

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

**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

WEST, DAVIS & COMPANY, LLP
Certified Public Accountants
Austin, Texas

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BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

Annual Financial Report
For the Year Ended December 31, 2019

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF BASTROP }

I, Mary Beth O'Hanlon, 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 16th day of April, 2020, its annual audit report for the fiscal year ended December 31, 2019, 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: April 16, 2020

By: Mary Beth O'Hanlon

Sworn to and subscribed to before me this 16th day of April 2020.



Notary: Alma L. Rodriguez

My Commission expires on: May 02, 2022, 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, 2019

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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, 2019, 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, 2019, 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
March 31, 2020

BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2019

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, 2019. 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 reconstruction 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 \$6.0 million at December 31, 2019. This is a decrease of \$360 thousand from the previous year.
- During the year, the District generated approximately \$4.3 million in total revenues.
- Total expenses in the Proprietary Funds for the District’s water and wastewater operations were approximately \$2.4 million for the year ended December 31, 2019. Total standby and road reconstruction and maintenance expenses, which are accounted for in the Special Revenue Funds, were approximately \$937 thousand 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.

Management complies with Sec 11001.012 of the District’s Road Powers by producing an annual financial report which also acts as a conveyance of information to each state representative and state senator who represents the area in the district’s jurisdiction.

BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2019

In 2019, the following roads were conveyed to the Bastrop County or City:

Lamaloa Lane	Papaloa Lane	Pele Court
N and S Kaupo Drive	N and S Kanaio Drive	Paia Lane
Kokomo Lane	Haliimaile Lane	E and W Maunalua Drive
Nuuanu Lane		

In 2019, \$ 156,447 was spent in the performance of road maintenance and \$341,754 was spent on road reconstruction. The following roads were reconstructed with the use of contracted labor, WCID2 labor and support of the Bastrop County or Bastrop City via Interlocal Agreements.

At the end of 2019, the following roads were still reported as not conveyed to the Bastrop County or Bastrop City because they were not yet complete or still within the warranty period:

Puu Waa Waa Lane	Konhuanui Lane	Homonu Court
Upola Court	Kaenapapa Lane	Kamaiki Drive
Haou Court	Pahoiki Lane	Kou Court
Kulua Court	Kimo Court	Ahumoa Drive
N Pahihi	Kaena Lane	Papawai Drive
Koae Court	Huelo Court	Kaliu Court
Olaa	Awehi Lane	Ohana Court
Pahala Court		

The annual road meeting was scheduled for March 28, 2020 but was postponed due to the COVID-19 pandemic. The Board will meet virtually on April 16, 2020 where the Master Plan will be updated. Adjustments to the Master Plan will initially be communicated on the District's website until another Annual Road meeting can be scheduled. However, the 2019 Annual Meeting did discuss the roads that would be started in 2020. The Board will determine if any changes are required to the plan so progress on road construction can continue. Our current estimate of costs to complete the project of 100% conveyance of roads to Bastrop County or the City of Bastrop is \$5.6 million.

BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2019

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, 2019

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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Current and Other Assets	\$ 1,419	\$ 845	\$ 3,261	\$ 2,742	\$ 4,680	\$ 3,587	\$ 1,093
Capital and Non-Current Assets	<u>1,290</u>	<u>1,776</u>	<u>7,359</u>	<u>7,684</u>	<u>8,649</u>	<u>9,460</u>	<u>(811)</u>
Total Assets	<u>2,709</u>	<u>2,621</u>	<u>10,620</u>	<u>10,426</u>	<u>13,329</u>	<u>13,047</u>	<u>282</u>
Deferred Outflows	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>
Total Deferred Outflows	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>
Current Liabilities	1,743	2,172	582	586	2,325	2,758	(433)
Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>5,060</u>	<u>5,320</u>	<u>5,060</u>	<u>5,320</u>	<u>(260)</u>
Total Liabilities	<u>1,743</u>	<u>2,172</u>	<u>5,642</u>	<u>5,906</u>	<u>7,385</u>	<u>8,078</u>	<u>(693)</u>
Capital Assets, Net of Debt	290	300	2,039	2,114	2,329	2,414	(85)
Restricted for Debt Service	<u>-</u>	<u>-</u>	<u>1,093</u>	<u>220</u>	<u>1,093</u>	<u>220</u>	<u>873</u>
Unrestricted	<u>676</u>	<u>149</u>	<u>1,896</u>	<u>2,186</u>	<u>2,572</u>	<u>2,335</u>	<u>237</u>
Total Net Position	<u>\$ 966</u>	<u>\$ 449</u>	<u>\$ 5,028</u>	<u>\$ 4,520</u>	<u>\$ 5,994</u>	<u>\$ 4,969</u>	<u>\$ 1,025</u>

The District's total assets were approximately \$13.0 million as of December 31, 2019. Of this amount, approximately \$3.9 million is accounted for by cash and short-term investments. The District had outstanding liabilities of approximately \$7.4 million. The District's unrestricted net assets, which can be used to finance day to day operations, totaled \$2.5 million.

BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2019

Summary Statement of Activities

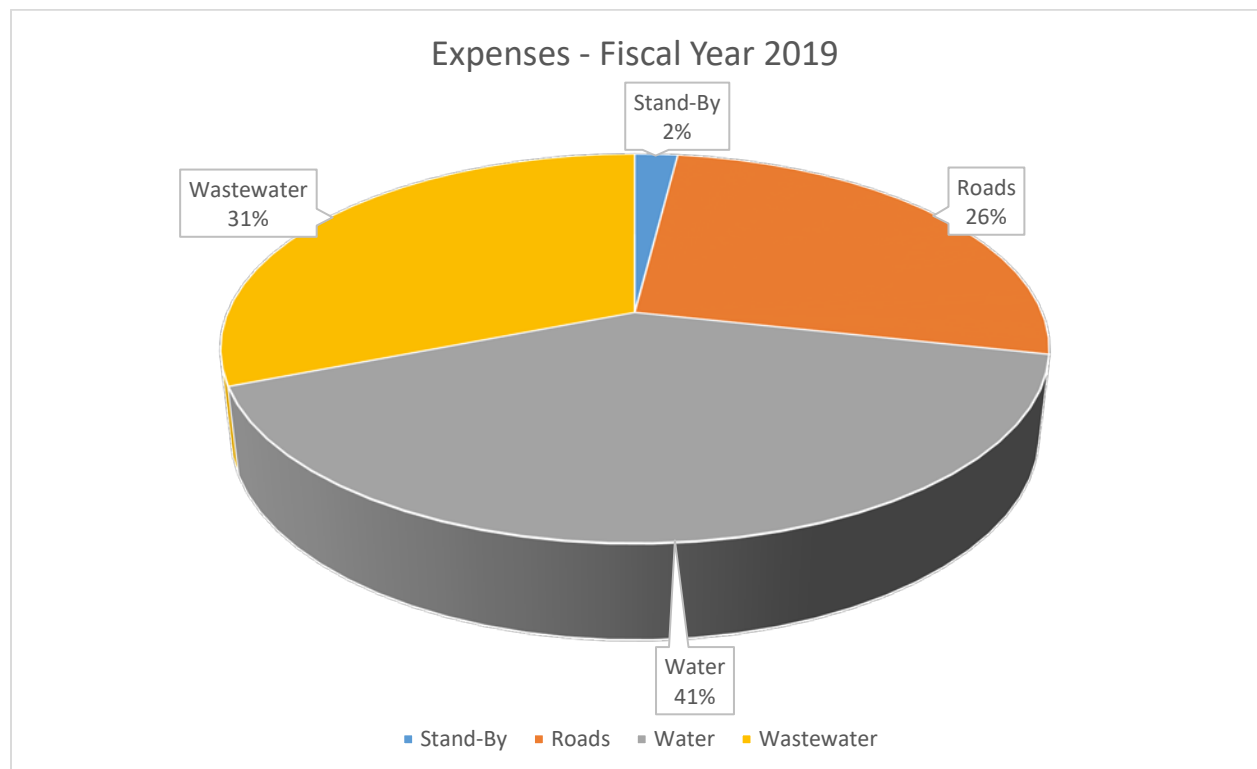
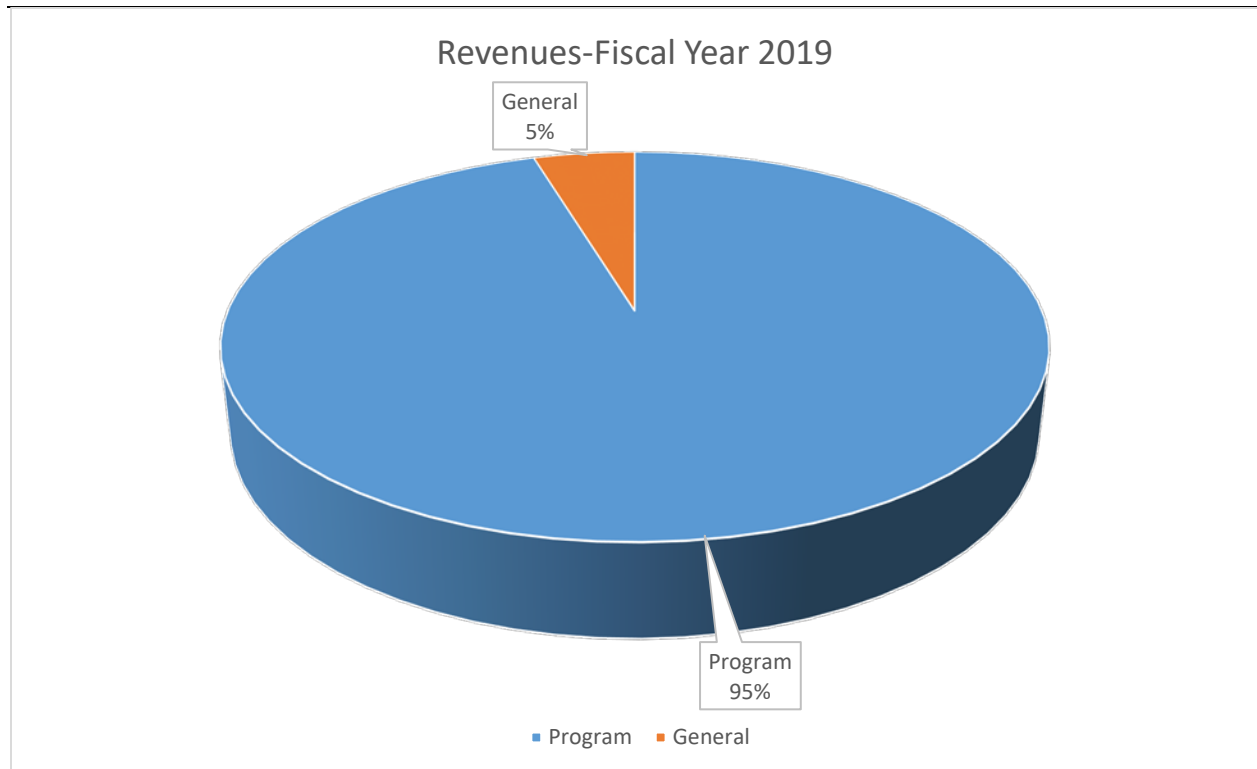
(in thousands)

