

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

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

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

Annual Financial Report
For the Year Ended December 31, 2022

ANNUAL FILING AFFIDAVIT

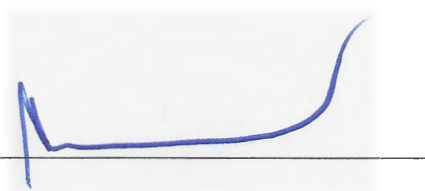
THE STATE OF TEXAS }

COUNTY OF BASTROP }

I, Scott Ferguson, VICE 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 11th day of May, 2023, its annual audit report for the fiscal year ended December 31, 2022, and that copies of the annual report have been filed in the district office, located at 112 Corporate 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.

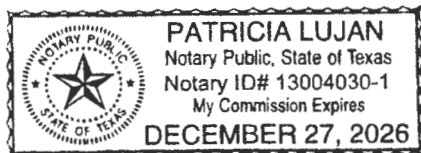
Date: 5-11-2023

By: 

Sworn to and subscribed to before me this 11th day of May 2023.

Notary: Patricia Lujan

(Seal)



My Commission expires on: 12.27.2026, 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, 2022

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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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District as of December 31, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Commission on Environmental Quality required supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Commission on Environmental Quality required supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

West, Davis & Company

Austin, Texas
May 2, 2023

BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2022

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, 2022. 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 \$8.1 million at December 31, 2022. This is an increase of \$463 thousand from the previous year.
- During the year, the District generated approximately \$5.4 million in total revenues.
- Total expenses in the Proprietary Funds for the District’s water and wastewater operations were approximately \$3.5 million for the year ended December 31, 2022. Total standby and road reconstruction and maintenance expenses, which are accounted for in the Special Revenue Funds, were approximately \$1.6 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.

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, 2022**

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.

In 2022, the following roads were conveyed to the Bastrop County or City:

Pahalawe Ln	Koko Ct.
Pukoo Dr.	Keaau Ct.
Kaapahu Dr.	Mokolea Ln.
Katao Ct.	Kauai Ct.
Nanakuli Dr.	Oah Ct.
Kaupa Ct.	Anahulu Ln
Kaelepulu Dr.	

In 2022, \$328,174.28 was spent in the performance of road maintenance and \$714,149 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 2022, 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:

Honopu Dr.	Kula Ct
Keo Kea	Kolo Ct
Kipahulu Dr	Kahalulu Dr
Iao Ct	Otani Ct
Nakalele Ln	E & W Keamuku Ct
Ewa Ct	Onini Dr
Okoe Ct	Koali
Pulehu Ct	

On March 25, 2023, at the annual road meeting, the 1992 Master plan will be updated and communicated to the District residents, the Bastrop County and Bastrop City for the change in road inventory, roads to be reconstructed in 2023, future plans and cost estimates to complete. Our current estimate of costs to complete the project of 100% conveyance of roads to the Bastrop County or Bastrop City is \$6.8 Million.

BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2022

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, 2022

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Summary Statement of Net Position

(in thousands)

	Governmental		Business-Type		Total		Increase (Decrease)
	Activities		Activities				
	2022	2021	2022	2021	2022	2021	
Current and							
Other Assets	\$ 1,230	\$ 1,296	\$ 9,249	\$ 11,101	\$ 10,479	\$ 12,397	\$ (1,918)
Capital and							
Non-Current Assets	1,284	1,287	9,006	7,874	10,290	9,161	1,129
Total Assets	2,514	2,583	18,255	18,975	20,769	21,558	(789)
Deferred Outflows	-	-	132	113	132	113	19
Total Deferred Outflows	-	-	132	113	132	113	19
Current Liabilities	1,317	1,313	1,301	1,819	2,618	3,132	(514)
Long-Term Liabilities	-	-	10,145	10,865	10,145	10,865	(720)
Total Liabilities	1,317	1,313	11,446	12,684	12,763	13,997	(1,234)
Deferred Inflows	-	-	42	4	42	4	38
Total Deferred Inflows	-	-	42	4	42	4	38
Capital Assets, Net of Debt	283	286	(1,859)	(3,691)	(1,576)	(3,405)	1,829
Restricted for							
Debt Service	-	-	2,353	1,576	2,353	1,576	777
Capital Projects	-	-	5,114	5,939	5,114	5,939	(825)
Unrestricted	914	984	1,291	2,576	2,205	3,560	(1,355)
Total Net Position	\$ 1,197	\$ 1,270	\$ 6,899	\$ 6,400	\$ 8,096	\$ 7,670	\$ 426

The District's total assets were approximately \$20.8 million as of December 31, 2022. Of this amount, approximately \$10.1 million is accounted for by cash and short-term investments. The District had outstanding liabilities of approximately \$13.0 million. The District's unrestricted net assets, which can be used to finance day to day operations, totaled \$2.2 million.

BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2022

Summary Statement of Activities

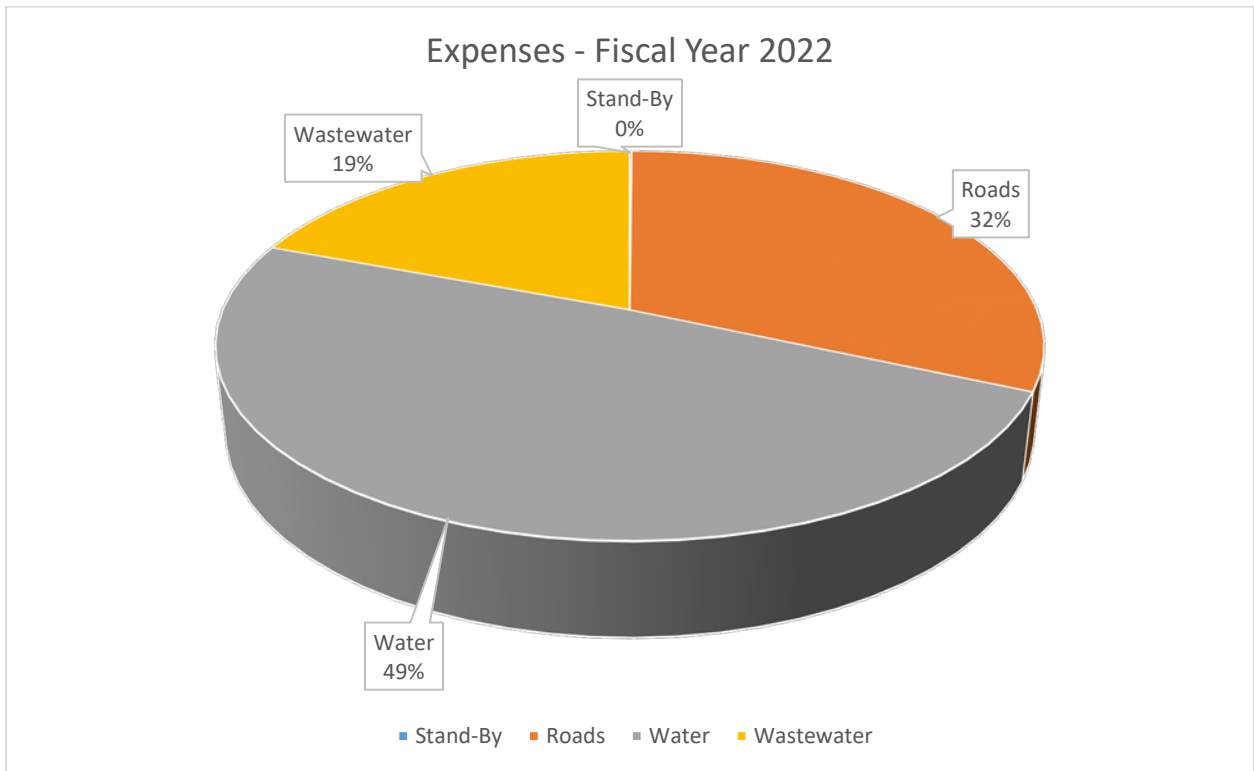
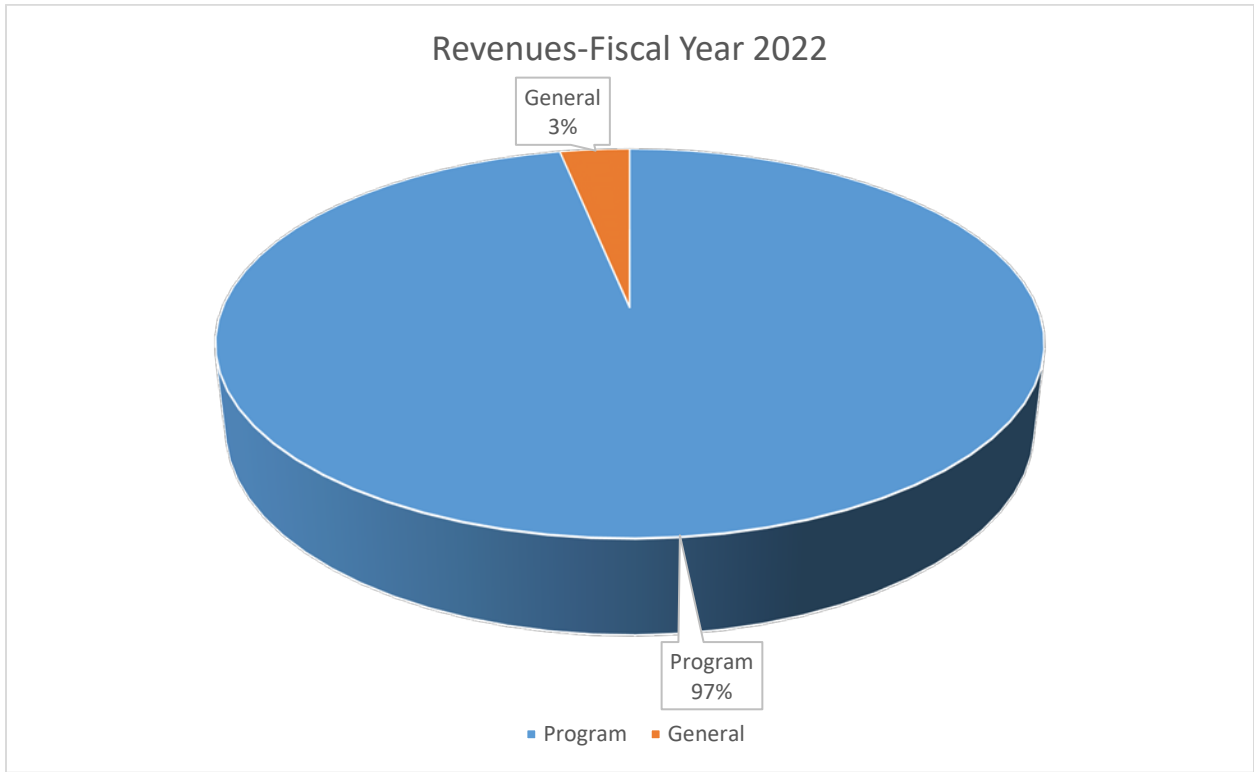
(in thousands)

