

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

**Financial Statements and
Supplemental Information as of and for the
Year Ended December 31, 2015 and
Independent Auditors' Report**



BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF BASTROP

I, John S. Creamer, Jr
(Name of Duly Authorized District Representative)

of the BASTROP 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 19th day of May, 2016, its annual audit report for the fiscal year ended December 31, 2015 and that copies of the annual audit report have been filed in the District office, located at 106 Conference Dr., Bastrop, TX 78602.

The annual filing affidavit and the attached copy of the annual 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 requirement of Section 140.008 of the Texas Local Government Code.

Date: May 20, 2016.

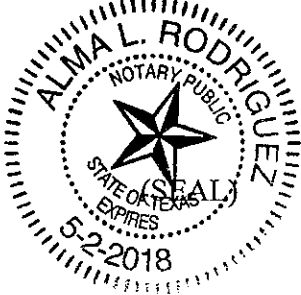
By: [Signature]

(Signature of District Representative)

President

(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this 20th day of May, 2016.



[Signature]
(Signature of Notary)

Alma L. Rodriguez
(Printed Name of Notary)

My Commission Expires On: 5-2-2018
Notary Public in and for the State of Texas.



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Accountants and Consultants

An Affiliate of CPAmerica International

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Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Bastrop County Water Control and Improvement District No. 2 (the "District"), as of and for the year ended December 31, 2015, 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"
This firm is not a CPA firm*

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, the business-type activities, and each major fund of the District, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 5 through 8 and pages 27 and 28, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Commission on Environmental Quality (the "TCEQ") supplemental information 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 TCEQ supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the TCEQ supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maxwell Socha + Pitter LLP

Austin, Texas
May 17, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

Management's Discussion and Analysis For the Year Ended December 31, 2015

As management of Bastrop County Water and Improvement District No. 2 (the "District"), we provide readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the District's financial statements that follow.

The District accounts for water and wastewater services using Proprietary Funds. The District accounts for stand-by fees and road construction and maintenance using Special Revenue Funds. The government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

Financial Highlights

- The District's total net position was approximately \$4.8 million at December 31, 2015.
- During the year, the District generated approximately \$3.8 million in total revenues.
- The total expenses in the Proprietary Funds for the District's water and wastewater operations were approximately \$1.7 million for the year ended December 31, 2015. Total stand-by and road construction and maintenance expenses, which are accounted for in the Special Revenue Funds, were approximately \$1.4 million for the year ended December 31, 2015.

Using this report

This report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Governmental fund financial statements (starting on page 11) report the District's operations in more detail than the government-wide statements by providing information about the District's governmental funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources.

Proprietary fund financial statements (starting on page 13) are considered to operate similar to a business enterprise. These statements present a longer-term view of the property and debt obligations and other matters related to the District's water and wastewater operations.

The Notes to Basic Financial Statements (starting on page 16) provide narrative explanations or additional data that are an integral part for full disclosure in the government-wide statements or the fund financial statements.

The Required Supplemental Budgetary Schedules (pages 27 and 28) are required schedules for the major special revenue funds of the District and provide a comparison of actual results to original and amended budgeted amounts.

The Texas Commission on Environmental Quality ("TCEQ") Supplemental Schedules (starting on page 29) provide additional information and are required to be presented by the TCEQ.

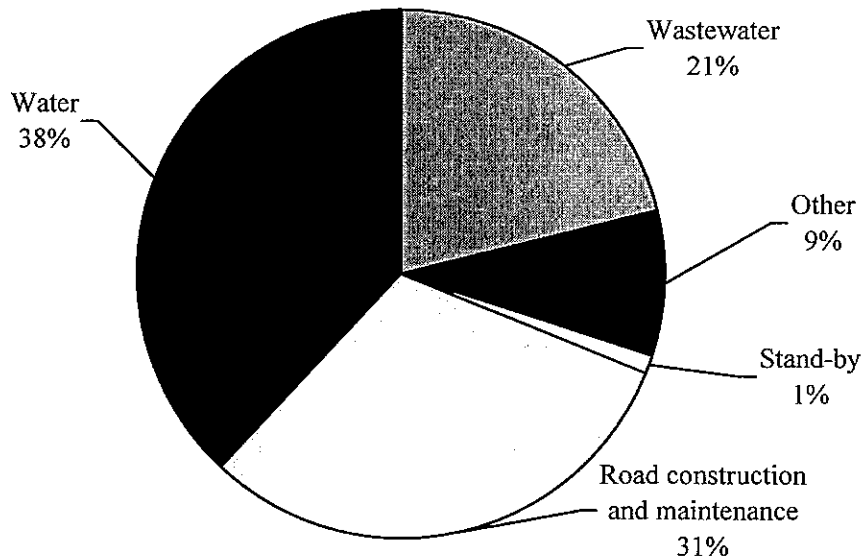
Financial Analysis of the District as a Whole

Net position - The District's combined net position was approximately \$4.8 million as of December 31, 2015. See additional analysis below:

The District's Net Position (in thousands of dollars)							
	Governmental Activities		Business-type Activities		Total		Total % Change
	2015	2014	2015	2014	2015	2014	
Current and other assets	\$ 719	1,108	1,501	1,159	2,220	2,267	(2.1%)
Capital and non-current assets	920	2,059	2,476	2,117	3,396	4,176	(18.7%)
Total Assets	1,639	3,167	3,977	3,276	5,616	6,443	(12.8%)
Current liabilities	99	191	487	320	586	511	14.7%
Non-current liabilities	-	-	225	275	225	275	(18.2%)
Total Liabilities	99	191	712	595	811	786	3.2%
Net investment in capital assets	920	2,059	2,201	1,797	3,121	3,856	(19.1%)
Restricted for debt service	-	-	65	65	65	65	-
Unrestricted	620	917	999	819	1,619	1,736	(6.7%)
Total Net Position	\$1,540	2,976	3,265	2,681	4,805	5,657	(15.1%)