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2019	2018	2019	2018	2019	2018	
Program	\$ 1,332	\$ 1,235	\$ 2,749	\$ 2,893	\$ 4,081	\$ 4,128	\$ (47)
General	122	178	80	56	202	234	(32)
Total Revenues	1,454	1,413	2,829	2,949	4,283	4,362	(79)
Stand-By	66	26	-	-	66	26	40
Roads	871	2,070	-	-	871	2,070	(1,199)
Water	-	-	1,337	1,432	1,337	1,432	(95)
Wastewater	-	-	1,021	1,194	1,021	1,194	(173)
Total Expenses	937	2,096	2,358	2,626	3,295	4,722	(1,427)
Change In							
Net Position	517	(683)	471	323	988	(360)	1,348
Beginning Net Position	449	1,132	4,520	4,197	4,969	5,329	(360)
Prior Period Adjustment			37		37		37
Ending Net Position	\$ 966	\$ 449	\$ 5,028	\$ 4,520	\$ 5,994	\$ 4,969	\$ 1,025

Revenues were approximately \$4.3 million for the year ended December 31, 2019. Expenses were approximately \$3.3 million for the year ended December 31, 2019. Net position increased \$988 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, 2019



BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2019

BUDGETARY HIGHLIGHTS

The Standby Fund finished the year over budget by approximately \$59 thousand primarily due repair costs. The Road Fund finished the year under budget by approximately \$605 thousand also primarily due to a decrease in capital expenditures 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 \$15.0 million in infrastructure. A summary of these assets is listed below:

Summary of Capital Assets (in thousands)

	2019	2018	Increase (Decrease)
Land	\$ 445	\$ 445	\$ -
Construction in Progress	59	-	59
Water and Wastewater Improvements	11,613	11,550	63
Road Improvements	1,000	1,475	(475)
Buildings	462	423	39
Machinery and Equipment	936	811	125
Vehicles	446	383	63
Total Capital Assets	14,961	15,087	(126)
Accumulated Depreciation	(6,312)	(5,627)	(685)
Total Capital Assets (Net)	\$ 8,649	\$ 9,460	\$ (811)

LONG TERM DEBT

The District issued no new debt during the year. Bonded indebtedness of the District at year end was \$5.320 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, 2019

CURRENT ECONOMIC FACTORS

During 2019, the District determined that the District's existing office building and property were surplus to the District's needs and that it was in the best interest of the District and its customers to sell its current office building. On January 24, 2020 the District completed the sale of its office building and associated land for a selling price of \$334,750. The Board has determined that these funds should be segregated and applied to the future purchase of a new office facility. Currently the office staff is housed in a temporary building located on the old site. The District's agreement with the buyer allows the District to continue to rent this space and parking area for eighteen months.

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, 2019**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	STATEMENT OF NET POSITION
<u>ASSETS</u>			
Cash	\$ 714,341	\$ 346,563	\$ 1,060,904
Investments			
Unrestricted	-	1,732,694	1,732,694
Restricted	-	1,093,715	1,093,715
Receivables			
Assessments Receivable, Net	383,460	-	383,460
Service Accounts Receivable, Net	-	24,798	24,798
FEMA Receivable	358,134	23,500	381,634
Internal Balances	(37,584)	37,584	-
Utility Deposits	-	2,589	2,589
Capital Assets, Net			
Land	269,074	176,166	445,240
Water and Wastewater Improvements	-	6,428,131	6,428,131
Road Improvements	1,000,634	-	1,000,634
Buildings	-	297,029	297,029
Machinery and Equipment	20,022	313,612	333,634
Vehicles	1,028	143,884	144,912
TOTAL ASSETS	2,709,109	10,620,265	13,329,374
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Plan	-	50,133	50,133
TOTAL DEFERRED OUTFLOWS	-	50,133	50,133
<u>LIABILITIES</u>			
Accounts Payable	1,427	38,246	39,673
Accrued Liabilities	1,000,634	25,819	1,026,453
Deferred Assessment Revenue	383,237	-	383,237
Deferred FEMA Revenue	358,134	23,500	381,634
Customer Deposits	-	234,255	234,255
Long-term Liabilities			
Due Within One Year	-	260,000	260,000
Due After One Year	-	5,060,000	5,060,000
TOTAL LIABILITIES	1,743,432	5,641,820	7,385,252
<u>NET POSITION</u>			
Invested in Capital Assets (Net of Related Debt)	290,124	2,038,822	2,328,946
Restricted for Debt Service	-	1,093,715	1,093,715
Unrestricted	675,553	1,896,041	2,571,594
TOTAL NET POSITION	\$ 965,677	\$ 5,028,578	\$ 5,994,255

The accompanying notes are an integral part of these financial statements.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	STATEMENT OF ACTIVITIES
<u>REVENUES</u>			
Water and Wastewater Service	\$ -	\$ 2,121,670	\$ 2,121,670
Tap Fees	-	467,329	467,329
Debt Service Reserve Fee	-	160,173	160,173
Standby Charges	3,407	-	3,407
Road Assessment Fees	1,328,741	-	1,328,741
FEMA Grants	-	-	-
Other	122,053	61,761	183,814
TOTAL REVENUES	1,454,201	2,810,933	4,265,134
<u>EXPENSES</u>			
Service Operations			
Payroll and Related expenses	141,765	758,678	900,443
Operations	208,023	267,911	475,934
Repairs and Maintenance	50,960	120,778	171,738
Contract Services	65,725	-	65,725
Consumable Supplies	27,492	143,729	171,221
Professional Services	213,468	87,272	300,740
Office	27,166	74,880	102,046
Insurance	10,566	44,000	54,566
Depreciation	10,115	674,775	684,890
Debt Service:			
Interest	-	185,349	185,349
Loss on Road Conveyance Obligation	182,148	-	182,148
TOTAL EXPENSES	937,428	2,357,372	3,294,800
<u>NON-OPERATING REVENUES</u>			
Rental Income	-	3,300	3,300
Interest and Other	-	15,163	15,163
TOTAL NON-OPERATING REVENUES	-	18,463	18,463
CHANGE IN NET POSITION	516,773	472,024	988,797
<u>NET POSITION</u>			
Beginning of Year	448,904	4,519,701	4,968,605
Prior Period Adjustment-Pension Plan	-	36,853	36,853
End of Year	\$ 965,677	\$ 5,028,578	\$ 5,994,255

The accompanying notes are an integral part of these financial statements.