	Governmental		Business-Type		Total		Increase (Decrease)
	Activities		Activities				
	2022	2021	2022	2021	2022	2021	
Program	\$ 1,396	\$ 1,592	\$ 3,783	\$ 3,272	\$ 5,179	\$ 4,864	\$ 315
General	132	239	42	16	174	255	(81)
Total Revenues	1,528	1,831	3,825	3,288	5,353	5,119	234
Stand-By	5	10	-	-	5	10	(5)
Roads	1,596	1,639	-	-	1,596	1,639	(43)
Water	-	-	2,487	1,701	2,487	1,701	786
Wastewater	-	-	977	986	977	986	(9)
Total Expenses	1,601	1,649	3,464	2,687	5,065	4,336	729
Non-Operating			138	(320)	138	(320)	458
Change In Net Position	(73)	182	499	281	426	463	(37)
Beginning Net Position	1,270	1,088	6,400	6,119	7,670	7,207	463
Ending Net Position	\$ 1,197	\$ 1,270	\$ 6,899	\$ 6,400	\$ 8,096	\$ 7,670	\$ 426

Revenues were approximately \$5.3 million for the year ended December 31, 2022. Expenses were approximately \$5.0 million for the year ended December 31, 2022. Net position increased \$426 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, 2022**



BASTROP COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 2

Management Discussion and Analysis For the Year Ended December 31, 2022

BUDGETARY HIGHLIGHTS

The Standby Fund finished the year on budget. The Road Fund finished the year over budget by approximately \$69 thousand also primarily due to increased engineering and consulting fees. More detailed information about the District's budgetary comparison is presented in the Required Supplementary Information section.

CAPITAL ASSETS

The District has invested \$18.7 million in infrastructure. A summary of these assets is listed below:

Summary of Capital Assets

(in thousands)

	2022	2021	Increase (Decrease)
Land	\$ 369	\$ 369	\$ -
Construction in Progress	-	-	-
Water and Wastewater Improvements	14,597	12,971	1,626
Road Improvements	1,000	1,000	-
Buildings	872	726	146
Machinery and Equipment	1,218	1,072	146
Vehicles	645	597	48
Total Capital Assets	18,701	16,735	1,966
Accumulated Depreciation	(8,411)	(7,575)	(836)
Total Capital Assets (Net)	\$ 10,290	\$ 9,160	\$ 1,130

LONG TERM DEBT

The District issued no new revenue notes during the year. Bonded indebtedness of the District at year end was \$10.865 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, 2022

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 District has since constructed and occupied a new office building at a cost of \$872 thousand. The new office building has now been constructed and the staff has moved in effective April 1, 2022.

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.

BASIC FINANCIAL STATEMENTS

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	STATEMENT OF NET POSITION
<u>ASSETS</u>			
Cash	\$ 1,149,757	\$ 440,625	\$ 1,590,382
Investments			
Unrestricted	-	1,955,805	1,955,805
Restricted	-	6,606,542	6,606,542
Receivables			
Assessments Receivable, Net	-	-	-
Service Accounts Receivable, Net	-	38,339	38,339
FEMA Receivable	232,223	54,067	286,290
Internal Balances	(152,408)	152,408	-
Utility Deposits	-	920	920
Capital Assets, Net			
Land	269,074	100,029	369,103
Water and Wastewater Improvements	-	7,584,515	7,584,515
Road Improvements	1,000,634	-	1,000,634
Buildings	-	776,996	776,996
Machinery and Equipment	13,938	388,689	402,627
Vehicles	-	156,024	156,024
TOTAL ASSETS	2,513,218	18,254,959	20,768,177
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Plan	-	131,935	131,935
TOTAL DEFERRED OUTFLOWS	-	131,935	131,935
<u>LIABILITIES</u>			
Accounts Payable	83,611	123,110	206,721
Accrued Liabilities	1,000,634	129,149	1,129,783
Deferred Assessment Revenue	2,025	-	2,025
Deferred FEMA Revenue	231,465	23,500	254,965
Customer Deposits	-	305,050	305,050
Long-term Liabilities			
Due Within One Year	-	720,000	720,000
Due After One Year	-	10,145,000	10,145,000
TOTAL LIABILITIES	1,317,735	11,445,809	12,763,544
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Plan	-	42,325	42,325
TOTAL DEFERRED INFLOWS	-	42,325	42,325
NET POSITION			
Invested in Capital Assets (Net of Related Debt)	283,012	(1,858,747)	(1,575,735)
Restricted for Debt Service	-	2,353,398	2,353,398
Restricted for Capital Projects	-	5,113,485	5,113,485
Unrestricted	914,496	1,290,623	2,205,119
TOTAL NET POSITION	\$ 1,197,508	\$ 6,898,759	\$ 8,096,267

