

BASTROP COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 2

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

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BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

Annual Financial Report
For the Year Ended December 31, 2016

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF BASTROP }

I, John S. Creamer, Jr President 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 10th day of May, 2017, its annual audit report for the fiscal year ended December 31, 2016, and that copies of the annual report have been filed in the district office, located at 106 Conference Drive, Bastrop, Texas.

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.

Date: May 10, 2017

By: John S. Creamer, Jr President

Sworn to and subscribed to before me this 10th day of May, 2017.

Notary: Alma L. Rodriguez

(Seal)



My Commission expires on: 5-2, 2018, Notary Public in and for the State of Texas.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

Annual Financial Report
For the Year Ended December 31, 2016

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FINANCIAL SECTION

WEST, DAVIS & COMPANY

A LIMITED LIABILITY PARTNERSHIP

Independent Auditor's Report

Board of Directors
Bastrop County Water Control & Improvement District No. 2
Bastrop County, Texas

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 of material misstatement.

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

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the District at December 31, 2016, and the 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, identified as Required Supplementary Information in the table of contents, 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.

Texas Commission on Environmental Quality Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules required by the Texas Commission on Environmental Quality are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our 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 schedules required by the Texas Commission on Environmental Quality are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

West, Davis + Company

Austin, Texas
April 30, 2017

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BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2016

In accordance with Governmental Accounting Standards Board Statement 34 (“GASB 34”), the management of Bastrop County Water Control & Improvement District No. 2 (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended December 31, 2016. Since this information is designed to focus on current year’s activities, resulting changes, and currently known facts, it should be read 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 standby fee 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 \$5.0 million at December 31, 2016. This is an increase of \$273 thousand from the previous year.
- During the year, the District generated approximately \$3.5 million in total revenues.
- Total expenses in the Proprietary Funds for the District’s water and wastewater operations were approximately \$2.1 million for the year ended December 31, 2016. Total standby and road construction and maintenance expenses, which are accounted for in the Special Revenue Funds, were approximately \$1.2 million for the year.

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created by the Bastrop County Commissioners Court in 1985. The District was created and organized for the purpose of providing water and wastewater services to customers within its boundaries and in the surrounding area. In 1989, the State of Texas granted the District the additional powers and duties of a road utility district.

BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2016

USING THIS ANNUAL REPORT

The District's reporting is comprised of five parts:

- Management's Discussion and Analysis (this section)
- Basic Financial Statements
 - Government-wide Statement of Net Position
 - Government-wide Statement of Activities
 - Balance Sheet-Governmental Funds
 - Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds
 - Statement of Net Position-Proprietary Funds
 - Statement of Revenues, Expenses and changes in Net Position-Proprietary Funds
 - Statement of Cash Flows-Proprietary Funds
- Notes to the Financial Statements
- Required Supplementary Information
- Texas Commission on Environmental Quality Supplementary Information

The Government-wide financial statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. These statements 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.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These statements show how services were financed in the short term as well as what resources remain for future spending.

The Proprietary Fund financial statements 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 the Financial Statements provide additional information that is essential to a full understanding of the information presented in the Government-wide statements and the Fund financial statements.

The Required Supplementary Information presents a comparison statement between the District's adopted budget and its actual results. These schedules are required for the Special Revenue Funds of the District.

The Texas Commission on Environmental Quality Supplementary Information provides additional information and is required to be presented by the TCEQ.

BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Summary Statement of Net Position

(in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Current and Other Assets	\$ 838	\$ 719	\$2,307	\$1,501	\$3,145	\$2,220	\$ 925
Capital and Non-Current Assets	618	920	7,691	2,476	8,309	3,396	4,913
Total Assets	1,456	1,639	9,998	3,977	11,454	5,616	5,838
Current Liabilities	2	99	559	487	561	586	(25)
Long-Term Liabilities	-	-	5,815	225	5,815	225	5,590
Total Liabilities	2	99	6,374	712	6,376	811	5,565
Capital Assets, Net of Debt	618	920	1,641	2,201	2,259	3,121	(862)
Restricted for Debt Service	-	-	65	65	65	65	-
Unassigned	836	620	1,918	999	2,754	1,619	1,135
Total Net Position	\$1,454	\$1,540	\$3,624	\$3,265	\$5,078	\$4,805	\$ 273

The District's total assets were approximately \$11.5 million as of December 31, 2016. Of this amount, approximately \$2.8 million is accounted for by cash and short term investments. The District had outstanding liabilities of approximately \$6.4 million. The District's unassigned net assets, which can be used to finance day to day operations, totaled \$2.8 million.

BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2016

Summary Statement of Activities

(in thousands)