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FUND FINANCIAL STATEMENTS

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

BALANCE SHEET-GOVERNMENTAL FUNDS

DECEMBER 31, 2019

	STANDBY	ROAD	TOTAL	ADJUST- MENTS	STATEMENT OF NET POSITION
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 87,928	\$ 626,413	\$ 714,341	\$ -	\$ 714,341
Assessments Receivable, Net	223	383,237	383,460	-	383,460
FEMA Receivable	-	358,134	358,134	-	358,134
Capital Assets, Net					
Land	-	-	-	269,074	269,074
Road Improvements	-	-	-	1,000,634	1,000,634
Machinery and Equipment	-	-	-	20,022	20,022
Vehicles	-	-	-	1,028	1,028
TOTAL ASSETS	\$ 88,151	\$ 1,367,784	\$ 1,455,935	\$ 1,290,758	\$ 2,746,693
<u>LIABILITIES</u>					
Accounts Payable	\$ 2	\$ 1,425	\$ 1,427	\$ -	\$ 1,427
Obligation to Transfer Roads to County	-	-	-	1,000,634	1,000,634
Due to Proprietary Fund	562	37,022	37,584	-	37,584
Deferred Assessment Revenue	-	383,237	383,237	-	383,237
Deferred FEMA Revenue	-	358,134	358,134	-	358,134
TOTAL LIABILITIES	564	779,818	780,382	1,000,634	1,781,016
<u>FUND BALANCES</u>					
Assigned Fund Balance	87,587	587,966	675,553	(675,553)	-
TOTAL FUND BALANCES	87,587	587,966	675,553	(675,553)	-
<u>TOTAL LIABILITIES AND FUND BALANCES</u>					
	\$ 88,151	\$ 1,367,784	\$ 1,455,935		
<u>NET POSITION</u>					
Invested in Capital Assets (Net of Related Debt)				290,124	290,124
Unrestricted				675,553	675,553
TOTAL NET POSITION				\$ 965,677	\$ 965,677

The accompanying notes are an integral part of these 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, 2019

	STANDBY	ROAD	TOTAL	ADJUST- MENTS	STATEMENT OF ACTIVITIES
<u>REVENUES</u>					
Standby Charges	\$ 3,407	\$ -	\$ 3,407	\$ -	\$ 3,407
Road Assessment Fees	-	1,328,741	1,328,741	-	1,328,741
FEMA Grants	-	-	-	-	-
Interest and Other	3,537	118,516	122,053	-	122,053
TOTAL REVENUES	6,944	1,447,257	1,454,201	-	1,454,201
<u>EXPENDITURES</u>					
Service Operations					
Salary Allocation	-	141,765	141,765	-	141,765
Operations	-	208,023	208,023	-	208,023
Repairs and Maintenance	50,960	-	50,960	-	50,960
Contract Services	-	65,725	65,725	-	65,725
Consumable Supplies	-	27,492	27,492	-	27,492
Professional Fees	8,825	204,643	213,468	-	213,468
Office	6,197	20,969	27,166	-	27,166
Insurance	-	10,566	10,566	-	10,566
Capital Expenditures	-	182,148	182,148	(182,148)	-
Depreciation	-	-	-	10,115	10,115
Loss on Road Conveyance Obligation	-	-	-	182,148	182,148
TOTAL EXPENDITURES	65,982	861,331	927,313	10,115	937,428
Excess (Deficit) of Revenues Over Expenditures	(59,038)	585,926	526,888		
CHANGE IN NET POSITION	-	-	-	(10,115)	516,773
<u>FUND BALANCES/NET POSITION</u>					
Beginning of Year	146,625	2,040	148,665	300,239	448,904
End of Year	\$ 87,587	\$ 587,966	\$ 675,553	\$ 290,124	\$ 965,677

The accompanying notes are an integral part of these financial statements.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**STATEMENT OF NET POSITION-PROPRIETARY FUNDS****DECEMBER 31, 2019**

	WATER WASTEWATER	TOTAL PROPRIETARY
<u>ASSETS</u>		
Cash	\$ 346,563	\$ 346,563
Investments		
Unrestricted	1,732,694	1,732,694
Restricted	1,093,715	1,093,715
Service Accounts Receivable, Net	24,798	24,798
FEMA Receivable	23,500	23,500
Due from Other Funds	37,584	37,584
Utility Deposits and Prepaid Expenses	2,589	2,589
Capital Assets, Net		
Land	176,166	176,166
Water and Wastewater Improvements	6,428,131	6,428,131
Road Improvements	-	-
Buildings	297,029	297,029
Machinery and Equipment	313,612	313,612
Vehicles	143,884	143,884
TOTAL ASSETS	10,620,265	10,620,265
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension Plan	50,133	50,133
TOTAL DEFERRED OUTFLOWS	50,133	50,133
<u>LIABILITIES</u>		
Accounts Payable	38,246	38,246
Accrued Liabilities	25,819	25,819
Deferred FEMA Revenue	23,500	23,500
Due to Other Funds	-	-
Customer Deposits	234,255	234,255
Long-term Liabilities		
Due Within One Year	260,000	260,000
Due After One Year	5,060,000	5,060,000
TOTAL LIABILITIES	5,641,820	5,641,820
NET POSITION		
Invested in Capital Assets (Net of Related Debt)	2,038,822	2,038,822
Restricted for Debt Service	1,093,715	1,093,715
Unrestricted	1,896,041	1,896,041
TOTAL NET POSITION	\$ 5,028,578	\$ 5,028,578

The accompanying notes are an integral part of these 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, 2019