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, 2022**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	STATEMENT OF ACTIVITIES
<u>REVENUES</u>			
Water and Wastewater Service	\$ -	\$ 2,700,659	\$ 2,700,659
Tap Fees	-	698,587	698,587
Debt Service Reserve Fee	-	383,779	383,779
Standby Charges	3,240	-	3,240
Road Assessment Fees	1,393,043	-	1,393,043
FEMA Grants	-	-	-
Other	131,648	42,026	173,674
TOTAL REVENUES	1,527,931	3,825,051	5,352,982
<u>EXPENSES</u>			
Service Operations			
Payroll and Related expenses	313,530	968,156	1,281,686
Operations	276,698	449,440	726,138
Repairs and Maintenance	267	214,552	214,819
Contract Services	16,100	-	16,100
Consumable Supplies	139,781	253,430	393,211
Professional Services	126,569	238,921	365,490
Office	25,271	146,029	171,300
Insurance	2,648	42,365	45,013
Depreciation	3,337	832,976	836,313
Debt Service:			
Interest	-	318,204	318,204
Loss on Road Conveyance Obligation	695,927	-	695,927
TOTAL EXPENSES	1,600,128	3,464,073	5,064,201
NET OPERATING INCOME	(72,197)	360,978	288,781
NON-OPERATING REVENUES & EXPENSES			
Rental Income	-	5,575	5,575
Gain on Sale of Building	-	26,276	26,276
Interest and Other	-	106,024	106,024
Bond Issuance Costs	-	-	-
Capital Expenditures	-	-	-
Interfund Transfers	-	-	-
TOTAL NON-OPERATING REVENUES	-	137,875	137,875
CHANGE IN NET POSITION	(72,197)	498,853	426,656
NET POSITION			
Beginning of Year	1,269,705	6,399,906	7,669,611
End of Year	\$ 1,197,508	\$ 6,898,759	\$ 8,096,267

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

FUND FINANCIAL STATEMENTS

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

BALANCE SHEET-GOVERNMENTAL FUNDS

DECEMBER 31, 2022

	<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	\$ 97,275	\$ 1,052,482	\$ 1,149,757	\$ -	\$ 1,149,757
Assessments Receivable, Net	-	-	-	-	-
Due from Road Fund	2,025	-	2,025	-	2,025
FEMA & Other Receivable	758	231,465	232,223	-	232,223
Capital Assets, Net					
Land	-	-	-	269,074	269,074
Road Improvements	-	-	-	1,000,634	1,000,634
Machinery and Equipment	-	-	-	13,938	13,938
Vehicles	-	-	-	-	-
TOTAL ASSETS	\$ 100,058	\$ 1,283,947	\$ 1,384,005	\$ 1,283,646	\$ 2,667,651
<u>LIABILITIES</u>					
Accounts Payable	\$ -	\$ 83,611	\$ 83,611	\$ -	\$ 83,611
Obligation to Transfer Roads to County	-	-	-	1,000,634	1,000,634
Due to Proprietary Fund	580	151,828	152,408	-	152,408
Due to Standby Fund	-	2,025	2,025	-	2,025
Deferred FEMA Revenue	-	231,465	231,465	-	231,465
TOTAL LIABILITIES	580	468,929	469,509	1,000,634	1,470,143
<u>FUND BALANCES</u>					
Assigned Fund Balance	99,478	815,018	914,496	(914,496)	-
TOTAL FUND BALANCES	99,478	815,018	914,496	(914,496)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 100,058	\$ 1,283,947	\$ 1,384,005		
<u>NET POSITION</u>					
Invested in Capital Assets (Net of Related Debt)				283,012	283,012
Unrestricted				914,496	914,496
TOTAL NET POSITION				\$ 1,197,508	\$ 1,197,508