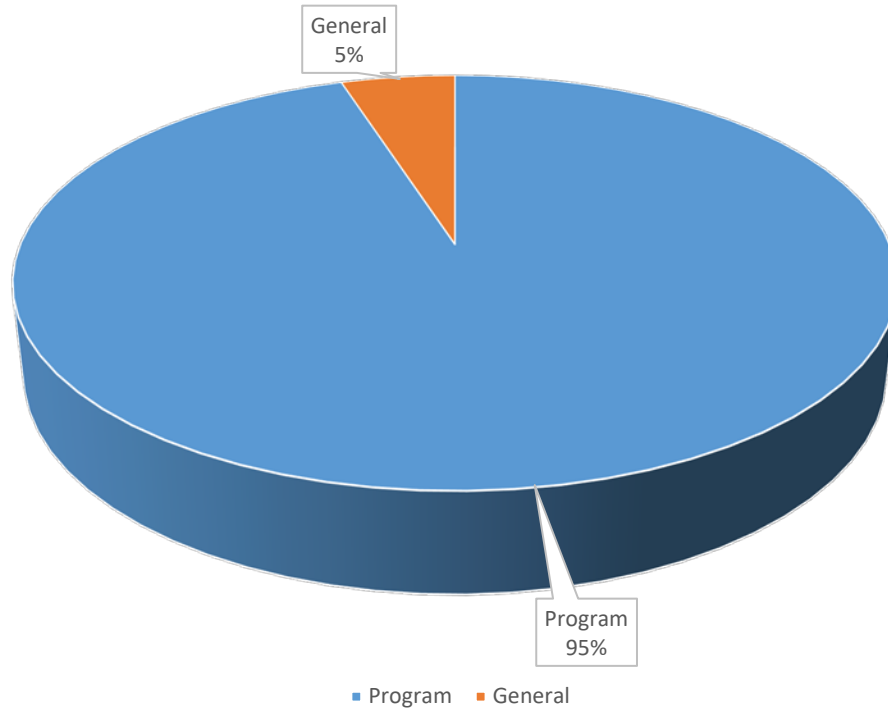
	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2016	2015	2016	2015	2016	2015	
Program	\$ 785	\$ 1,201	\$2,420	\$2,245	\$3,205	\$ 3,446	\$ (241)
General	158	345	10	17	168	362	(194)
Total Revenues	943	1,546	2,430	2,262	3,373	3,808	(435)
Stand-By	37	39	-	-	37	39	(2)
Roads	992	2,943	-	-	992	2,943	(1,951)
Water	-	-	1,126	964	1,126	964	162
Wastewater	-	-	945	714	945	714	231
Total Expenses	1,029	2,982	2,071	1,678	3,100	4,660	(1,560)
Change In Net Position	(86)	(1,436)	359	584	273	(852)	1,125
Beginning Net Position	1,540	2,976	3,265	2,681	4,805	5,657	(852)
Ending Net Position	\$ 1,454	\$ 1,540	\$3,624	\$3,265	\$5,078	\$ 4,805	\$ 273

Revenues were approximately \$3.4 million for the year ended December 31, 2016. Expenses were approximately \$3.1 million for the year ended December 31, 2016. Net position increased \$273 thousand from current year activities. The following charts summarize the sources of revenue and areas of expenses.

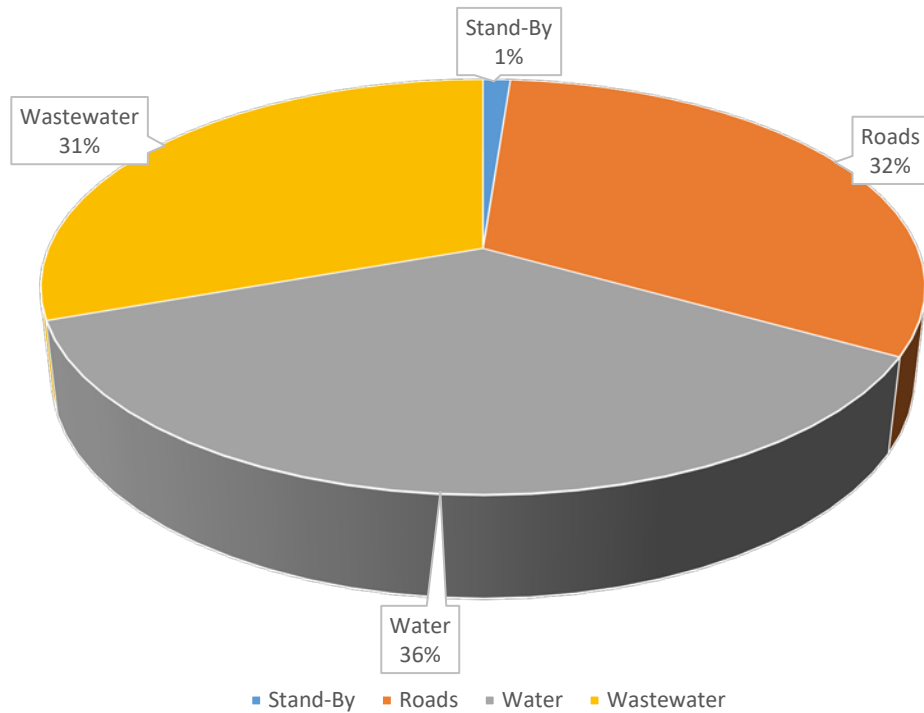
BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2016

Revenues-Fiscal Year 2016



Expenses - Fiscal Year 2016



BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2016

BUDGETARY HIGHLIGHTS

The Standby Fund finished the year ahead of budget by approximately \$4 thousand primarily due to an increase in assessment revenue compared to budget. The Road Fund finished the year ahead of budget by approximately \$92 thousand also primarily due to an increase in assessment revenue compared to budget. More detailed information about the District's budgetary comparison is presented in the Required Supplementary Information section.

CAPITAL ASSETS

The District has invested \$13.3 million in infrastructure. A summary of these assets is listed below:

Summary of Capital Assets (in thousands)

	2016	2015	Increase (Decrease)
Land	\$ 607	\$ 563	\$ 44
Construction in Progress	-	364	(364)
Water and Wastewater Improvements	10,523	4,859	5,664
Road Improvements	940	858	82
Buildings	413	413	-
Machinery and Equipment	619	509	110
Vehicles	235	225	10
Furniture and Fixtures	29	33	(4)
Total Capital Assets	13,366	7,824	5,542
Accumulated Depreciation	(5,057)	(4,428)	(629)
Total Capital Assets (Net)	\$ 8,309	\$ 3,396	\$ 4,913

LONG TERM DEBT

The District issued \$6.345 million of Revenue Notes, Series 2016 during the year and used the proceeds to purchase the District's wastewater collection system from the LCRA. Bonded indebtedness of the District at year end was \$6.050 million. More detailed information about the District's long-term debt is presented in the Notes to the Basic Financial Statements.

BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2016

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 PO Box 708, Bastrop, Texas 78602.

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BASIC FINANCIAL STATEMENTS

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

GOVERNMENT-WIDE STATEMENT OF NET POSITION DECEMBER 31, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	STATEMENT OF NET POSITION
<u>ASSETS</u>			
Cash	\$ 553,882	\$ 1,287,866	\$ 1,841,748
Investments			
Unrestricted	-	767,276	767,276
Restricted	-	230,772	230,772
Receivables			
Assessments Receivable, Net	276,966	-	276,966
Service Accounts Receivable, Net	-	27,764	27,764
Internal Balances	7,372	(7,372)	-
Utility Deposits	-	920	920
Capital Assets, Net			
Land	431,264	176,166	607,430
Water and Wastewater Improvements	-	7,079,413	7,079,413
Road Improvements	134,806	-	134,806
Buildings	-	222,570	222,570
Machinery and Equipment	45,003	187,271	232,274
Vehicles	7,195	25,357	32,552
TOTAL ASSETS	1,456,488	9,998,003	11,454,491
<u>LIABILITIES</u>			
Accounts Payable	994	52,936	53,930
Accrued Liabilities	910	92,116	93,026
Customer Deposits	-	179,400	179,400
Long-term Liabilities			
Due Within One Year	-	235,000	235,000
Due After One Year	-	5,815,000	5,815,000
TOTAL LIABILITIES	1,904	6,374,452	6,376,356
NET POSITION			
Invested in Capital Assets (Net of Related Debt)	618,268	1,640,777	2,259,045
Restricted for Debt Service	-	65,000	65,000
Unrestricted	836,316	1,917,774	2,754,090
TOTAL NET POSITION	\$ 1,454,584	\$ 3,623,551	\$ 5,078,135

See notes to financial statements.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	STATEMENT OF ACTIVITIES
REVENUES			
Water and Wastewater Service	\$ -	\$ 1,853,629	\$ 1,853,629
Tap Fees	-	496,397	496,397
Reconnection Fees	-	10,275	10,275
Stanby Charges	48,665	-	48,665
Road Assessment Fees	736,217	-	736,217
Other	158,589	59,999	218,588
TOTAL REVENUES	943,471	2,420,300	3,363,771
EXPENSES			
Service Operations			
Payroll and Related expenses	83,791	579,559	663,350
Operations	138,101	365,203	503,304
Repairs and Maintenance	2,813	99,263	102,076
Contract Services	38,629	13,000	51,629
Consumable Supplies	52,034	120,362	172,396
Professional Services	93,987	144,128	238,115
Office	30,953	44,406	75,359
Insurance	5,061	24,512	29,573
Depreciation	43,232	589,825	633,057
Debt Service:			
Interest	-	91,532	91,532
Loss on Road Conveyances	540,458	-	540,458
TOTAL EXPENSES	1,029,059	2,071,790	3,100,849
NON-OPERATING REVENUES			
Rental Income	-	5,500	5,500
Interest and Other	-	4,745	4,745
TOTAL NON-OPERATING REVENUES	-	10,245	10,245
CHANGE IN NET POSITION	(85,588)	358,755	273,167
NET POSITION			
Beginning of Year	1,540,172	3,264,796	4,804,968
End of Year	\$ 1,454,584	\$ 3,623,551	\$ 5,078,135

See notes to financial statements.

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FUND FINANCIAL STATEMENTS

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

BALANCE SHEET-GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	<u>STANDBY</u>	<u>ROAD</u>	<u>TOTAL</u>	<u>ADJUST- MENTS</u>	<u>STATEMENT OF NET POSITION</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 34,840	\$ 519,042	\$ 553,882	\$ -	\$ 553,882
Assessments Receivable, Net	21,008	255,958	276,966	-	276,966
Due from Proprietary Fund	56,760	-	56,760	-	56,760
Capital Assets, Net					
Land	-	-	-	431,264	431,264
Road Improvements	-	-	-	134,806	134,806
Machinery and Equipment	-	-	-	45,003	45,003
Vehicles	-	-	-	7,195	7,195
TOTAL ASSETS	<u>\$ 112,608</u>	<u>\$ 775,000</u>	<u>\$ 887,608</u>	<u>\$ 618,268</u>	<u>\$ 1,505,876</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ -	\$ 994	\$ 994	\$ -	\$ 994
Accrued Liabilities	-	910	910	-	910
Due to Proprietary Fund	-	49,388	49,388	-	49,388
TOTAL LIABILITIES	<u>-</u>	<u>51,292</u>	<u>51,292</u>	<u>-</u>	<u>51,292</u>
<u>FUND BALANCES</u>					
Assigned Fund Balance	112,608	723,708	836,316	(836,316)	-
TOTAL FUND BALANCES	<u>112,608</u>	<u>723,708</u>	<u>836,316</u>	<u>(836,316)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 112,608</u>	<u>\$ 775,000</u>	<u>\$ 887,608</u>		
<u>NET POSITION</u>					
Invested in Capital Assets (Net of Related Debt)				618,268	618,268
Unrestricted				836,316	836,316
TOTAL NET POSITION				<u>\$ 1,454,584</u>	<u>\$ 1,454,584</u>

See notes to financial statements.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