	WATER WASTEWATER	TOTAL PROPRIETARY
<u>REVENUES</u>		
Water and Wastewater Service	\$ 2,121,670	\$ 2,121,670
Tap Fees	467,329	467,329
Reserve Fee	160,173	160,173
FEMA Grants	-	-
Other	61,761	61,761
TOTAL REVENUES	2,810,933	2,810,933
<u>EXPENSES</u>		
Service Operations		
Payroll and Related expenses	758,678	758,678
Operations	267,911	267,911
Repairs and Maintenance	120,778	120,778
Contract Services	-	-
Consumable Supplies	143,729	143,729
Professional Services	87,272	87,272
Office	74,880	74,880
Insurance	44,000	44,000
Depreciation	674,775	674,775
Debt Service:		
Interest	185,349	185,349
TOTAL EXPENSES	2,357,372	2,357,372
NET OPERATING INCOME	453,561	453,561
NON-OPERATING REVENUES		
Rental Income	3,300	3,300
Interest and Other	15,163	15,163
TOTAL NON-OPERATING REVENUES	18,463	18,463
CHANGE IN NET POSITION	472,024	472,024
NET POSITION		
Beginning of Year	4,519,701	4,519,701
Prior Period Adjustment-Pension Plan	36,853	36,853
End of Year	\$ 5,028,578	\$ 5,028,578

The accompanying notes are an integral part of these financial statements.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	WATER WASTEWATER	TOTAL PROPRIETARY
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Customers	\$ 2,774,473	\$ 2,774,473
Cash Paid to Employees and Suppliers	(1,529,659)	(1,529,659)
Interest Paid	(185,349)	(185,349)
Net Cash Provided by Operating Activities	1,059,465	1,059,465
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Net Effect of Interfund Balances	(8,220)	(8,220)
Net Cash Provided by (Used in) Non-Capital Financing Activities	(8,220)	(8,220)
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>		
Reduction of Prior Year Pension Expense	36,853	36,853
Principal Payments on Notes Payable	(250,000)	(250,000)
Net Cash Provided by (Used in) Capital Financing Activities	(213,147)	(213,147)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Investments	(420,627)	(420,627)
Purchase of Capital Assets	(349,194)	(349,194)
Rental Income	3,300	3,300
Interest and Other Income	10,054	10,054
Net Cash Provided by (Used in) Investing Activities	(756,467)	(756,467)
NET CHANGE IN CASH	81,631	81,631
Cash and Cash Equivalents-Beginning of Year	264,932	264,932
Cash and Cash Equivalents-End of Year	\$ 346,563	\$ 346,563
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 453,561	\$ 453,561
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	674,775	674,775
Decrease in Service Accounts Receivable	(2,682)	(2,682)
Increase in Prepaid Expenses	(899)	(899)
Increase in Deferred Outflows	(50,133)	(50,133)
Increase in Accounts Payable	(37,563)	(37,563)
Decrease in Accrued Liabilities	6,051	6,051
Increase in Customer Deposits	16,355	16,355
Net Cash Provided by Operating Activities	\$ 1,059,465	\$ 1,059,465

The accompanying notes are an integral part of these financial statements.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 reconstruction, 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. 749 was enacted effective September 1, 2017, setting the District’s maximum monthly charge for road construction and maintenance at \$21 for each developed or undeveloped lot, tract, or reserve in the District. These laws restrict 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, 2019

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 collection of charges to customers within the District to help fund and pay for utility costs of the District. These charges have been discontinued as of this fiscal year. 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 reconstruction 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, 2019

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, 2019

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 participates in the Texas County & District Retirement System (TCDRS) which covers substantially all full- and part-time non-temporary employees. TCDRS is a statewide, agent multiple-employer, public employee retirement system that provides retirement, disability and survivor benefits.

F. Cash and Cash Equivalents

These include cash on deposit as well as investments with maturities of three months or less at the time of purchase. 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, 2019

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	1,770,000
Water	10,177
Wastewater	4,414
Total Government-wide	<u>\$ 2,293,125</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, 2019

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, 2019

M. Recently Issued Accounting Pronouncements

In March 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of GASB Statement No. 88 is to improve the consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This statement is effective for reporting periods beginning after June 15, 2018. GASB Statement No. 88 has been implemented in these financial statements.

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) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. Cash and Investments (continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Not all assets meeting the definition of an investment are required to be reported at fair value. Including among excepted investments are certain investments held by 2a7-like external investments pools. As detailed below the District has invested funds in specific 2a7-like external investment pools that are valued at amortized cost and not subject to the fair value hierarchy levels.

The District's investments at year end are shown below.

<u>Investment</u>	<u>Fair Value Level</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
Unrestricted- Money Market	1	AAA	1 Day	\$ 811,473
Restricted- Money Market	1	AAA	1 Day	\$ 638,757
TexPool	N/A	AAAm	1 Day	\$ 454,958

The District has restricted \$1,093,715 of investments in accordance with Texas Water Development Board (the "TWDB") note requirements for escrow and future debt service 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.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. Cash and Investments (continued)

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.

Public Funds Investment Pools – Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other person who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least on nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio with one half of one percent of the value of its shares.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. Cash and Investments (continued)

The District's investments in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexPool – The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

3. Capital Assets

During the year the District used operating funds to reconstruct \$182,148 in Road Improvements and acquire \$349,194 in Water and Wastewater System Improvements and other supporting assets serving the District's residents. All of the District's facilities, other than Road Improvements, are being depreciated over their estimated useful lives. Depreciation in the amount of \$10,115 and \$674,776 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.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