Change in net position - The District's combined net position decreased by approximately \$852,000 for the year ended December 31, 2015. See additional analysis (including the breakout of revenue) below:

Sources of Revenue for the Year Ended December 31, 2015



The District's Change in Net Position (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2015	2014	2015	2014	2015	2014	
Revenues:							
Program	\$ 1,201	\$ 750	2,245	1,806	3,446	2,556	34.8%
General	345	20	17	77	362	97	273.2%
Total Revenues	1,546	770	2,262	1,883	3,808	2,653	43.5%
Expenses:							
Stand-by	39	62	-	-	39	62	(37.1%)
Road construction and maintenance	2,943	614	-	-	2,943	614	379.3%
Water	-	-	964	880	964	880	9.5%
Wastewater	-	-	714	700	714	700	2.0%
Total Expenses	2,982	676	1,678	1,580	4,660	2,256	106.6%
Change in net position	\$ (1,436)	\$ 94	584	303	(852)	397	(314.6%)

Capital Assets

Capital assets totaled approximately \$3.4 million for the year ended December 31, 2015 with approximately \$920,000 attributable to the Special Revenue Funds, made up primarily of land and construction in progress, and approximately \$2.5 million attributable to the Proprietary Funds, made up primarily of water and wastewater improvements. More detailed information about the District's capital assets is presented in the Notes to Basic Financial Statements.

The District's Capital Assets

	2015	2014
Land	\$ 562,966	\$ 131,702
Construction in progress	363,845	183,044
Water and wastewater improvements	4,859,294	4,306,447
Road improvements	857,414	3,666,025
Building and improvements	413,241	413,241
Machinery and equipment	508,437	470,451
Vehicles	225,164	225,164
Furniture and fixtures	33,364	33,364
Subtotal	7,823,725	9,429,438
Accumulated depreciation	(4,427,970)	(5,253,811)
Total	\$ 3,395,755	\$ 4,175,627

Long-Term Debt

The District owes \$275,000 in water system revenue bonds to the Texas Water Development Board as of December 31, 2015. During the year, the principal balance on all long-term debt was reduced by \$45,000. More detailed information about the District's long-term debt is presented in the Notes to Basic Financial Statements.

Budget Discussion

At December 31, 2015, compared to budget, the Stand-By Fund finished the year ahead of budget by approximately \$20,000, primarily due to an increase in other revenues compared to budget. At December 31, 2015, the Road Construction and Maintenance Fund finished the year behind budget by approximately \$233,000 primarily due to an increase in capital outlay and engineering fees, offset by an increase in road assessment fees income and other revenues.

2011 Wildfires

The District experienced significant process and property damage issues due to the catastrophic wildfires that swept through the District's service area in September 2011. Assessments as to final damage are still in progress. Management expects that the financial exposure to damage will be insignificant as the Federal Emergency Management Agency and the Texas Municipal League (the District's insurance carrier) will provide coverage. The City of Bastrop received \$65,000 for road construction on roads that were impacted by the 2011 Wildfires. The City of Bastrop has agreed to pave several streets that are located in Tahitian within the city limits.

2015 Floods

The District experienced 2 major flooding issues in 2015, the Memorial Day floods and the Halloween floods. The flooding impacted water and wastewater lines which left them exposed. Also there was a significant amount of damage to roads within the District. The District is working with the Federal Emergency Management Agency to help fund these projects.

Currently Known Facts, Decisions, or Conditions

For the year ended December 31, 2016, the District had budgeted revenue over expenditures of approximately \$15,000 for the Stand-By Fund. For the year ended December 31, 2016, the District had budgeted revenues over expenditures of approximately \$105,000 for the Road Construction and Maintenance Fund. For the year ended December 31, 2016, the District had budgeted revenues over expenses of approximately \$171,000 for its Water and Wastewater Proprietary Funds.

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 at P. O. Box 708, Bastrop, Texas 78602.

BASIC FINANCIAL STATEMENTS

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

GOVERNMENT-WIDE STATEMENT OF NET POSITION

DECEMBER 31, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	STATEMENT OF NET POSITION
ASSETS:			
Cash and cash equivalents	\$ 370,146	1,304,813	1,674,959
Investments:			
Unrestricted	-	151,507	151,507
Restricted	-	65,000	65,000
Receivables:			
Assessments receivable, net	305,341	-	305,341
Service accounts receivable, net	-	22,811	22,811
Internal balances	44,125	(44,125)	-
Utility deposits	-	920	920
Capital assets (net of accumulated depreciation):			
Land	431,264	131,702	562,966
Construction in progress	363,845	-	363,845
Water and wastewater improvements	-	1,969,576	1,969,576
Road improvements	92,151	-	92,151
Building and improvements	-	233,217	233,217
Machinery and equipment	32,772	112,910	145,682
Vehicles	-	27,753	27,753
Furniture and fixtures	-	565	565
Total assets	<u>\$ 1,639,644</u>	<u>3,976,649</u>	<u>5,616,293</u>
LIABILITIES:			
Accounts payable	\$ 85,725	137,697	223,422
Accrued salaries	-	6,080	6,080
Other accrued liabilities	13,747	80,431	94,178
Customer deposits	-	161,550	161,550
Accrued vacation leave	-	51,095	51,095
Long-term liabilities:			
Due within one year	-	50,000	50,000
Due after one year	-	225,000	225,000
Total liabilities	<u>99,472</u>	<u>711,853</u>	<u>811,325</u>
NET POSITION:			
Net investment in capital assets	920,032	2,200,723	3,120,755
Restricted for debt service	-	65,000	65,000
Unrestricted	620,140	999,073	1,619,213
Total net position	<u>\$ 1,540,172</u>	<u>3,264,796</u>	<u>4,804,968</u>