	STANDBY	ROAD	TOTAL	ADJUST- MENTS	STATEMENT OF ACTIVITIES
<u>REVENUES</u>					
Stanby Charges	\$ 48,665	\$ -	\$ 48,665	\$ -	\$ 48,665
Road Assessment Fees	-	736,217	736,217	-	736,217
Interest and Other	6,894	151,695	158,589	-	158,589
TOTAL REVENUES	55,559	887,912	943,471	-	943,471
<u>EXPENDITURES</u>					
Service Operations					
Salary Allocation	-	83,791	83,791	-	83,791
Operations	-	138,101	138,101	-	138,101
Repairs and Maintenance	-	2,813	2,813	-	2,813
Contract Services	-	38,629	38,629	-	38,629
Consumable Supplies	-	52,034	52,034	-	52,034
Professional Fees	23,919	70,068	93,987	-	93,987
Office	12,765	18,188	30,953	-	30,953
Insurance	-	5,061	5,061	-	5,061
Capital Expenditures	-	281,926	281,926	(281,926)	-
Depreciation	-	-	-	43,232	43,232
Loss on Road conveyances	-	-	-	540,458	540,458
TOTAL EXPENDITURES	36,684	690,611	727,295	301,764	1,029,059
Excess (Deficit) of Revenues Over Expenditures	18,875	197,301	216,176		
CHANGE IN NET POSITION	-	-	-	(301,764)	(85,588)
FUND BALANCES/NET POSITION					
Beginning of Year	93,733	526,407	620,140	920,032	1,540,172
End of Year	\$ 112,608	\$ 723,708	\$ 836,316	\$ 618,268	\$ 1,454,584

See notes to financial statements.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

STATEMENT OF NET POSITION-PROPRIETARY FUNDS

DECEMBER 31, 2016

	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTAL PROPRIETARY</u>
<u>ASSETS</u>			
Cash	\$ 1,213,992	\$ 73,874	\$ 1,287,866
Investments			
Unrestricted	152,649	614,627	767,276
Restricted	65,000	165,772	230,772
Service Accounts Receivable, Net	21,944	5,820	27,764
Due from Other Funds	185,427	10	185,437
Utility Deposits	920	-	920
Capital Assets, Net			
Land	161,641	14,525	176,166
Water and Wastewater Improvements	1,278,855	5,800,558	7,079,413
Road Improvements	-	-	-
Buildings	222,570	-	222,570
Machinery and Equipment	146,145	41,126	187,271
Vehicles	25,357	-	25,357
TOTAL ASSETS	<u>3,474,500</u>	<u>6,716,312</u>	<u>10,190,812</u>
<u>LIABILITIES</u>			
Accounts Payable	37,832	15,104	52,936
Accrued Liabilities	85,504	6,612	92,116
Due to Other Funds	56,760	136,049	192,809
Customer Deposits	179,400	-	179,400
Long-term Liabilities			
Due Within One Year	-	235,000	235,000
Due After One Year	-	5,815,000	5,815,000
TOTAL LIABILITIES	<u>359,496</u>	<u>6,207,765</u>	<u>6,567,261</u>
<u>NET POSITION</u>			
Invested in Capital Assets (Net of Related Debt)	1,834,568	(193,791)	1,640,777
Restricted for Debt Service	65,000	-	65,000
Unrestricted	1,215,436	702,338	1,917,774
TOTAL NET POSITION	<u>\$ 3,115,004</u>	<u>\$ 508,547</u>	<u>\$ 3,623,551</u>

See notes to financial statements.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTAL PROPRIETARY</u>
<u>REVENUES</u>			
Water and Wastewater Service	\$ 1,225,303	\$ 628,326	\$ 1,853,629
Tap Fees	194,140	302,257	496,397
Reconnection Fees	10,275	-	10,275
Other	6,955	53,044	59,999
TOTAL REVENUES	1,436,673	983,627	2,420,300
<u>EXPENSES</u>			
Service Operations			
Payroll and Related expenses	579,559	-	579,559
Operations	77,893	287,310	365,203
Repairs and Maintenance	53,194	46,069	99,263
Contract Services	6,500	6,500	13,000
Consumable Supplies	87,919	32,443	120,362
Professional Services	99,595	44,533	144,128
Office	37,339	7,067	44,406
Insurance	17,413	7,099	24,512
Depreciation	161,192	428,633	589,825
Debt Service:			
Interest	5,550	85,982	91,532
TOTAL EXPENSES	1,126,154	945,636	2,071,790
NET OPERATING INCOME	310,519	37,991	348,510
<u>NON-OPERATING REVENUES</u>			
Rental Income	5,500	-	5,500
Interest and Other	4,745	-	4,745
TOTAL NON-OPERATING REVENUES	10,245	-	10,245
CHANGE IN NET POSITION	320,764	37,991	358,755
<u>NET POSITION</u>			
Beginning of Year	2,794,240	470,556	3,264,796
End of Year	\$ 3,115,004	\$ 508,547	\$ 3,623,551