3. Capital Assets (continued)

	<u>1/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2019</u>
<u>Governmental Activities:</u>				
Land	\$ 269,074	\$ -	\$ -	\$ 269,074
Road Improvements	1,475,268	182,148	(656,782)	1,000,634
Machinery & Equipment	70,077	-	-	70,077
Vehicles	10,278	-	-	10,278
Total	<u>1,824,697</u>	<u>182,148</u>	<u>(656,782)</u>	<u>1,350,063</u>
<u>Accumulated Depreciation:</u>				
Road Improvements	-	-	-	-
Machinery & Equipment	(41,996)	-	(8,059)	(50,055)
Vehicles	(7,194)	-	(2,056)	(9,250)
Total	<u>(49,190)</u>	<u>-</u>	<u>(10,115)</u>	<u>(59,305)</u>
Road Capital Assets (Net)	<u>\$ 1,775,507</u>	<u>\$ 182,148</u>	<u>\$ (666,897)</u>	<u>\$ 1,290,758</u>
<u>Business-Type Activities:</u>				
Land	\$ 176,166	\$ -	\$ -	\$ 176,166
W/WW Improvements	11,550,612	62,448	-	11,613,060
Buildings	422,599	39,485	-	462,084
Buildings-In Progress	-	58,872	-	58,872
Machinery & Equipment	740,562	125,213	-	865,775
Vehicles	372,685	63,176	-	435,861
Total	<u>13,262,624</u>	<u>349,194</u>	<u>-</u>	<u>13,611,818</u>
<u>Accumulated Depreciation:</u>				
W/WW Improvements	(4,636,107)	-	(548,822)	(5,184,929)
Buildings	(212,180)	-	(11,746)	(223,926)
Machinery & Equipment	(486,606)	-	(65,558)	(552,164)
Vehicles	(243,327)	-	(48,650)	(291,977)
Total	<u>(5,578,220)</u>	<u>-</u>	<u>(674,776)</u>	<u>(6,252,996)</u>
W/WW Capital Assets (Net)	<u>\$ 7,684,404</u>	<u>\$ 349,194</u>	<u>\$ (674,776)</u>	<u>\$ 7,358,822</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

4. Long-Term Debt

On June 23, 2016, the District issued \$6,345,000 of revenue notes funded by a private placement with 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 payments. At December 31, 2019, the District was in compliance with these deposit and reserve requirements.

	Balance			Balance
<u>Bonds:</u>	<u>1/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2019</u>
Revenue Bonds, Series 2016	\$ 5,570,000	-	(250,000)	\$ 5,320,000
Total Bond Indebtedness	\$ 5,570,000	\$ -	\$ (250,000)	\$ 5,320,000

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

<u>Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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
2025-2029	1,625,000	634,039	2,259,039
2030-2034	1,895,000	317,319	2,212,319
2035-2039	415,000	17,098	432,098
Totals	\$ 5,320,000	\$ 1,813,502	\$ 7,133,502

5. Pension Plan

The District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.

A. A brief description of the benefit terms is as follows:

- 1) All full- and part-time employees participate in the plan, regardless of the number of hours they work in a year. Temporary employees are not eligible for membership.
- 2) The plan provides retirement, disability and survivor benefits.
- 3) TCERS is a savings-based plan. For the District's plan, 5% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

5. Pension Plan (continued)

- 4) There are no automatic COLAs. Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
- 5) Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year but must remain in conformity with the Act.

B. Membership information is shown in the chart below.

C. The district's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Bastrop County Water Control and Improvement District 2 contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 5%. Contributions to the pension plan from the district for 2018 are shown in the Schedule of Employer Contributions.

D. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Membership Information

Members	Dec. 31,	Dec. 31, 2018
Number of inactive employees entitled to but not yet receiving benefits:	0	1
Number of active employees:		12
Average monthly salary*:		\$3,697
Average age*:		43.37
Average length of service in years*:		7.50

Inactive Employees (or their Beneficiaries) Receiving Benefits

Number of benefit recipients:	0
Average monthly benefit:	\$0

**Averages reported for active employees.*

The District's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

5. Pension Plan (continued)

Actuarial Assumptions – The following is a description of the assumptions used in the December 31, 2018 actuarial valuation analysis for the District.

Economic Assumptions - TCERS system-wide economic assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	0.00%

Discount Rate – The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

5. Pension Plan (continued)

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years. The discount rate used is 8.1%.

Changers in Net Pension Liability/(Asset)

	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balances as of December 31, 2017	\$ -	\$ -	\$ -
Service Cost	59,781		59,781
Interest on Total Pension Liability	4,842		4,842
Effect of Plan Changes	-		-
Effect of Economic/demographic gains or losses	(4,797)		(4,797)
Effect of Assumptions Changes or Inputs	-		-
Refund of Contributions	-	-	-
Benefit Payments	-	-	-
Administrative Expenses		(52)	52
Member Contributions		25,916	(25,916)
Net Investment Income		701	(701)
Employer Contributions		36,853	(36,853)
Other	-	1,870	(1,870)
Balances as of December 31, 2018	<u>\$ 59,826</u>	<u>\$ 65,288</u>	<u>\$ (5,462)</u>

Sensitivity Analysis – The following presents the net pension liability calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2019**

5. Pension Plan (continued)

	<u>1/1/2018- 12/31/2018</u>
Service Cost	\$ 59,781
Interest on Total Pension Liability	4,842
Effect of Plan Changes	-
Administrative Expenses	52
Member Contributions	(25,916)
Expected Investment Return (Net)	(2,565)
Recognition of Deferrer Inflows/Outflows of Resources	-
Recognition of Economic/Demographic Gains or Losses	(436)
Recognition of Assumption changes or Inputs	-
Recognition of Investment Gains or Losses	373
Other	<u>(1,870)</u>
Pension Expense	<u><u>\$ 34,261</u></u>

As of December 31, 2018, the Deferred Inflows and Outflows of Resources are as follows:

	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>
Differences between Expected and Actual Experience	\$ 4,360	\$ -
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings	-	1,491
Contribution made Subsequent to Measurement Date	-	47,541

Amounts currently reported as Deferred Outflows and Deferred Inflows of Resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

2019	\$ (63)
2020	(63)
2021	(63)
2222	(64)
2023	(436)
Thereafter	(2,181)

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

6. 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.

7. Commitments and Contingencies

The District leases certain office equipment under various operating leases which expire on various dates through 2022. The leases had initial terms of one to five years. Total rent expense was \$13,003. Future minimum annual rentals under noncancelable leases were \$5,422 per year for 2020-2021 and \$4,067 for 2022.

8. 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.

9. Subsequent Events

The District has evaluated subsequent events as of March 31, 2020, the date the financial statements were available to be issued.