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

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position		
			Governmental Activities	Business-type Activities	Total
Governmental activities:					
Stand-By	\$ 38,894	28,512	(10,382)	-	(10,382)
Road construction and maintenance	2,943,138	1,172,330	(1,770,808)	-	(1,770,808)
Total governmental activities	<u>\$ 2,982,032</u>	<u>1,200,842</u>	<u>(1,781,190)</u>	<u>-</u>	<u>(1,781,190)</u>
Business-type activities:					
Water	\$ 964,576	1,455,100	-	490,524	490,524
Wastewater	714,070	790,380	-	76,310	76,310
Total business-type activities	<u>\$ 1,678,646</u>	<u>2,245,480</u>	<u>-</u>	<u>566,834</u>	<u>566,834</u>
General revenues and other:					
Rental income			\$ -	5,350	5,350
Interest and other			345,305	11,527	356,832
Total general revenues and other			<u>345,305</u>	<u>16,877</u>	<u>362,182</u>
Change in net position			(1,435,885)	583,711	(852,174)
Net position, beginning			<u>2,976,057</u>	<u>2,681,085</u>	<u>5,657,142</u>
Net position, ending			<u>\$ 1,540,172</u>	<u>3,264,796</u>	<u>4,804,968</u>

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

FUND FINANCIAL STATEMENTS

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

BALANCE SHEET - GOVERNMENTAL FUNDS DECEMBER 31, 2015

	STAND-BY FUND	ROAD CONSTRUCTION AND MAINTENANCE FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET POSITION
ASSETS:					
Cash and cash equivalents	\$ 28,289	341,857	370,146	-	370,146
Assessments receivable, net	11,007	294,334	305,341	-	305,341
Due from Proprietary Fund	54,743	-	54,743	-	54,743
Capital assets (net of accumulated depreciation):					
Land	-	-	-	431,264	431,264
Construction in progress	-	-	-	363,845	363,845
Road improvements	-	-	-	92,151	92,151
Machinery and equipment	-	-	-	32,772	32,772
Total assets	<u>\$ 94,039</u>	<u>636,191</u>	<u>730,230</u>	<u>920,032</u>	<u>1,650,262</u>
LIABILITIES:					
Accounts payable	\$ 306	85,419	85,725	-	85,725
Other accrued liabilities	-	13,747	13,747	-	13,747
Due to Proprietary Fund	-	10,618	10,618	-	10,618
Total liabilities	<u>306</u>	<u>109,784</u>	<u>110,090</u>	<u>-</u>	<u>110,090</u>
FUND BALANCES-					
Assigned fund balance	<u>93,733</u>	<u>526,407</u>	<u>620,140</u>	<u>(620,140)</u>	<u>-</u>
Total fund balances	<u>93,733</u>	<u>526,407</u>	<u>620,140</u>	<u>(620,140)</u>	
Total liabilities and fund balances	<u>\$ 94,039</u>	<u>636,191</u>	<u>730,230</u>		
Net position:					
Net investment in capital assets				\$	920,032
Unrestricted					620,140
Total net position				\$	<u>1,540,172</u>

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

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015**

	STAND-BY FUND	ROAD CONSTRUCTION AND MAINTENANCE FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET POSITION
EXPENDITURES:					
Service operations:					
Professional fees	\$ 17,664	203,707	221,371	-	221,371
Operations	-	127,707	127,707	-	127,707
Bad debt	10,547	-	10,547	-	10,547
Salary allocation	-	65,691	65,691	-	65,691
Consumable supplies and materials	-	77,900	77,900	-	77,900
Office	10,683	21,596	32,279	-	32,279
Repairs and maintenance	-	3,465	3,465	-	3,465
Capital outlay	-	873,170	873,170	(363,845)	509,325
Depreciation expense	-	-	-	40,762	40,762
Loss on road conveyances	-	-	-	1,892,985	1,892,985
Total expenditures/expenses	38,894	1,373,236	1,412,130	1,569,902	2,982,032
REVENUES-					
Program revenues:					
Standby charges	28,512	-	28,512	-	28,512
Road assessment fees	-	741,066	741,066	-	741,066
Interest and other	20,272	325,033	345,305	-	345,305
Contributions	-	-	-	431,264	431,264
Total program revenues	48,784	1,066,099	1,114,883	431,264	1,546,147
Total revenues	48,784	1,066,099	1,114,883	431,264	1,546,147
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,890	(307,137)	(297,247)	297,247	-
Change in net position	-	-	-	(1,435,885)	(1,435,885)
FUND BALANCES/NET POSITION:					
Beginning of year	83,843	833,544	917,387	2,058,670	2,976,057
End of year	\$ 93,733	526,407	620,140	920,032	1,540,172

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

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**STATEMENT OF NET POSITION - PROPRIETARY FUNDS****DECEMBER 31, 2015**

	WATER FUND	WASTEWATER FUND	TOTAL PROPRIETARY FUNDS
ASSETS:			
Cash and cash equivalents	\$ 1,250,828	53,985	1,304,813
Investments:			
Unrestricted	151,507	-	151,507
Restricted	65,000	-	65,000
Service accounts receivables, net	19,498	3,313	22,811
Due from other funds	179,428	-	179,428
Utility deposits	920	-	920
Capital assets (net of accumulated depreciation):			
Land	117,177	14,525	131,702
Water and wastewater improvements	1,313,837	655,739	1,969,576
Building and improvements	233,217	-	233,217
Machinery and equipment	70,670	42,240	112,910
Vehicles	27,753	-	27,753
Furniture and fixtures	565	-	565
Total assets	<u>\$ 3,430,400</u>	<u>769,802</u>	<u>4,200,202</u>
LIABILITIES:			
Accounts payable	\$ 61,350	76,347	137,697
Accrued salaries	6,080	-	6,080
Other accrued liabilities	26,342	54,089	80,431
Customer deposits	161,550	-	161,550
Due to other funds	54,743	168,810	223,553
Accrued vacation leave	51,095	-	51,095
Long-term liabilities:			
Due within one year	50,000	-	50,000
Due after one year	225,000	-	225,000
Total liabilities	<u>636,160</u>	<u>299,246</u>	<u>935,406</u>
NET POSITION:			
Net investment in capital assets	1,488,219	712,504	2,200,723
Restricted for debt service	65,000	-	65,000
Unrestricted	1,241,021	(241,948)	999,073
Total net position	<u>\$ 2,794,240</u>	<u>470,556</u>	<u>3,264,796</u>