See notes to financial statements.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	WATER	WASTEWATER	TOTAL PROPRIETARY
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash Received from Customers	\$ 1,452,077	\$ 981,120	\$ 2,433,197
Cash Paid to Employees and Suppliers	(980,943)	(539,741)	(1,520,684)
Interest Paid	(5,550)	(85,982)	(91,532)
Net Cash Provided by Operating Activities	465,584	355,397	820,981
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>			
Net Effect of Interfund Balances	(3,982)	(32,771)	(36,753)
Net Cash Provided by (Used in) Non-Capital Financing Activities	(3,982)	(32,771)	(36,753)
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>			
Proceeds from Notes Payable	-	6,345,000	6,345,000
Principal Payments on Notes Payable	(275,000)	(295,000)	(570,000)
Net Cash Provided by (Used in) Capital Financing Activities	(275,000)	6,050,000	5,775,000
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of Investments	(1,142)	(754,170)	(755,312)
Purchase of Capital Assets	(232,541)	(5,598,567)	(5,831,108)
Rental Income	5,500	-	5,500
Interest and Other Income	4,745	-	4,745
Net Cash Provided by (Used in) Investing Activities	(223,438)	(6,352,737)	(6,576,175)
NET CHANGE IN CASH	(36,836)	19,889	(16,947)
Cash and Cash Equivalents-Beginning of Year	1,250,828	53,985	1,304,813
Cash and Cash Equivalents-End of Year	\$ 1,213,992	\$ 73,874	\$ 1,287,866
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 310,519	\$ 37,991	\$ 348,510
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	161,192	428,633	589,825
Increase in Service Accounts Receivable	(2,446)	(2,507)	(4,953)
Decrease in Accounts Payable	(23,518)	(61,243)	(84,761)
Increase (Decrease) in Accrued Liabilities	1,987	(47,477)	(45,490)
Increase in Customer Deposits	17,850	-	17,850
Net Cash Provided by Operating Activities	\$ 465,584	\$ 355,397	\$ 820,981

See notes to financial statements.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies

The combined financial statements of Bastrop County Water Control and Improvement District No. 2 (the District) have been prepared in conformity with accounting principles applicable to governmental units that are generally accepted in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Bastrop County Water Control and Improvement District No. 2 (the District), a political subdivision of the State of Texas, was created by the Bastrop County Commissioner’s Court under Chapter 51 of the Texas Water Code on September 23, 1985. The District was created and organized for the purpose of providing water and wastewater services to customers within its boundaries and in the surrounding area. The District’s first Board of Directors meeting was held 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 roads within 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.

Most recently, Senate Bill No. 1204 was enacted effective June 19, 2009, setting the District’s maximum monthly charge for road construction and maintenance at \$15 for each developed or undeveloped lot, tract, or reserve in the District. This law restricts to 10% the amount the District may use for administrative purposes and requires that not less than 15% of the charges be used for road maintenance.

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 of Directors (the Board) that has been elected by District residents. The funds presented in this report are within the oversight responsibility of the Board, in accordance with Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting. There are no component units of the District, nor is the District a component unit of any other entity.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

A. Basis of Presentation, Basis of Accounting

Government-wide Financial Statements:

The government-wide financial statements, 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 is removed from these statements. Governmental activities, supported by standby and road construction and maintenance assessments, are reported separately from business-type activities, which rely primarily on fees and charges for water and wastewater services.

Fund Financial Statements:

The governmental fund financial statement columns are labeled **Government Funds Balance Sheet** and **Governmental Funds Revenue, Expenditures and Changes in Fund Balance**. In the fund financial statements, the accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The District reports the following major governmental funds:

Special Revenue Funds

Standby Fund: The Standby 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.

Road Construction and Maintenance Fund: The Road Construction and Maintenance Fund includes charges to property owners within the District to fund road construction and maintenance within the District. It is a budgeted fund.

Proprietary Funds

Water Fund: The Water Fund is an enterprise fund used to account for the operations of the District's water service system, including maintenance of and capital improvements to the system.

Wastewater Fund: The Wastewater Fund is an enterprise fund used to account for the operations of the District's wastewater collection system, including maintenance of and capital improvements to the system.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting

The Government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund financial statements are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the liability is incurred, except for principal and interest on long term debt, which is recognized as an expenditure to the extent that it has matured. General capital asset acquisitions are reported as expenditures in major governmental funds. Proceeds of general long term debt are reported as other financing sources.

C. Fund Balances

The District has adopted 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.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (continued)

Assigned – For the General Fund, amounts that are appropriated by the Board or Board designee, if any, that are to be used for specific purposes. 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.

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 not delegated the authority to assign fund balance.

D. Budget

The Board adopted an annual budget for the Standby Fund and Road Fund on the basis consistent with generally accepted accounting principles. The District does not prepare budgets for other funds. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year end.

E. Pensions

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 were \$9,081.

F. Cash and Cash Equivalents

These include cash on deposit as well as investments with maturities of three months or less. The investments, consisting of certificates of deposit are recorded at cost, which approximates fair market value.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (continued)

G. Assessment 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 the end of the year, the allowance for uncollectible accounts was as follows:

<u>Fund</u>	<u>Allowance for Doubtful Accounts</u>
Standby	\$ 508,534
Road	2,193,543
Water	10,177
Wastewater	4,414
Total Government-wide	<u>\$ 2,716,668</u>

H. Capital Assets

Capital assets, which include Land, Administrative Facilities and Equipment, Water Production and Distribution System, Wastewater Collection System, Road Improvements, Vehicles, and Machinery and Equipment are reported in the applicable governmental or business-type activities columns in the Government-wide financial statements. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated fair market value at the time received. 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:

<u>Asset</u>	<u>Years</u>
Water and Wastewater Improvements	7-39
Buildings and Improvements	7-39
Road Improvements	25
Machinery and Equipment	5-25
Vehicles	5

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (continued)

I. Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivable and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

J. Accrued 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.

K. 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.

L. Deferred Outflows and Inflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, 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. GASB Statement No. 63 became effective for fiscal years beginning after December 15, 2011 and has been implemented in the financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, 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. GASB Statement No. 65 is effective for fiscal years beginning after December 15, 2012 and has been implemented in these financial statements.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. Cash and Investments

The investment policies of the District are governed by State statute and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's Investment Policy include: depositories must be FDIC-insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; securities collateralizing time deposits are held by independent third party trustees.

Cash – At year end, deposits were held by the District's depository bank in accounts that were secured at the balance sheet date by Federal Deposit Insurance Corporation (FDIC) coverage or by pledged collateral held by the District's agent bank in the District's name.

