459,000	1,330,000	220,035	1,550,035
2031	350,000	35,886	385,886	420,000	49,000	469,000	1,400,000	177,346	1,577,346
2032	370,000	24,571	394,571	445,000	38,501	483,501	1,475,000	131,558	1,606,558
2033	390,000	12,609	402,609	465,000	26,264	491,264	1,550,000	81,800	1,631,800
2034	-	-	-	490,000	13,474	503,474	935,000	36,836	971,836
	<u>\$ 3,870,000</u>	<u>1,205,340</u>	<u>5,075,340</u>	<u>6,000,000</u>	<u>1,589,137</u>	<u>7,589,137</u>	<u>19,100,000</u>	<u>6,098,194</u>	<u>25,198,194</u>

*This document is a preliminary draft for use in internal review and discussion and is not intended for external distribution*

# HAYS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

## TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT SEPTEMBER 30, 2016

	Series 2010	Series 2013	Series 2014	Series 2016R	Series 2016	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%	
Dates interest payable	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	
Bonds outstanding, beginning of year \$	4,510,000	\$ 3,285,000	\$ 5,250,000	\$ -	\$ -	\$ 13,045,000
Bonds issued during current year	-	-	-	3,885,000	6,000,000	9,885,000
Bonds retired during current year	(3,700,000)	(115,000)	-	(15,000)	-	(3,830,000)
Bonds outstanding, end of year	<u>\$ 810,000</u>	<u>\$ 3,170,000</u>	<u>\$ 5,250,000</u>	<u>\$ 3,870,000</u>	<u>\$ 6,000,000</u>	<u>\$ 19,100,000</u>
Interest paid during current year	<u>\$ 124,337</u>	<u>\$ 123,152</u>	<u>\$ 155,636</u>	<u>\$ 36,279</u>	<u>\$ 23,197</u>	<u>\$ 462,601</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	
				(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		19,500,000	-	3,885,000	-	
Remaining to be issued		<u>\$ 26,685,000</u>	<u>32,070,000</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." The District currently estimates that the District will issue approximately \$4,000,000 to \$7,000,000 in roadway system bonds, and is in the process of identifying those roads that will be reimbursable.

Debt Service Fund cash and temporary investments balances  
as of September 30, 2016:

\$ 1,076,132

Average annual debt service payments (principal & interest)  
for remaining term of debt:

\$ 1,399,900

# 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, 2016

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
<b>GENERAL FUND</b>										
REVENUES AND OTHER SOURCES:										
Water and wastewater services	\$ 665,142	505,086	333,590	336,001	328,659	25.4 %	26.7	20.7	20.7	22.6
Park fees	95,250	75,000	65,250	96,750	64,500	3.6	4.0	4.0	5.9	4.4
Tap connection/inspection fees	212,762	173,333	154,341	192,770	279,868	8.1	9.1	9.5	11.9	19.2
Basic services	712,473	576,927	423,957	338,348	123,011	27.3	30.4	26.2	20.8	8.5
Property taxes	926,275	565,893	554,265	509,469	370,958	35.4	29.8	34.2	31.3	25.5
Penalties and interest on tax accounts	1,756	523	545	959	472	0.1	-	-	-	-
Texas Parks and Wildlife Department grant	-	-	-	152,187	100,000	-	-	-	9.4	6.9
Interest income and other	792	16	45	70	1,479	0.1	-	-	-	0.1
Transfers in	-	-	86,846	-	185,706	-	-	5.4	-	12.8
Total revenues and other sources	<u>2,614,450</u>	<u>1,896,778</u>	<u>1,618,839</u>	<u>1,626,554</u>	<u>1,454,653</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES:										
Service operations:										
Repair and maintenance	611,932	524,864	466,809	320,247	324,209	23.4	27.7	28.8	19.7	22.3
Bulk water purchases	234,722	185,188	180,137	241,939	235,152	9.0	9.8	11.1	14.9	16.1
WTCPUA base fees	155,210	158,039	126,772	86,259	70,061	5.9	8.3	7.8	5.3	4.8
Wastewater capacity fees	-	-	-	-	4,400	-	-	-	-	0.3
Garbage services	130,139	111,703	96,667	74,508	58,556	5.0	5.9	6.0	4.6	4.0
Legal fees	105,746	109,770	98,973	105,625	106,767	4.0	5.8	6.1	6.5	7.3
Management services	90,832	78,301	71,214	65,595	46,273	3.5	4.1	4.4	4.0	3.2
Engineering fees	89,007	29,380	67,151	31,520	15,748	3.4	1.5	4.1	1.9	1.1
WTCPUA reservation fees	51,760	58,102	53,305	47,471	87,316	2.0	3.1	3.3	2.9	6.0
Tap inspection fees	82,792	53,711	44,064	47,580	31,376	3.2	2.8	2.7	2.9	2.2
Directors' fees	21,554	14,903	19,140	17,459	15,954	0.8	0.8	1.2	1.1	1.1
Audit fees	22,000	14,000	14,000	13,000	12,000	0.8	0.7	0.9	0.8	0.8
Insurance	6,518	5,836	9,659	9,681	10,345	0.2	0.3	0.6	0.6	0.7
Financial advisor fees	2,700	2,500	2,500	2,500	2,500	0.1	0.1	0.2	0.2	0.2
Other	32,977	18,500	24,836	21,508	15,595	1.3	1.0	1.5	1.3	1.1
Capital outlay	-	-	14,044	116,541	358,131	-	-	0.9	7.2	24.6
Total expenditures	<u>1,637,889</u>	<u>1,364,797</u>	<u>1,289,271</u>	<u>1,201,433</u>	<u>1,394,383</u>	<u>62.6</u>	<u>72.0</u>	<u>79.6</u>	<u>73.9</u>	<u>95.9</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>\$ 976,561</u>	<u>531,981</u>	<u>329,568</u>	<u>425,121</u>	<u>60,270</u>	<u>37.4 %</u>	<u>28.0</u>	<u>20.4</u>	<u>26.1</u>	<u>4.1</u>
<b>DEBT SERVICE FUND</b>										
REVENUES AND OTHER SOURCES:										
General revenues:										
Property taxes	\$ 771,210	758,520	406,309	220,491	200,014	74.4 %	68.5	57.6	98.9	99.4
Interest income and other	6,393	5,375	3,565	2,044	1,085	0.6	0.5	0.5	0.9	0.5
Penalties and interest on tax accounts	1,474	621	400	414	259	0.1	0.1	0.1	0.2	0.1
Proceeds from sale of bonds	162,140	342,271	295,307	-	-	15.7	30.9	41.8	-	-
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	<u>1,036,782</u>	<u>1,106,787</u>	<u>705,581</u>	<u>222,949</u>	<u>201,358</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES:										
Service operations-										
Other	8,352	7,648	4,487	3,200	2,287	0.8	0.7	0.6	1.4	1.1
Debt service:										
Principal	265,000	235,000	220,000	-	-	25.6	21.2	31.2	-	-
Interest	457,574	468,947	324,347	218,850	218,850	44.1	42.4	46.0	98.2	108.7
Bond issuance costs	95,724	-	-	-	-	9.2	-	-	-	-
Total expenditures	<u>826,650</u>	<u>711,595</u>	<u>548,834</u>	<u>222,050</u>	<u>221,137</u>	<u>79.7</u>	<u>64.3</u>	<u>77.8</u>	<u>99.6</u>	<u>109.8</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$ 210,132</u>	<u>395,192</u>	<u>156,747</u>	<u>899</u>	<u>(19,779)</u>	<u>20.3 %</u>	<u>35.7</u>	<u>22.2</u>	<u>0.4</u>	<u>(9.8)</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>703</u>	<u>589</u>	<u>509</u>	<u>396</u>	<u>330</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>699</u>	<u>586</u>	<u>504</u>	<u>389</u>	<u>324</u>					

This document is a preliminary draft for use in internal review and discussion and is not intended for external distribution

# HAYS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

## TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS YEAR ENDED SEPTEMBER 30, 2016

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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: June 20, 2016  
(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)

<u>Name</u>	<u>Term of Office Elected &amp; Expires or Date Hired</u>	<u>Fees 9/30/16</u>	<u>Expense Reimbursements 9/30/16</u>	<u>Title at Year End</u>
<u>Board Members:</u>				
Thomas Patrick Phillips	Elected 5/12 - 5/20	\$4,350	\$1,882	President
Royce Wachsmann	Elected 5/12 - 5/20	\$2,550	\$1,097	Vice President
Robert M. Krick	Elected 5/12 - 5/20	\$3,300	-	Treasurer and Assistant Secretary
Donald P. Kelly	Elected 5/14 - 5/18	\$2,850	\$815	Secretary
Jason Mehigan	Appointed 10/15 - 5/18	\$2,250	\$1,658	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, 2016

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<u>Name</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements 9/30/16</u>	<u>Title at Year End</u>
<u>Consultants:</u>			
Severn Trent Environmental Services	2001	\$318,560	General Manager
Barrett and Associates PLLC	2001	\$16,960	Attorney
Winstead PC	2015	\$37,481	Attorney
Graves Dougherty Hearonn & Moody	2013	\$46,485	Attorney
CMA Engineering, Inc.	2001	\$139,007	Engineer
Maxwell Locke & Ritter LLP	2005	\$22,000	Auditor
SAMCO Capital Markets	2005	\$2,500	Financial Advisor
Hays Central Appraisal District	2006	\$13,362	Tax Appraiser
Hays County Tax Office	2007	\$239	Tax Collector
Environmental Survey Consulting, Inc	2013	\$2,772	Environmental Consultant