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, 2022**

	<u>STANDBY</u>	<u>ROAD</u>	<u>TOTAL</u>	<u>ADJUST- MENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
<u>REVENUES</u>					
Standby Charges	\$ 3,240	\$ -	\$ 3,240	\$ -	\$ 3,240
Road Assessment Fees	-	1,393,043	1,393,043	-	1,393,043
FEMA Grants	-	-	-	-	-
Interest and Other	1,778	129,870	131,648	-	131,648
TOTAL REVENUES	<u>5,018</u>	<u>1,522,913</u>	<u>1,527,931</u>	<u>-</u>	<u>1,527,931</u>
<u>EXPENDITURES</u>					
Service Operations					
Salary Allocation	-	313,530	313,530	-	313,530
Operations	-	276,698	276,698	-	276,698
Repairs and Maintenance	-	267	267	-	267
Contract Services	-	16,100	16,100	-	16,100
Consumable Supplies	-	139,781	139,781	-	139,781
Professional Fees	3,978	122,591	126,569	-	126,569
Office	1,320	23,951	25,271	-	25,271
Insurance	-	2,648	2,648	-	2,648
Capital Expenditures	-	695,927	695,927	(695,927)	-
Depreciation	-	-	-	3,337	3,337
Loss on Road Conveyance Obligation	-	-	-	695,927	695,927
TOTAL EXPENDITURES	<u>5,298</u>	<u>1,591,493</u>	<u>1,596,791</u>	<u>3,337</u>	<u>1,600,128</u>
Excess (Deficit) of Revenues					
Over Expenditures	(280)	(68,580)	(68,860)		
CHANGE IN NET POSITION	-	-	-	(3,337)	(72,197)
FUND BALANCES/NET POSITION					
Beginning of Year	99,758	883,598	983,356	286,349	1,269,705
End of Year	<u>\$ 99,478</u>	<u>\$ 815,018</u>	<u>\$ 914,496</u>	<u>\$ 283,012</u>	<u>\$ 1,197,508</u>

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, 2022**

	WATER WASTEWATER	DEBT SERVICE	CAPITAL PROJECTS	TOTAL PROPRIETARY
<u>ASSETS</u>				
Cash	\$ 403,682	\$ -	\$ 36,943	\$ 440,625
Investments				
Unrestricted	1,955,805	-	-	1,955,805
Restricted	-	994,799	5,611,743	6,606,542
Service Accounts Receivable, Net	38,339	-	-	38,339
FEMA & Other Receivable	54,067	-	-	54,067
Due from Other Funds	687,608	1,358,599	-	2,046,207
Utility Deposits and Prepaid Expenses	920	-	-	920
Capital Assets, Net				
Land	100,029	-	-	100,029
Water and Wastewater Improvements	7,584,515	-	-	7,584,515
Road Improvements	-	-	-	-
Buildings	776,996	-	-	776,996
Machinery and Equipment	388,689	-	-	388,689
Vehicles	156,024	-	-	156,024
TOTAL ASSETS	12,146,674	2,353,398	5,648,686	20,148,758
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Plan	131,935	-	-	131,935
TOTAL DEFERRED OUTFLOWS	131,935	-	-	131,935
<u>LIABILITIES</u>				
Accounts Payable	123,110	-	-	123,110
Accrued Liabilities	129,149	-	-	129,149
Deferred FEMA Revenue	23,500	-	-	23,500
Due to Other Funds	1,358,599	-	535,200	1,893,799
Customer Deposits	305,050	-	-	305,050
Long-term Liabilities				
Due Within One Year	720,000	-	-	720,000
Due After One Year	10,145,000	-	-	10,145,000
TOTAL LIABILITIES	12,804,408	-	535,200	13,339,608
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension Plan	42,325	-	-	42,325
TOTAL DEFERRED INFLOWS	42,325	-	-	42,325
NET POSITION				
Invested in Capital Assets (Net of Related Debt)	(1,858,747)	-	-	(1,858,747)
Restricted for Debt Service	-	2,353,398	-	2,353,398
Restricted for Capital Projects	-	-	5,113,485	5,113,485
Unrestricted	1,290,623	-	-	1,290,623
TOTAL NET POSITION	\$ (568,124)	\$ 2,353,398	\$ 5,113,485	\$ 6,898,759