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

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015**

	WATER FUND	WASTEWATER FUND	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES:			
Charges for services	\$ 1,217,434	563,029	1,780,463
Tap fees	133,085	208,396	341,481
Reconnect fees	8,500	-	8,500
Other	96,081	18,955	115,036
Total operating revenues	1,455,100	790,380	2,245,480
EXPENSES:			
Service operations:			
Payroll and related expenses	492,605	-	492,605
Operations	65,501	391,379	456,880
Repairs and maintenance	38,448	155,029	193,477
Consumable supplies and materials	46,884	40,772	87,656
Professional services	77,225	20,432	97,657
Office	49,011	7,400	56,411
Contract services	7,500	964	8,464
Other	18,003	7,760	25,763
Depreciation	141,764	90,334	232,098
Debt service-			
Interest and fiscal charges	27,635	-	27,635
Total expenses	964,576	714,070	1,678,646
Net operating income	490,524	76,310	566,834
NON-OPERATING REVENUES:			
Rental income	5,350	-	5,350
Interest and other	11,489	38	11,527
Total non-operating revenues	16,839	38	16,877
CHANGE IN NET POSITION	507,363	76,348	583,711
NET POSITION:			
Beginning of year	2,286,877	394,208	2,681,085
End of year	\$ 2,794,240	470,556	3,264,796

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

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

DECEMBER 31, 2015

	WATER FUND	WASTEWATER FUND	TOTAL PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,451,367	787,067	2,238,434
Cash paid to employees and suppliers	(714,859)	(553,637)	(1,268,496)
Interest paid	(27,635)	-	(27,635)
Net cash provided by operating activities	708,873	233,430	942,303
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Net effect of interfund balances	15,727	(16,708)	(981)
Increase in accrued vacation leave	11,019	-	11,019
Net cash provided by (used in) noncapital financing activities	26,746	(16,708)	10,038
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES-			
Principal payments on notes payable	(45,000)	-	(45,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(756)	-	(756)
Purchases of capital assets	(412,069)	(178,795)	(590,864)
Rental income	5,350	-	5,350
Interest and other income	11,489	38	11,527
Net cash used in investing activities	(395,986)	(178,757)	(574,743)
Net change in cash and cash equivalents	294,633	37,965	332,598
Cash and cash equivalents, beginning of the year	956,195	16,020	972,215
Cash and cash equivalents, end of year	\$ 1,250,828	53,985	1,304,813
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 490,524	76,310	566,834
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	141,764	90,334	232,098
Increase in service accounts receivables	(3,733)	(3,313)	(7,046)
Increase in accounts payables	53,880	20,358	74,238
Increase in accrued salaries and other accrued liabilities	7,088	49,741	56,829
Increase in customer deposits	19,350	-	19,350
Net cash provided by operating activities	\$ 708,873	233,430	942,303

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

NOTES TO BASIC FINANCIAL STATEMENTS

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bastrop County Water Control and Improvement District No. 2 (the "District") was created September 23, 1985 by the Commission's Court of Bastrop County, Texas, under Chapter 51 of the Texas Water Code. The Board of Directors (the "Board") of the District held their first meeting on October 7, 1985. The original major system assets of the District were awarded to the District by judicial order in July 1986. The District has operated the system since that date.

In 1989, House Bill No. 2341 was enacted giving the District authority to administer a road utility district. As created under Article III, Section 52, of the Texas Constitution, the District may provide for the construction, maintenance, and operation of macadamized, graveled, or paved roads and turnpikes, or work facilities or improvements in aid of those roads and turnpikes, inside or outside the boundaries of the District. The Board may issue bonds on a vote of a two-thirds majority of the voters of the District, or the territory to be affected by the bonds, voting at an election called and held for that purpose. The act restricts the size of potential bond issues and fees which can be assessed. House Bill No. 2341, as enacted, expired September 1, 1991.

In 1991, House Bill No. 2902 was enacted. The bill placed certain restrictions on the District's use of road assessment fees. Through August 31, 1991, the assessments collected could be used for maintenance and new construction. Beginning September 1, 1991, all road assessment fees are to be used for new construction only and administrative expenses at no more than 10% of funds collected. House Bill No. 2902 expired September 1995. House Bill No. 706 was submitted in January 1997 and approved on April 28th, 1997. House Bill No. 706 increased allowed percentages for administrative fees to 15%.

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") 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 - The government-wide financial statements (ie. the statement of net position and the statement of activities) report information on all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, supported by stand-by and road construction and maintenance assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for water and wastewater services.

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. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. 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. 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. 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.

The District reports the following major governmental funds:

The Stand-By Fund includes charges to current customers within the District to help fund and pay for general operations of the District. It is a budgeted fund.

The Road Construction and Maintenance Fund includes charges to current customers within the District to help fund and pay specifically for road construction and maintenance within the District. It is a budgeted fund.