Investments - The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restriction, (1) obligations of the US Treasury, certain US Agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Unrestricted-		
Certificate of Deposit	1 Year	\$ 152,649
Escrow Savings	1 Day	\$ 614,627
Restricted-		
Certificate of Deposit	4 Years	\$ 65,000
Money Market	1 Day	\$ 165,772

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. Cash and Investments (continued)

The District has restricted \$230,772 of investments in accordance with Texas Water Development Board (the "TWDB") note requirements as a reserve for future principal and interest payments.

Analysis of Specific Cash and Investment Risks – GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures.

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 rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterpart or the counterpart's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk – This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy – The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. Capital Assets

During the year the District used note proceeds to acquire \$5,663,618 in Wastewater Facilities serving the District's residents. All of the District's facilities are being depreciated over their estimated useful lives. Depreciation in the amount of \$43,232 and \$589,825 has been charged to governmental activities and business-type activities, respectively. The majority of governmental activities capital assets are road and related improvements that will be conveyed to the County in the future.

	<u>1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2016</u>
<u>Governmental Activities:</u>				
Land	\$ 431,264	\$ -	\$ -	\$ 431,264
Construction in Progress	363,845		(363,845)	-
Road Improvements	857,414	364,501	(281,926)	939,989
Machinery and Equipment	53,343	16,734		70,077
Vehicles	-	10,278		10,278
Total	<u>1,705,866</u>	<u>391,513</u>	<u>(645,771)</u>	<u>1,451,608</u>
<u>Accumulated Depreciation:</u>				
Road Improvements	(765,263)	(2,319)	(37,601)	(805,183)
Machinery and Equipment	(20,571)	100	(4,603)	(25,074)
Vehicles	-	(2,055)	(1,028)	(3,083)
Total	<u>(785,834)</u>	<u>(4,274)</u>	<u>(43,232)</u>	<u>(833,340)</u>
Total Road Capital Assets (Net)	<u>\$ 920,032</u>	<u>\$ 387,239</u>	<u>\$(689,003)</u>	<u>\$ 618,268</u>
<u>Business-Type Activities:</u>				
Land	\$ 131,702	\$ 44,464	\$ -	\$ 176,166
Water & Wastewater Improvements	4,859,294	5,663,618		10,522,912
Buildings	413,241			413,241
Machinery and Equipment	488,458	89,309		577,767
Vehicles	225,164			225,164
Furniture and Fixtures	-	-		-
Total	<u>6,117,859</u>	<u>5,797,391</u>	<u>-</u>	<u>11,915,250</u>
<u>Accumulated Depreciation:</u>				
Water & Wastewater Improvements	(2,889,718)	3,928	(557,708)	(3,443,498)
Buildings	(180,024)		(10,646)	(190,670)
Machinery and Equipment	(374,983)	3,560	(19,073)	(390,496)
Vehicles	(197,411)		(2,398)	(199,809)
Furniture and Fixtures	-	-	-	-
Total	<u>(3,642,136)</u>	<u>7,488</u>	<u>(589,825)</u>	<u>(4,224,473)</u>
Total W/WW Capital Assets (Net)	<u>\$ 2,475,723</u>	<u>\$ 5,804,879</u>	<u>\$(589,825)</u>	<u>\$ 7,690,777</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. Long-Term Debt

On June 23, 2016, the District issued \$6,345,000 of revenue notes funded by TWDB. The notes 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. The debt agreement with the TWDB requires certain deposits and reserves in place to cover future debt service and interest payments. At December 31, 2016, the District was in compliance with these deposit and reserve requirements.

Debt Service Requirements

Debt service requirements on long-term debt as of the end of the year are as follows:

Ending December 31,	Principal	Interest	Totals
2017	\$ 235,000	\$ 191,605	\$ 426,605
2018	245,000	188,902	433,902
2019	250,000	185,349	435,349
2020	260,000	180,999	440,999
2021	270,000	175,747	445,747
2022-2026	1,475,000	773,571	2,248,571
2027-2031	1,725,000	518,976	2,243,976
2032-2036	<u>1,590,000</u>	<u>164,209</u>	<u>1,754,209</u>
Totals	\$ <u>6,050,000</u>	\$ <u>2,379,358</u>	\$ <u>8,429,358</u>

5. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the year, the District obtained liability coverage to address this risk.

6. Commitments and Contingencies

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 \$9,725. Future minimum annual rentals under noncancelable leases were \$4,766 for 2017, \$4,766 for 2018, and \$794 for 2019.

7. Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

8. Subsequent Events

The District has evaluated subsequent events as of April 30, 2016, the date the financial statements were available to be issued.

9. 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	\$ 836,316
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>618,268</u>
Total Net Position	<u>\$ 1,454,584</u>

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

Governmental Funds Excess of Revenues over Expenditures	\$ 216,176
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 or losses on road conveyances	
Capital Outlay	281,926
Depreciation Expense	(43,232)
Loss of Road Conveyances	<u>(540,458)</u>
Change in Net Position	<u>\$ (85,588)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****STANDBY FUND****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2016**

	ORIGINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Standby Charges	\$ 30,000	\$ 48,665	\$ 18,665
Interest and Other	4,150	6,894	2,744
TOTAL REVENUES	34,150	55,559	21,409
<u>EXPENDITURES</u>			
Service Operations			
Salary Allocation	-	-	-
Operations	-	-	-
Repairs and Maintenance	-	-	-
Contract Services	-	-	-
Consumable Supplies	-	-	-
Professional Fees	10,250	23,919	(13,669)
Office	8,700	12,765	(4,065)
Insurance	-	-	-
TOTAL EXPENDITURES	18,950	36,684	(17,734)
Excess (Deficit) of			
Revenues over Expenditures	15,200	18,875	3,675
FUND BALANCE			
Beginning of Year	93,733	93,733	-
End of Year	<u>\$ 108,933</u>	<u>\$ 112,608</u>	<u>\$ 3,675</u>