10. 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	\$ 675,553
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,290,758
Obligation to transfer roads to county are not financial uses and, therefore, are not reported in the funds	<u>(1,000,634)</u>
Total Net Position	<u>\$ 965,677</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

10. Reconciliation of Government-wide and Fund Financial Statements (continued)

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

Governmental Funds Excess of Revenues over Expenditures	\$ 526,888
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	182,148
Depreciation Expense	(10,115)
Loss on Road Conveyance Obligation	<u>(182,148)</u>
Change in Net Position	<u><u>\$ 516,773</u></u>

11. Prior Period Adjustment

Due the District's adoption of a retirement plan with Texas County and District Retirement System in 2018, the 2019 beginning balance of Deferred Outflows of Resources had to be recorded as a prior period adjustment. This amounted to an increase in the beginning Net Position of the District's Water/Wastewater Proprietary Fund in the amount of \$36,853. The actuarial study conducted for Texas County and District Retirement System that determined this balance was not available at the time the District's 2018 financial statements were issued.

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, 2019**

	ORIGINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Standby Charges	\$ 5,000	\$ 3,407	\$ (1,593)
Interest and Other	5,000	3,537	(1,463)
TOTAL REVENUES	10,000	6,944	(3,056)
<u>EXPENDITURES</u>			
Service Operations			
Salary Allocation	-	-	-
Operations	-	-	-
Repairs and Maintenance	-	50,960	(50,960)
Contract Services	-	-	-
Consumable Supplies	-	-	-
Professional Fees	5,000	8,825	(3,825)
Office	5,000	6,197	(1,197)
Insurance	-	-	-
TOTAL EXPENDITURES	10,000	65,982	(55,982)
Excess (Deficit) of			
Revenues over Expenditures	-	(59,038)	(59,038)
FUND BALANCE			
Beginning of Year	146,625	146,625	-
End of Year	<u>\$ 146,625</u>	<u>\$ 87,587</u>	<u>\$ (59,038)</u>

The accompanying notes are an integral part of these 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, 2019**

	ORIGINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Road Assessment Fees	\$ 1,244,000	\$ 1,328,741	\$ 84,741
FEMA Grants	-	-	-
Interest and Other	183,200	118,516	(64,684)
TOTAL REVENUES	1,427,200	1,447,257	20,057
<u>EXPENDITURES</u>			
Service Operations			
Salary Allocation	166,500	141,765	24,735
Operations	233,600	208,023	25,577
Repairs and Maintenance	20,500	-	20,500
Contract Services	160,000	65,725	94,275
Consumable Supplies	130,000	27,492	102,508
Professional Fees	158,000	204,643	(46,643)
Office	18,550	20,969	(2,419)
Insurance	500	10,566	(10,066)
Capital Expenditures	559,000	182,148	376,852
TOTAL EXPENDITURES	1,446,650	861,331	585,319
Excess (Deficit) of			
Revenues over Expenditures	(19,450)	585,926	605,376
FUND BALANCE			
Beginning of Year	2,040	2,040	-
End of Year	<u>\$ (17,410)</u>	<u>\$ 587,966</u>	<u>\$ 605,376</u>

The accompanying notes are an integral part of these financial statements.

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
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, 2019

(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

Services Provided by the District:

Retail Water	Roads
Retail Wastewater	

			Flat	Rate per first	Rate per add'l
	Minimum	Minimum	Rate	1000 Gallons	1000 Gallons
	Charge	Usage	Y/N	Over Minimum	Over Minimum
Water:	\$ 34.50	-0-	N	\$ 4.73	\$ 4.73-8.32
Wastewater:	\$ 88.00	-0-	Y	\$ -0-	\$ -0-
Surcharge:	8.50				

3. Retail Service Provided: Number of retail water and/or wastewater connections.

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BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

SCHEDULE OF EXPENSES BY FUND YEAR ENDED DECEMBER 31, 2019

	W/WW FUND	STANDBY FUND	ROAD FUND	TOTALS
Personnel (including benefits)	\$ 758,678	\$ -	\$ 141,765	\$ 900,443
Professional Fees				
Audit	16,320	1,200	6,480	24,000
Engineering	19,490	1,440	154,760	175,690
Legal	19,910	3,865	30,875	54,650
Appraisal	-	-	-	-
	55,720	6,505	192,115	254,340
Contracted Services				
Accounting	31,552	2,320	12,528	46,400
Repairs	-	-	65,725	65,725
	31,552	2,320	78,253	112,125
Administrative				
Director Salaries and Payroll Taxes	-	-	-	-
Insurance	44,000	-	10,566	54,566
Office Supplies	74,880	-	20,969	95,849
Other	200,214	6,197	-	206,411
	319,094	6,197	31,535	356,826
Maintenance				
Repairs and Maintenance	120,778	50,960	208,023	379,761
Supplies	143,729	-	27,492	171,221
Utilities	67,697	-	-	67,697
	332,204	50,960	235,515	618,679
Capital Expenditures	-	-	182,148	182,148
Depreciation	674,775	-	10,115	684,890
Interest	185,349	-	-	185,349
TOTAL EXPENDITURES	\$ 2,357,372	\$ 65,982	\$ 871,446	\$ 3,294,800

Number of persons employed by the District: 12
(Does not include independent contractors or consultants)

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**TEMPORARY INVESTMENTS****DECEMBER 31, 2019**

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>					
Money Market	831041	Variable	N/A	\$ 638,757	-
Money Market	2065076	Variable	N/A	71,189	-
Money Market	2134385	Variable	N/A	594,524	-
Money Market	573543	Variable	N/A	145,760	-
State Investment Pool	7966400001	Variable	N/A	454,958	-
State Investment Pool	7966400002	Variable	N/A	921,221	-
Total				2,826,409	-
TOTALS - ALL FUNDS				\$ 2,826,409	\$ -

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**GENERAL LONG TERM DEBT SERVICE REQUIREMENTS-BY YEARS****YEAR ENDED DECEMBER 31, 2019**