Additionally, the District reports the following fund type:

The Proprietary Funds (consisting of the Water Fund and the Wastewater Fund) are enterprise funds used to account for the operations of the District's water and wastewater services and operations, including construction and capital improvements and maintenance to the District's water, wastewater, and related infrastructure assets.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Budgets and Budgetary Accounting - Formal budgetary integration is employed as a management control device for both the governmental and proprietary funds. The budgets are proposed by the District for the fiscal year commencing the following January 1. The budgets for the governmental funds are adopted on the modified accrual basis while the budgets for the proprietary funds are adopted on the accrual basis, which is consistent with generally accepted accounting principles. For the year ended December 31, 2015, expenditures in the Road Construction and Maintenance Fund exceeded budgeted amounts by \$757,436.

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

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents - Cash and cash equivalents included cash on deposit as well as investments with maturities of three months or less. All cash and cash equivalents are recorded at cost, which approximates fair market value.

Assessments and Service 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 December 31, 2015, the allowance for uncollectible accounts was as follows:

Fund	Allowance for Doubtful Accounts
Stand-By	\$ 306,353
Road Construction and Maintenance	1,703,226
Water	10,177
Wastewater	4,414
Total government-wide	<u>\$ 2,024,170</u>

Capital Assets - Capital assets, which includes land, construction in progress, water and wastewater improvements, buildings and improvements, road improvements, vehicles, machinery and equipment, and furniture and fixtures, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All capital assets and capital asset improvements are recorded at historical cost if purchased or estimated fair 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 land and construction in progress) are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Water and wastewater improvements	7-39
Buildings and improvements	7-39
Road improvements	25
Machinery and equipment	5-25
Furniture and fixtures	10
Vehicles	5

Accrued Vacation Leave - It is the District's policy to allow employees to accrue personal leave as earned up to a maximum of forty hours and to accrue sick leave as earned with limitation. Upon termination, employees are paid for accrued personal leave, but not for accrued sick leave.

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 and business-type activities statement of net position.

Fund Equity - The District's fund balance classifications are presented in accordance 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 8 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - 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.

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 balance	\$ 620,140
Capital assets used in governmental activities are not current financial resources and are therefore not reported in the governmental funds balance sheet.	<u>920,032</u>
Total net position	<u>\$ 1,540,172</u>

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

Deficiency of revenues under expenditures	\$ (297,247)
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 expense.	
Capital outlay	363,845
Land contributions	431,264
Loss on road conveyances	(1,892,985)
Depreciation expense	<u>(40,762)</u>
Change in net position	<u>\$ (1,435,885)</u>

3. CASH 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 December 31, 2015, such deposits were not fully covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act (the "PFIA") 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.

In accordance with the PFIA and the District's investment policy, at December 31, 2015, the District invested all of its investments in certificates of deposit, of which \$65,000 matures in April 2016 and \$151,507 matures in November 2016. The District has restricted \$65,000 of investments in accordance with Texas Water Development Board (the "TWDB") bond requirements as a reserve for future principal and interest payments. The weighted-average maturity of the District's certificates of deposit at December 31, 2015 was 254 days.

4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2015 was as follows:

	Balance December 31, 2014	Additions	Retirements and Transfers	Balance December 31, 2015
Governmental activities:				
Capital assets not being depreciated-				
Construction in progress	\$ 183,044	363,845	(183,044)	363,845
Land	-	431,264	-	431,264
Total capital assets not being depreciated-	183,044	795,109	(183,044)	795,109
Capital assets being depreciated:				
Road improvements	3,666,025	183,044	(2,991,655)	857,414
Machinery and equipment	53,343	-	-	53,343
Total capital assets being depreciated	3,719,368	183,044	(2,991,655)	910,757
Less accumulated depreciation for:				
Road improvements	(1,829,636)	(34,297)	1,098,670	(765,263)
Machinery and equipment	(14,106)	(6,465)	-	(20,571)
Total accumulated depreciation	(1,843,742)	(40,762)	1,098,670	(785,834)
Total capital assets being depreciated, net	1,875,626	142,282	(1,892,985)	124,923
Governmental activities capital assets, net	<u>\$ 2,058,670</u>	<u>937,391</u>	<u>(2,076,029)</u>	<u>920,032</u>

Business-type activities:

Capital assets not being depreciated-

Land	131,702	-	-	131,702
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Capital assets being depreciated:

Water and wastewater

improvements	4,306,416	552,878	-	4,859,294
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Building and improvements

413,241	-	-	413,241
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Machinery and equipment

417,108	37,986	-	455,094
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Vehicles

225,164	-	-	225,164
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Furniture and fixtures

33,364	-	-	33,364
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Total capital assets

being depreciated

5,395,293	590,864	-	5,986,157
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Less accumulated

depreciation for:

Water and wastewater

improvements	(2,679,625)	(210,093)	-	(2,889,718)
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Building and improvements

(168,552)	(11,472)	-	(180,024)
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Machinery and equipment

(335,830)	(6,354)	-	(342,184)
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Vehicles

(195,012)	(2,399)	-	(197,411)
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Furniture and fixtures

(31,019)	(1,780)	-	(32,799)
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Total accumulated depreciation

(3,410,038)	(232,098)	-	(3,642,136)
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Total capital assets being

depreciated, net

1,985,255	358,766	-	2,344,021
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Business-type activities

capital assets, net

\$ 2,116,957	358,766	-	2,475,723
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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 December 31, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Water	Wastewater	\$ 168,810
Water	Road Construction and Maintenance	10,618
Stand-By	Water	54,743
Total		<u>\$ 234,171</u>

6. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2015:

	Balance December 31, 2014	Additions	Retirements	Balance December 31, 2015
Water System Revenue Bonds	\$ 320,000	-	(45,000)	275,000
Total	\$ 320,000	-	(45,000)	275,000

Water System Revenue Bonds:

\$745,000 - Series 2000 Revenue Bonds payable serially through the year 2020 at an interest rate of 5.8%.