See notes to financial statements.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

ROAD FUND

BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2016

	ORIGINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Road Assessment Fees	\$ 540,000	\$ 736,217	\$ 196,217
Interest and Other	149,700	151,695	1,995
TOTAL REVENUES	689,700	887,912	198,212
<u>EXPENDITURES</u>			
Service Operations			
Salary Allocation	74,000	83,791	(9,791)
Operations	152,150	138,101	14,049
Repairs and Maintenance	3,000	2,813	187
Contract Services	10,000	38,629	(28,629)
Consumable Supplies	91,200	52,034	39,166
Professional Fees	39,000	70,068	(31,068)
Office	15,243	18,188	(2,945)
Insurance	290	5,061	(4,771)
Capital Expenditures	200,000	281,926	(81,926)
TOTAL EXPENDITURES	584,883	690,611	(105,728)
Excess (Deficit) of			
Revenues over Expenditures	104,817	197,301	92,484
FUND BALANCE			
Beginning of Year	93,733	526,407	-
End of Year	<u>\$ 198,550</u>	<u>\$ 723,708</u>	<u>\$ 525,158</u>

See notes to financial statements.

OTHER SUPPLEMENTARY INFORMATION

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED
BY THE TEXAS WATER COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2016

(Schedules included are checked; explanatory notes are provided for omitted schedules).

- [✓] Schedule of Services and Rates
- [✓] Schedule of General Fund Expenditures
- [✓] Temporary Investments
- [] Analysis of Taxes Levied and Receivable
 - None
- [✓] General Long Term Debt Service Requirements by Years
- [✓] Analysis of Changes in General Long Term Debt
- [✓] Comparative Schedule of Revenues and Expenditures – All Funds
- [✓] Board Members, Key Personnel, and Consultants

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**SCHEDULE OF WATER AND WASTEWATER FUND EXPENSES
YEAR ENDED DECEMBER 31, 2016**

Personnel expenditures (including benefits)	\$ 579,559
Purchased Services for Resale	
Water	-
Wastewater	258,380
	258,380
Professional Fees	
Audit	25,500
Engineering	42,379
Legal	46,069
Appraisal	5,250
	119,198
Contracted Services	
Accounting	24,930
Repairs	13,000
	37,930
Administrative	
Director Salaries and Payroll Taxes	-
Insurance	24,512
Office Supplies	44,406
Other	53,876
	122,794
Maintenance	
Repairs and Maintenance	99,263
Supplies	120,362
Utilities	52,947
	272,572
Depreciation	589,825
Interest	91,532
TOTAL EXPENDITURES	\$ 2,071,790

Number of persons employed by the District: 7 Full-Time 2 Part-Time
(Does not include independent contractors or consultants)

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

TEMPORARY INVESTMENTS

DECEMBER 31, 2016

FUNDS	IDENTIFICATION OR CERTIFICATE NUMBER	INTEREST RATE	MATURITY DATE	BALANCE AT END OF YEAR	ACCRUED INTEREST RECEIVABLE AT END OF YEAR
<u>WATER FUND</u>					
Certificate of Deposit	30226	1.97%	4/2/2017	\$ 65,000	\$ -
Certificate of Deposit	74188	0.50%	11/18/2017	152,649	-
Total				217,649	-
<u>WASTEWATER FUND</u>					
Money Market	5643903	Variable	N/A	165,772	-
Money Market	831041	Variable	N/A	614,627	-
Total				780,399	-
TOTALS - ALL FUNDS				\$ 998,048	\$ -

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**GENERAL LONG TERM DEBT SERVICE REQUIREMENTS-BY YEARS
YEAR ENDED DECEMBER 31, 2016**

DUE DURING FISCAL YEARS ENDING	ANNUAL REQUIREMENTS FOR SERIES 2016		
	TOTAL PRINCIPAL DUE	TOTAL INTEREST DUE	TOTAL PRINCIPAL AND INTEREST DUE
2017	235,000	191,604	426,604
2018	245,000	188,902	433,902
2019	250,000	185,349	435,349
2020	260,000	180,999	440,999
2021	270,000	175,747	445,747
2022	275,000	169,672	444,672
2023	285,000	162,962	447,962
2024	295,000	155,666	450,666
2025	305,000	147,318	452,318
2026	315,000	137,954	452,954
2027	325,000	127,685	452,685
2028	335,000	116,538	451,538
2029	345,000	104,544	449,544
2030	355,000	91,814	446,814
2031	365,000	78,395	443,395
2032	380,000	64,270	444,270
2033	390,000	49,259	439,259
2034	405,000	33,581	438,581
2035	415,000	17,098	432,098
2036	-	-	-
	<u>\$ 6,050,000</u>	<u>\$ 2,379,357</u>	<u>\$ 8,429,357</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**GENERAL LONG TERM DEBT SERVICE REQUIREMENTS-BY YEARS
YEAR ENDED DECEMBER 31, 2016**

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	<u>\$ 6,050,000</u>	<u>\$ 2,379,357</u>	<u>\$ 8,429,357</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