DUE DURING FISCAL YEARS ENDING	ANNUAL REQUIREMENTS FOR SERIES 2016		
	TOTAL PRINCIPAL DUE	TOTAL INTEREST DUE	TOTAL PRINCIPAL AND INTEREST DUE
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>\$ 5,320,000</u>	<u>\$ 1,813,502</u>	<u>\$ 7,133,502</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**GENERAL LONG TERM DEBT SERVICE REQUIREMENTS-BY YEARS
YEAR ENDED DECEMBER 31, 2019**

DUE DURING FISCAL YEARS ENDING	ANNUAL REQUIREMENTS FOR ALL SERIES		
	TOTAL PRINCIPAL DUE	TOTAL INTEREST DUE	TOTAL PRINCIPAL AND INTEREST DUE
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>\$ 5,320,000</u>	<u>\$ 1,813,502</u>	<u>\$ 7,133,502</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

ANALYSIS OF CHANGES IN GENERAL LONG TERM DEBT YEAR ENDED DECEMBER 31, 2019

	SERIES 2016	TOTALS
Interest Rate	1.15- 4.12%	
Dates Interest Payable	6/1 : 12/1	
Maturity Dates	12/1/2035	
Bonds at Beginning of Year	\$ 5,570,000	\$ 5,570,000
Bonds Sold During the Year	-	-
Bonds Defeased During the Year	-	-
Retirements During the Year	(250,000)	(250,000)
Bonds at End of Year	<u>\$ 5,320,000</u>	<u>\$ 5,320,000</u>
Interest Paid During the Year	\$ 185,349	\$ 185,349
Change in Accrued Interest	-	-
Interest Expense	<u>\$ 185,349</u>	<u>\$ 185,349</u>
Paying Agent	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, 2019		<u>\$ 454,958</u>
Average annual debt service payment (principal & interest) for remaining term of all debt		<u>\$ 419,618</u>

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

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS
FOR THE FIVE YEARS ENDED DECEMBER 31, 2019**

	AMOUNTS				
	2019	2018	2017	2016	2015
REVENUES					
Water and Wastewater Service	2,121,670	2,065,669	1,844,975	1,853,629	1,780,463
Tap Connection Fees	467,329	673,394	469,814	496,397	341,481
Debt Service Reserve Fee	160,173	152,069	143,542	45,984	-
Standby Charges	3,407	21,090	47,150	48,665	28,512
Road Assessment Fees	1,328,741	1,205,250	919,061	736,217	741,066
FEMA Grants	-	10,837	336,399	88,190	-
Interest and Other	202,277	234,632	298,659	104,934	485,718
TOTAL REVENUES	4,283,597	4,362,941	4,059,600	3,374,016	3,377,240
EXPENDITURES					
Salary Allocation	900,443	874,960	690,772	663,350	558,296
Operations	475,934	655,488	528,467	503,304	584,587
Repairs and Maintenance	171,738	318,910	100,275	102,076	362,498
Contract Services	65,725	590,420	211,026	51,629	8,464
Consumable Supplies	171,221	258,889	357,851	172,396	-
Professional Fees	300,740	215,542	192,991	238,115	319,028
Office	102,046	77,358	51,916	75,359	88,690
Insurance and Other	54,566	36,147	26,697	29,573	36,310
Capital Expenditures	182,148	630,101	661,618	281,926	873,170
Depreciation	684,890	714,522	649,339	589,825	232,098
Interest	185,349	188,902	191,964	91,532	27,635
TOTAL EXPENDITURES	3,294,800	4,561,239	3,662,916	2,799,085	3,090,776
Excess (Deficit) of Revenues over Expenditures	<u>988,797</u>	<u>(198,298)</u>	<u>396,684</u>	<u>574,931</u>	<u>286,464</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,964</u>	<u>1,740</u>	<u>1,644</u>	<u>1,556</u>	<u>1,475</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>698</u>	<u>698</u>	<u>648</u>	<u>605</u>	<u>569</u>

PERCENT OF REVENUES				
2019	2018	2017	2016	2015
50%	47%	45%	55%	53%
11%	15%	12%	15%	10%
4%	3%	4%	1%	0%
0%	0%	1%	1%	1%
31%	28%	23%	22%	22%
0%	0%	8%	3%	0%
5%	5%	7%	3%	14%
100%	100%	100%	100%	100%
21%	20%	17%	20%	17%
11%	15%	13%	15%	17%
4%	7%	2%	3%	11%
2%	14%	5%	2%	0%
4%	6%	9%	5%	0%
7%	5%	5%	7%	9%
2%	2%	1%	2%	3%
1%	1%	1%	1%	1%
4%	14%	16%	8%	26%
16%	16%	16%	17%	7%
4%	4%	5%	3%	1%
77%	105%	90%	83%	92%
23%	-5%	10%	17%	8%

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
YEAR ENDED DECEMBER 31, 2019**

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 12/31/19</u>	<u>REIMBURSEMENTS FYE 12/31/19</u>	<u>TITLE AT YEAR END</u>
<u>DIRECTORS</u>				
Mary Beth O'Hanlon	Elected 5/18-5/22	\$ -	\$ -	President
Butch Carmack	Elected 5/18-5/22	-	-	Vice-President
Scott Ferguson	Appointed 8/18-5/20	-	-	Secretary
Sam Kier	Elected 5/18-5/22	-	-	Treasurer
Karen Pinard	Elected 5/16-5/20	-	-	Director
		<u>\$ -</u>	<u>\$ -</u>	

CONSULTANTS

McLean & Howard	\$ 31,775	\$ -	Attorney
Judy Osborn	\$ 675		Attorney
McCreary Veselka Bragg & Allen	\$ 22,200		Attorney
Befco Engineering	\$ 175,690	\$ -	Engineer
Municipal Accounts & Consulting	\$ 46,400	\$ -	Accountant
West, Davis & Company	\$ 24,000	\$ -	Auditor