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

Fiscal Year	Principal	Interest	Total Requirement
2016	\$ 50,000	15,950	65,950
2017	50,000	13,050	63,050
2018	55,000	10,150	65,150
2019	60,000	6,960	66,960
2020	60,000	3,480	63,480
Total	\$ 275,000	49,590	324,590

The bonds are payable to the TWDB from the proceeds of and are secured by a pledge of the net water and wastewater revenues of the District. At December 31, 2015, all revenue bonds were authorized and issued.

TWDB Sinking Fund Compliance:

The debt agreement with the TWDB requires certain deposits and reserves in place to cover future debt service and interest payments. At December 31, 2015, the District was in compliance with these deposit and reserve requirements.

7. PENSION PLAN

The District has established a fully-insured defined benefit retirement plan, which covers substantially all full-time employees. Participating, eligible employees vest in the plan over a six-year graded vesting schedule. The annual pension cost is based on a benefit formula using a fixed benefit rate of 17% of each participant's average monthly salary, reduced pro-rata for less than twenty-five years of service. The District may elect to permit distribution to be made in the form of lump sum distributions or annuities over the life of the participant. Retirement expenses under the plan for the year ended December 31, 2015 were \$21,803.

8. FUND BALANCE

For the year ended December 31, 2015, the District has presented fund balance classifications in accordance 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 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 a district's General Fund. As there is no General Fund reported by the District, there is no unassigned fund balance.

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. As of December 31, 2015, the District has not adopted a comprehensive fund balance policy; as a result, spending and commitments and assignments of fund balance are executed in accordance with GASB's default policy. Under the default policy, 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.

9. RENTAL INCOME

The District entered into a lease agreement with the Tahitian Village Property Owners Association (the "TVPOA") for 128 square feet of office space. The term of the lease has been extended through December 31, 2016. In addition, the District periodically leases its meeting space to various parties for evening and weekend events. Rental income under these and the TVPOA lease amounted to \$5,350 for the year ended December 31, 2015.

10. COMMITMENTS AND CONTINGENCIES

Operating Leases - The District leases certain office equipment under various operating leases which expire on various dates through 2019. The leases had initial terms of one to five years. Total rent expense was \$10,963 for the year ended December 31, 2015.

Future minimum annual rentals under noncancelable leases (which are principally for leased office equipment) were as follows as of December 31, 2015:

2016	\$ 4,766
2017	4,766
2018	4,766
2019	794
Total	<u>\$ 15,092</u>

Wastewater Treatment Service Agreement - On April 28, 1998, the District entered into a Wastewater Treatment Service Agreement with the Lower Colorado River (the "LCRA") wherein the LCRA agreed to acquire and construct major wastewater treatment collection, and conveyance facilities within the District's boundaries.

On July 1, 2014, the District and the LCRA entered into a Revised and Restated Wastewater Service Agreement (the "Agreement"), which transfers operations of the wastewater collection system to the District while the LCRA continues to own the system. Pursuant to the terms of the revised and restated Agreement, the District is required to pay to the LCRA a monthly charge through June 2034. As a part of the revision to the Agreement, LCRA and the District established a schedule of Annual Project Revenue Requirements, which is based upon the total annual capital and amortization payments necessary for the LCRA to recover its finance costs, coverage, and amortized capacity charges owed to the City of Bastrop for wastewater treatment. The Annual Project Revenue Requirement amounts also include the debt service and coverage for the repayments of the shortfall incurred by the District during a temporary reduction in the District's monthly charge negotiated by the District and LCRA in the wake of the Bastrop Complex Fire of 2011, which impacted the District's finances. This monthly charge is not subject to annual review or adjustment unless (1) the parties mutually agree to a review and adjustment or (2) the District defaults in its obligations under the terms of the Agreement.

Under the terms of the revised and restated Agreement, the District continues to represent and covenant that all moneys required to be paid by the District under the Agreement constitute an operating expense of the District's wastewater system as authorized by the Constitution and laws of the State of Texas, including Chapters 49 and 51 of the Texas Water Code, as amended. The District is solely responsible for implementing sewer charges and fees, and for billing and collecting the same, from its customers in accordance with all applicable laws.

Additionally, the terms of the revised and restated Agreement required the assignment of the Agreement between the City of Bastrop, Texas, and the LCRA Concerning the Treatment of Wastewater (the "City Agreement"). With the consent of the City of Bastrop, all of the LCRA's rights, duties, and obligations under the City Agreement were assigned and delegated to the District, and the City agreed to submit its monthly billing statements for the treatment of wastewater directly to the District. Prior to this assignment, the LCRA received the City's monthly bill and forwarded the same to the District for payment.

Risk Management - The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League ("TML") to effectively manage its risk. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The TML was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML has established claims reserves for each of the types of insurance offered. Although the TML is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

Damage from the wildfires of 2011 and floods of 2015 is still being assessed. It is expected that between the Federal Emergency Management Agency (FEMA) and TML coverage an insignificant amount of financial exposure will result.

TCEQ Violations - In August 2015, the District received notice from the TCEQ regarding potential compliance violations. In February 2016, the District executed an Agreed Order with the TCEQ which gave the District 365 days to remedy the compliance violations and provide a written certification of compliance to the TCEQ. The costs the District will incur are not currently estimable, thus no contingency was recorded as of December 31, 2015.