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, 2022**

	<u>WATER WASTEWATER</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL PROPRIETARY</u>
REVENUES				
Water and Wastewater Service	\$ 2,700,659	\$ -	\$ -	\$ 2,700,659
Tap Fees	698,587	-	-	698,587
Reserve Fee	383,779	-	-	383,779
FEMA Grants	-	-	-	-
Other	42,026	-	-	42,026
TOTAL REVENUES	3,825,051	-	-	3,825,051
EXPENSES				
Service Operations				
Payroll and Related expenses	968,156	-	-	968,156
Operations	449,440	-	-	449,440
Repairs and Maintenance	214,552	-	-	214,552
Contract Services	-	-	-	-
Consumable Supplies	253,430	-	-	253,430
Professional Services	238,921	-	-	238,921
Office	146,029	-	-	146,029
Insurance	42,365	-	-	42,365
Depreciation	832,976	-	-	832,976
Debt Service:				
Interest	-	318,204	-	318,204
TOTAL EXPENSES	3,145,869	318,204	-	3,464,073
NET OPERATING INCOME	679,182	(318,204)	-	360,978
NON-OPERATING REVENUES & EXPENSES				
Rental Income	5,575	-	-	5,575
Gain on Sale of Building and Equipment	26,276	-	-	26,276
Interest and Other	-	16,536	89,488	106,024
Bond Issuance Costs	-	-	-	-
Capital Expenditures	914,897	-	(914,897)	-
Interfund Transfers	(1,078,744)	1,078,744	-	-
TOTAL NON-OPERATING REVENUES	(131,996)	1,095,280	(825,409)	137,875
CHANGE IN NET POSITION	547,186	777,076	(825,409)	498,853
NET POSITION				
Beginning of Year	(1,115,310)	1,576,322	5,938,894	6,399,906
End of Year	\$ (568,124)	\$ 2,353,398	\$ 5,113,485	\$ 6,898,759

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, 2022**

	WATER WASTEWATER	DEBT SERVICE	CAPITAL PROJECTS	TOTAL PROPRIETARY
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Cash Received from Customers	\$ 3,775,381	\$ -	\$ -	\$ 3,775,381
Cash Paid to Employees and Suppliers	(2,276,160)	-	(554,000)	(2,830,160)
Interest Paid	-	(318,204)	-	(318,204)
Net Cash Provided by Operating Activities	1,499,221	(318,204)	(554,000)	627,017
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Net Effect of Interfund Balances	(370,697)	(279,855)	535,000	(115,552)
Net Cash Provided by (Used in) Non-Capital Financing Activities	(370,697)	(279,855)	535,000	(115,552)
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>				
Bond Proceeds	-	-	-	-
Bond Issuance Costs	-	-	-	-
Principal Payments on Notes Payable	(700,000)	-	-	(700,000)
Net Cash Provided by (Used in) Capital Financing Activities	(700,000)	-	-	(700,000)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Purchase of Investments	496,126	581,523	321,159	1,398,808
Purchase of Capital Assets	(1,050,629)	-	(914,897)	(1,965,526)
Rental Income	5,575	-	-	5,575
Sale of Building Proceeds	26,276	-	-	26,276
Interest and Other Income	-	16,536	89,488	106,024
Net Cash Provided by (Used in) Investing Activities	(522,652)	598,059	(504,250)	(428,843)
NET CHANGE IN CASH	(94,128)	-	(523,250)	(617,378)
Cash and Cash Equivalents-Beginning of Year	497,810	-	560,193	1,058,003
Cash and Cash Equivalents-End of Year	\$ 403,682	\$ -	\$ 36,943	\$ 440,625
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 679,182	\$ (318,204)	\$ -	\$ 360,978
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	832,976	-	-	832,976
Increase in Service Accounts Receivable	(19,696)	-	-	(19,696)
Increase in FEMA & Other Receivables	(30,567)	-	-	(30,567)
Decrease in Prepaid Expenses	2,182	-	-	2,182
Increase in Deferred Outflows	(19,107)	-	-	(19,107)
Decrease in Accounts Payable	(63,338)	-	(554,000)	(617,338)
Increase in Accrued Liabilities	59,654	-	-	59,654
Increase in Customer Deposits	19,700	-	-	19,700
Increase in Deferred Inflows	38,235	-	-	38,235
Net Cash Provided by Operating Activities	\$ 1,499,221	\$ (318,204)	\$ (554,000)	\$ 627,017

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, 2022

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, 2022

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 2018. 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, 2022

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, 2022

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, 2022

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	\$ 482,310
Road	1,593,113
Water	<u>14,591</u>
Total Government-wide	<u>\$ 2,090,014</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, 2022

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, 2022

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.

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

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

2. Cash and Investments (continued)

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.

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	\$ -0-
TexPool	N/A	AAAm	1 Day	\$ 1,955,805
Restricted-				
Money Market	1	AAA	1 Day	\$ 36,942
TexPool	N/A	AAAm	1 Day	\$ 6,606,542

The District has restricted \$949,799 of investments in accordance with Texas Water Development Board (the "TWDB") note requirements for escrow and future debt service payments.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

2. Cash and Investments (continued)

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 counterparty'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, 2022

2. Cash and Investments (continued)

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.