ANALYSIS OF CHANGES IN GENERAL LONG TERM DEBT YEAR ENDED DECEMBER 31, 2016

	<u>SERIES 2000</u>	<u>SERIES 2016</u>	<u>TOTALS</u>
Interest Rate	5.8%	1.15- 4.12%	
Dates Interest Payable	2/15 : 8/15	6/1 : 12/1	
Maturity Dates	8/15/2020	12/1/2035	
Bonds at Beginning of Year	\$ 275,000	\$ -	\$ 275,000
Bonds Sold During the Year	-	6,345,000	6,345,000
Bonds Defeased During the Year	-	-	-
Retirements During the Year	<u>(275,000)</u>	<u>(295,000)</u>	<u>(570,000)</u>
Bonds at End of Year	<u><u>\$ -</u></u>	<u><u>\$ 6,050,000</u></u>	<u><u>\$ 6,050,000</u></u>
Interest Paid During the Year	\$ 5,550	\$ 85,982	\$ 91,532
Change in Accrued Interest	<u>-</u>	<u>-</u>	<u>-</u>
Interest Expense	<u><u>\$ 5,550</u></u>	<u><u>\$ 85,982</u></u>	<u><u>\$ 91,532</u></u>
Paying Agent	TWDB	TWDB	
	<u>Revenue Bonds</u>		
Bond Authority:			
Bonds	\$ 7,090,000	(a)	
Amount Issued	\$ 7,090,000		
Remaining To Be Issued	\$ -		
Debt Service Fund Cash and Temporary Investments balances as of December 31, 2016			<u><u>\$ 230,772</u></u> (b)
Average annual debt service payment (principal & interest) for remaining term of all debt			<u><u>\$ 443,650</u></u>

(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 TWDB debt.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUND
FOR THE FIVE YEARS ENDED SEPTEMBER 30, 2016**

	AMOUNTS				
	2016	2015	2014	2013	2012
<u>REVENUES</u>					
Water and Wastewater Service	1,853,629	1,780,463	1,572,742	1,352,442	1,237,499
Tap Connection Fees	496,397	341,481	221,861	184,802	220,263
Reconnect Fees	10,275	8,500	8,850	7,750	8,300
Other Operating	59,999	115,036	2,811	2,124	90,619
Standby Charges	48,665	28,512	29,052	26,460	50,114
Road Assessment Fees	736,217	741,066	720,387	542,873	356,694
Interest and Other	168,834	362,182	97,677	330,527	22,782
TOTAL REVENUES	3,374,016	3,377,240	2,653,380	2,446,978	1,986,271
<u>EXPENDITURES</u>					
Salary Allocation	663,350	558,296	471,198	488,759	484,550
Operations	503,304	584,587	538,748	360,217	338,621
Repairs and Maintenance	102,076	362,498	279,609	241,717	479,556
Contract Services	51,629	8,464	3,000	19,702	57,233
Consumable Supplies	172,396	-	-	-	-
Professional Fees	238,115	319,028	240,151	174,381	136,056
Office	75,359	88,690	79,733	79,910	95,920
Insurance and Other	29,573	36,310	178,820	125,920	73,290
Capital Expenditures	281,926	873,170	294,556	96,102	58,429
Depreciation	589,825	232,098	225,694	272,527	202,850
Interest	91,532	27,635	21,924	23,490	29,471
TOTAL EXPENDITURES	2,799,085	3,090,776	2,333,433	1,882,725	1,955,976
Excess (Deficit) of Revenues over Expenditures	<u>574,931</u>	<u>286,464</u>	<u>319,947</u>	<u>564,253</u>	<u>30,295</u>
TOTAL ACTIVE RETAIL CONNECTIONS	<u>1,556</u>	<u>1,475</u>	<u>1,379</u>	<u>1,300</u>	<u>1,224</u>

PERCENT OF REVENUES				
2016	2015	2014	2013	2012
55%	53%	59%	55%	62%
15%	10%	8%	8%	11%
0%	0%	0%	0%	0%
2%	3%	0%	0%	5%
1%	1%	1%	1%	3%
22%	22%	27%	22%	18%
5%	11%	4%	14%	1%
100%	100%	100%	100%	100%
20%	17%	18%	20%	24%
15%	17%	20%	15%	17%
3%	11%	11%	10%	24%
2%	0%	0%	1%	3%
5%	0%	0%	0%	0%
7%	9%	9%	7%	7%
2%	3%	3%	3%	5%
1%	1%	7%	5%	4%
8%	26%	11%	4%	3%
17%	7%	9%	11%	10%
3%	1%	1%	1%	1%
83%	92%	88%	77%	98%
17%	8%	12%	23%	2%
1,556	1,475	1,379	1,300	1,224

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
YEAR ENDED DECEMBER 31, 2016**

DISTRICT MAILING ADDRESS: PO Box 708, Bastrop, Texas 78602

DISTRICT BUSINESS TELEPHONE NUMBER: (512) 321-1688

LIMITS ON FEES OF OFFICE THAT A DIRECTOR MAY RECEIVE DURING A FISCAL YEAR: \$7,200

<u>NAMES AND ADDRESSES</u>	<u>TERM OF OFFICE</u>	<u>SALARY FYE 12/31/16</u>	<u>REIMBURSEMENTS FYE 12/31/16</u>	<u>TITLE AT YEAR END</u>
<u>DIRECTORS</u>				
John Creamer	Elected 5/14-5/18	\$ -	\$ -	President
Karen Pinard	Elected 5/16-5/20	-	-	Vice-President
Tammy Eden	Elected 5/14-5/18	-	-	Secretary
Sam Kier	Elected 5/14-5/18	-	-	Treasurer
Victor Gonzalez	Elected 5/16-5/20	-	-	Director
		<u>\$ -</u>	<u>\$ -</u>	

CONSULTANTS

Lisa Patterson	\$ 48,825	\$ -	Attorneys
Befco Engineering	\$ 97,235		Engineers
Spirit Financial	\$ 27,740	\$ -	Accountants
Maxwell Locke & Ritter	\$ 35,000	\$ -	Auditor