**REQUIRED
SUPPLEMENTAL BUDGETARY INFORMATION**

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STAND-BY FUND
YEAR ENDED DECEMBER 31, 2015**

	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:			
Standby charges	\$ 33,000	28,512	(4,488)
Interest and other	5,000	20,272	15,272
TOTAL REVENUES	38,000	48,784	10,784
EXPENDITURES:			
Service operations:			
Professional fees	24,000	17,664	6,336
Office	14,500	10,683	3,817
Bad debt	-	10,547	(10,547)
Other	700	-	700
Capital outlay	8,500	-	8,500
TOTAL EXPENDITURES	47,700	38,894	8,806
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,700)	9,890	19,590
FUND BALANCE:			
Beginning of year	83,843	83,843	-
End of year	\$ 74,143	93,733	19,590

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ROAD CONSTRUCTION AND MAINTENANCE FUND
YEAR ENDED DECEMBER 31, 2015**

	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:			
Road assessment fees	\$ 520,500	741,066	220,566
Interest and other	21,000	325,033	304,033
TOTAL REVENUES	541,500	1,066,099	524,599
EXPENDITURES:			
Service operations:			
Professional fees	74,000	203,707	(129,707)
Operations	64,750	127,707	(62,957)
Office	20,550	21,596	(1,046)
Consumable supplies and materials	40,500	77,900	(37,400)
Salary allocation	40,000	65,691	(25,691)
Repairs and maintenance	1,000	3,465	(2,465)
Contract services	15,000	-	15,000
Capital Outlay	360,000	873,170	(513,170)
TOTAL EXPENDITURES	615,800	1,373,236	(757,436)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(74,300)	(307,137)	(232,837)
FUND BALANCE:			
Beginning of year	833,544	833,544	-
End of year	\$ 759,244	526,407	(232,837)

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
SUPPLEMENTAL INFORMATION**

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY TEXAS COMMISSION ON ENVIRONMENTAL QUALITY YEAR ENDED DECEMBER 31, 2015

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 Proprietary Fund Expenses
<u>X</u>	<u> </u>	TSI-3 Schedule of Temporary Investments
<u> </u>	<u>X</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 Debt
<u>X</u>	<u> </u>	TSI-7 Comparative Schedule of Revenues and Expenditures - All Funds - Five Years
<u>X</u>	<u> </u>	TSI-8 Board Members, Key Personnel and Consultants

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

TSI-0 NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL YEAR ENDED DECEMBER 31, 2015

The notes which follow are not necessarily required for fair presentation of the audited basic 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

See Note 7 to basic financial statements.

(D) Pledge of Revenues

See Note 6 to basic financial statements.

(E) Compliance with Debt Service Requirements

See Note 6 to basic financial statements.

(F) Redemption of Bonds

Not applicable.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

TSI-1 SCHEDULE OF SERVICES AND RATES YEAR ENDED DECEMBER 31, 2015

1. Services Provided by the District:

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

2. Retail 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	Usage Levels
WATER	\$ 32.50	N/A	N	\$ 3.83	0 to 3,000
				4.32	3,001 to 5,000
				4.75	5,001 to 10,000
				5.29	10,001 to 20,000
				5.72	20,001 to 30,000
				6.10	30,001 to 40,000
				6.48	40,001 and above
WASTEWATER	\$ 85.25	N/A	Y	\$ N/A	N/A
SURCHARGE	\$ None				

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

Total charges per 10,000 gallons usage: Water: \$ 76.38 Wastewater: \$ 85.25

(continued)

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**TSI-1 SCHEDULE OF SERVICES AND RATES (continued)**
YEAR ENDED DECEMBER 31, 2015**b. Water and Wastewater Retail Connections:**

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	x 1.0	-
<=3/4"	1,650	1,469	x 1.0	1,469
1"	4	3	x 2.5	7.5
1 1/2"	-	-	x 5.0	-
2"	7	3	x 8.0	24
3"	-	-	x 15.0	-
4"	-	-	x 25.0	-
6"	-	-	x 50.0	-
8"	-	-	x 80.0	-
10"	-	-	x 115.0	-
Total Water	1,661	1,475		1,500.5
Total Wastewater	625	569	x 1.0	569

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

Gallons pumped into system:	<u>111,637,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>100,897,000</u>	(Gallons billed/Gallons pumped)
		<u>90.4%</u>

4. Standby Fees (authorized only under TWC Section 49.231):Does the District have Debt Service standby fees? ☐ Yes ☒ NoIf yes, Date of the most recent Commission Order: N/ADoes the District have Operation and Maintenance standby fees? ☒ Yes ☐ NoIf yes, Date of the most recent Commission Order: 1986

(continued)

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

TSI-1 SCHEDULE OF SERVICES AND RATES (continued) YEAR ENDED DECEMBER 31, 2015

5. Location of District:

County in which district is located: Bastrop

Is the District located entirely within one county? ☒ Yes ☐ No

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

City in which District is located: City of Bastrop

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

ETJ's in which district is located: City of Bastrop

Are Board members appointed by an office outside the District? ☐ Yes ☒ No

If yes, by whom? N/A

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

TSI-2 SCHEDULE OF WATER AND WASTEWATER FUND EXPENSES YEAR ENDED DECEMBER 31, 2015

Personnel Expenditures (including benefits)	\$ 492,605
Professional Fees:	
Auditing	14,000
Legal	45,472
Engineering	17,595
Financial Advisor	-
Purchased Services For Resale-	
Bulk Water and Wastewater Purchases	-
Contracted Services:	
Bookkeeping	13,960
General Manager	-
Appraisal District	-
Tax Collector	-
Other Contracted Services	7,725
Utilities	55,762
Repairs and Maintenance	193,477
Administrative Expenditures:	
Directors' Fees	-
Office Supplies	13,871
Insurance	25,763
Other Administrative Expenses	456,880
Capital Outlay:	
Capitalized Assets	-
Expenditures not Capitalized	87,656
Tap Connection Expenditures	739
Solid Waste Disposal	1,758
Fire Fighting	-
Parks and Recreation	-
Depreciation	232,098
Other Expenditures	19,285
TOTAL EXPENDITURES	<u>\$ 1,678,646</u>

Number of persons employed by the District: 9 Full-Time 2 Part-Time
(Does not include independent contractors or consultants)

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS YEAR ENDED DECEMBER 31, 2015