The District’s investments in Pools are reported at an amount determined by the fair value per share of the Pool’s underling 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.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

3. Capital Assets

During the year the District used operating funds to reconstruct \$695,927 in Road Improvements. The District used operating funds and bond proceeds acquire \$1,965,526 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 \$3,337 and \$832,976 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>12/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2022</u>
<u>Governmental Activities:</u>				
Land	\$ 269,074	\$ -	\$ -	\$ 269,074
Road Improvements	1,000,634	695,927	(695,927)	1,000,634
Machinery & Equipment	75,545	-	-	75,545
Vehicles	10,278	-	-	10,278
Total	<u>1,355,531</u>	<u>695,927</u>	<u>(695,927)</u>	<u>1,355,531</u>
<u>Accumulated Depreciation:</u>				
Road Improvements	-	-	-	-
Machinery & Equipment	(58,270)	(3,337)	-	(61,607)
Vehicles	(10,278)	-	-	(10,278)
Total	<u>(68,548)</u>	<u>(3,337)</u>	<u>-</u>	<u>(71,885)</u>
Road Capital Assets (Net)	<u>\$ 1,286,983</u>	<u>\$ 692,590</u>	<u>\$ (695,927)</u>	<u>\$ 1,283,646</u>
<u>Business-Type Activities:</u>				
Land	\$ 100,029	\$ -	\$ -	\$ 100,029
W/WW Improvements	12,971,005	1,626,314	-	14,597,319
Buildings	725,642	146,622	-	872,264
Machinery & Equipment	996,671	144,854	-	1,141,525
Vehicles	586,474	47,736	-	634,210
Total	<u>15,379,821</u>	<u>1,965,526</u>	<u>-</u>	<u>17,345,347</u>
<u>Accumulated Depreciation:</u>				
W/WW Improvements	(6,334,232)	(678,572)	-	(7,012,804)
Buildings	(72,958)	(22,310)	-	(95,268)
Machinery & Equipment	(695,123)	(57,713)	-	(752,836)
Vehicles	(403,805)	(74,381)	-	(478,186)
Total	<u>(7,506,118)</u>	<u>(832,976)</u>	<u>-</u>	<u>(8,339,094)</u>
W/WW Capital Assets (Net)	<u>\$ 7,873,703</u>	<u>\$ 1,132,550</u>	<u>\$ -</u>	<u>\$ 9,006,253</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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 revenue 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, 2022, the District was in compliance with these deposit and reserve requirements.

On August 30, 2021, the District issued \$6,775,000 of revenue notes funded by a private placement with Truist Bank. The notes are payable from the revenue of and are secured by a pledge of the net water and wastewater revenues of the District. The debt agreement with the bank requires certain deposits and reserves in place to cover future debt service payments. At December 31, 2022, the District was in compliance with these deposit and reserve requirements.

These notes are described as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Installments (in thousands)</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance Outstanding</u>
Series 2016	\$ 6,345,000	\$235 to \$415	2035	1.15 - 4.120%	\$4,515,000
Series 2021	6,775,000	425 to 545	2035	1.75 - 1.750%	6,350,000

The change in long term debt is as follows:

<u>Bonds:</u>	<u>Balance 12/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2022</u>
Revenue Bonds, Series 2016	\$ 4,790,000	-	(275,000)	\$ 4,515,000
Revenue Bonds, Series 2021	6,775,000	-	(425,000)	6,350,000
Total Bond Indebtedness	\$11,565,000	\$ -	\$ (700,000)	\$10,865,000

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

4. Long-Term Debt

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>
2023	\$ 720,000	\$ 274,087	\$ 994,087
2024	740,000	259,178	999,178
2025	755,000	243,042	998,042
2026	775,000	225,804	1,000,804
2027	795,000	207,485	1,002,485
2028-2032	4,265,000	727,949	4,992,949
2033-2036	2,815,000	156,465	2,971,465
Totals	\$ 10,865,000	\$ 2,094,010	\$ 12,959,010

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, 6% 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.
- 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 TCERS 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 TCERS funding policy adopted by the TCERS Board of Trustees and must conform with the TCERS Act. The employee contribution rates are set by the district and are currently 6%.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

5. Pension Plan (continued)

D. The most recent comprehensive annual financial report for TCDRS can be found at the following link, [TCDRS.org/Employer](https://www.tcdrs.org/employer).

Membership Information

Number of inactive employees entitled to but not yet receiving benefits:	4	5
Number of active employees:	15	17
Average monthly salary*:	\$3,908	\$3,914
Average age*:	40.33	43.22
Average length of service in years*:	7.05	5.98
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	1	1
Average monthly benefit:	\$119	\$119

**Averages reported for active employees.*

The District's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The following is a description of the assumptions used in the December 31, 2021 actuarial valuation analysis for the District.

Economic Assumptions - TCDRS system-wide economic assumptions:

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.60%

The assumed long-term investment return of 7.5% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.5% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

5. Pension Plan (continued)

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 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% 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.