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at December 31, 2015	Accrued Interest Receivable at December 31, 2015
<u>Water Fund:</u>					
Certificate of Deposit	30226	1.97%	4/2/2016	\$ 65,000	-
Certificate of Deposit	74188	0.50%	11/18/2016	151,507	-
Total				<u>\$ 216,507</u>	<u>-</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS DECEMBER 31, 2015

Bastrop County Water Control and Improvement District No. 2 Revenue Bonds, Series 2000			
Due During Fiscal Years Ending 12/31	Principal Due 8/15	Interest Due 2/15, 8/15	Total
2016	50,000	15,950	65,950
2017	50,000	13,050	63,050
2018	55,000	10,150	65,150
2019	60,000	6,960	66,960
2020	60,000	3,480	63,480
	<u>\$ 275,000</u>	<u>49,590</u>	<u>324,590</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM DEBT DECEMBER 31, 2015

	Series 2000
Interest rate	5.80%
Dates interest payable	2/15; 8/15
Maturity dates	8/15/2020
Bonds outstanding, beginning of period	\$ 320,000
Bonds issued/acquired during current period	-
Bonds retired during current period	(45,000)
Bonds outstanding, end of period	\$ 275,000
Interest paid during current period	\$ 27,635

Paying agent's name & address:

Texas Water
Development Board
Austin, Texas

Bond authority:

Amount authorized

\$ 745,000 (a)

Amount issued

745,000

Remaining to be issued

\$ -

Debt Service Fund cash and temporary
investments balances as of December 31, 2015:

\$ 65,000 (b)

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

\$ 64,918

(a) Since the District has no taxing authority, it has no specific standing authorization to issue bonds.

(b) Amount represents cash equivalents restricted for payment of Texas Water Development Board bonds.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS FIVE YEARS ENDED DECEMBER 31, 2015

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
REVENUES:										
Charges for services	\$ 1,780,463	1,572,742	1,352,442	1,237,499	1,542,398	52.7 %	59.3	55.3	62.3	67.8
Stand-by fees	28,512	29,052	26,460	50,114	41,867	0.8	1.1	1.1	2.5	1.8
Tap fees	341,481	221,861	184,802	220,263	236,348	10.1	8.4	7.5	11.1	10.4
Reconnect fees	8,500	8,850	7,750	8,300	8,000	0.3	0.3	0.3	0.4	0.4
Other operating	115,036	2,811	2,124	90,619	70,166	3.4	0.1	0.1	4.6	3.1
Interest and other	362,182	97,677	330,527	22,782	4,858	10.7	3.7	13.5	1.1	0.2
Road assessment fees	741,066	720,387	542,873	356,694	370,065	22.0	27.1	22.2	18.0	16.3
Total	3,377,240	2,653,380	2,446,978	1,986,271	2,273,702	100.0 %	100.0	100.0	100.0	100.0
EXPENDITURES/EXPENSES:										
Office	88,690	79,733	79,910	95,920	162,482	2.6 %	3.0	3.3	4.8	7.1
Payroll	558,296	471,198	488,759	484,550	703,550	16.5	17.8	20.0	24.4	30.9
Contract services	8,464	3,000	19,702	57,233	37,684	0.3	0.1	0.8	2.9	1.7
Professional fees	319,028	240,151	174,381	136,056	120,782	9.4	9.1	7.1	6.8	5.3
Repairs, maintenance, supplies and materials	362,498	279,609	241,717	479,556	48,716	10.7	10.5	9.9	24.1	2.1
Operating expenses	584,587	538,748	360,217	338,621	752,314	17.3	20.3	14.7	17.0	33.1
Bad debt	10,547	155,955	73,540	-	-	0.3	5.9	3.0	0.0	0.0
Other	25,763	22,865	52,380	73,290	-	0.8	0.9	2.1	3.7	0.0
Capital outlay	873,170	294,556	96,102	58,429	155,716	25.9	11.1	3.9	2.9	6.8
Depreciation	232,098	225,694	272,527	202,850	-	6.9	8.5	11.1	10.2	0.0
Debt service	27,635	21,924	23,490	29,471	76,705	0.8	0.8	1.0	1.5	3.4
Total expenditures/expenses	3,090,776	2,333,433	1,882,725	1,955,976	2,057,949	91.5 %	88.0	76.9	98.3	90.4
EXCESS OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 286,464	319,947	564,253	30,295	215,753	8.5 %	12.0	23.1	1.7	9.6
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,475	1,379	1,300	1,224	1,150					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	569	530	483	443	396					

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS DECEMBER 31, 2015

Complete District Mailing Address: P.O. Box 708, Bastrop, Texas 78602

District Business Telephone Number: (512) 321-1688

Submission date of the most recent District Registration Form: May 14, 2013
(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 and Address	Term of Office Elected & Expires or Date Hired	Fees 12/31/15	Expense Reimbursements 12/31/15	Title at Year End
<u>Board Members:</u>				
John Creamer	Elected 5/14 - 5/18	\$ -	\$ -	President
Karen Pinard	Elected 5/12 - 5/16	-	-	Vice President
Sam Kier	Elected 5/14 - 5/18	-	-	Treasurer
Ken Keil	Appointed 6/12 - 5/16	-	-	Director
Tammy Eden	Appointed 12/14 - 5/18	-	-	Secretary
<u>Key Administrative Personnel</u>				
Tyler Walsh	10/03	69,920	-	Operations Manager
Alma Rodriguez	1/01	71,207	-	District Administrator

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

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (continued)

DECEMBER 31, 2015

Name and Address	Date Hired	Fees and Expense Reimbursements 12/31/15	Title at Year End
<u>Consultants:</u>			
Befco Engineering, Inc.	1996	\$ 137,015	Engineer
Lisa Patterson	2010	56,875	Legal Counsel
Spirit Financial, Inc.	2011	34,900	Bookkeeper
Maxwell Locke & Ritter LLP	2013	35,000	Auditor
Samco Capital Markets, Inc.	2000	-	Financial Advisor