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 7.60%.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

5. Pension Plan (continued)

Changes in Net Pension Liability/(Asset)

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of December 31, 2020	\$ 326,439	\$ 262,675	\$ 63,764
Service Cost	111,408		111,408
Interest on Total Pension Liability	32,859		32,859
Effect of Plan Changes	-		-
Effect of Economic/demographic gains or losses	(1,980)		(1,980)
Effect of Assumptions Changes or Inputs	3,375		3,375
Refund of Contributions	(9,767)	(9,767)	-
Benefit Payments	(1,424)	(1,424)	-
Administrative Expenses		(238)	238
Member Contributions		52,158	(52,158)
Net Investment Income		69,797	(69,797)
Employer Contributions		64,303	(64,303)
Other	-	3,055	(3,055)
Balances as of December 31, 2021	<u>\$ 460,910</u>	<u>\$ 440,559</u>	<u>\$ 20,351</u>

Sensitivity Analysis – The following presents the net pension liability calculated using the discount rate of 7.60%, 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 (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Rate 7.60%	1% Increase 8.60%
Total Pension Liability	\$ 552,447	\$ 460,910	\$ 386,517
Fiduciary Net Position	440,559	440,559	440,559
Net Pension Liability (Asset)	<u>111,888</u>	<u>20,351</u>	<u>(54,042)</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

5. Pension Plan (continued)

	<u>Pension Expense</u>	<u>Total Pension Expense</u>
Service Cost	\$	111,408
Interest on Total Pension Liability		32,859
Effect of Plan Changes		-
Administrative Expenses		238
Member Contributions		(52,158)
Expected Investment Return Net of Investment Expenses		(23,995)
Recognition of Deferred Inflows/Outflows of Resources		
Recognition of Economic/Demographic Gains or Losses		2,642
Recognition of Assumption Changes or Inputs		3,410
Recognition of Investment Gains or Losses		(9,234)
Other		(3,055)
Pension Expense	\$	<u>62,115</u>

As of December 31, 2021, the Deferred Inflows and Outflows of Resources are as follows:

	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>
Differences between Expected and Actual Experience	\$ 4,785	\$ 22,175
Changes of Assumptions	-	23,865
Net Difference between Projected and Actual Earnings	37,168	-
Contribution made Subsequent to Measurement Date	-	85,523

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:

2023	\$ (3,183)
2024	(3,553)
2025	(3,115)
2026	(3,109)
2027	6,052
Thereafter	10,995

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 equipment under various lease purchase agreements which expire on various dates through 2024. The leases had initial terms of one to five years. Future minimum annual rentals under noncancelable leases were \$14,794.

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 May 2, 2023, the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the District’s results of operations and financial position, the related financial impact cannot be reasonably estimated at the time. The District is actively managing its operations to maintain its cash flow and management believes that the District has adequate liquidity.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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	\$ 914,496
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,283,646
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><u>\$ 1,197,508</u></u>

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

Governmental Funds Excess of Revenues over Expenditures	\$ (68,860)
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	695,927
Depreciation Expense	(3,337)
Loss on Road Conveyance Obligation	<u>(695,927)</u>
Change in Net Position	<u><u>\$ (72,197)</u></u>

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, 2022

	ORIGINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Standby Charges	\$ 10,000	\$ 3,240	\$ (6,760)
Interest and Other	-	1,778	1,778
TOTAL REVENUES	10,000	5,018	(4,982)
<u>EXPENDITURES</u>			
Service Operations			
Salary Allocation	5,000	-	5,000
Operations	-	-	-
Repairs and Maintenance	-	-	-
Contract Services	-	-	-
Consumable Supplies	-	-	-
Professional Fees	5,000	3,978	1,022
Office	-	1,320	(1,320)
Insurance	-	-	-
TOTAL EXPENDITURES	10,000	5,298	4,702
Excess (Deficit) of			
Revenues over Expenditures	-	(280)	(280)
FUND BALANCE			
Beginning of Year	99,758	99,758	-
End of Year	\$ 99,758	\$ 99,478	\$ (280)

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, 2022

	ORIGINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Road Assessment Fees	\$ 1,275,000	\$ 1,393,043	\$ 118,043
FEMA Grants	-	-	-
Interest and Other	(115,960)	129,870	245,830
TOTAL REVENUES	1,159,040	1,522,913	363,873
<u>EXPENDITURES</u>			
Service Operations			
Salary Allocation	125,000	313,530	(188,530)
Operations	153,404	276,698	(123,294)
Repairs and Maintenance	550	267	283
Contract Services	-	16,100	(16,100)
Consumable Supplies	-	139,781	(139,781)
Professional Fees	257,000	122,591	134,409
Office	76,500	23,951	52,549
Insurance	9,000	2,648	6,352
Capital Expenditures	537,000	695,927	(158,927)
TOTAL EXPENDITURES	1,158,454	1,591,493	(433,039)
Excess (Deficit) of			
Revenues over Expenditures	586	(68,580)	(69,166)
FUND BALANCE			
Beginning of Year	883,598	883,598	-
End of Year	\$ 884,184	\$ 815,018	\$ (69,166)

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, 2022

(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
SERVICES AND RATES
DECEMBER 31, 2022**

1. Services Provided by the District:

Retail Water Roads
Retail Wastewater

2. Retail Rates Based on 5/8" Meter

	Minimum	Minimum	Flat	Rate per first	Rate per add'l
	Charge	Usage	Rate	1000 Gallons	1000 Gallons
			Y/N	Over Minimum	Over Minimum
Water:	\$ 35.53	-0-	N	\$ 4.87	\$ 4.87-8.18
Wastewater:	\$ 90.00	-0-	Y	\$ -0-	\$ -0-
Surcharge:	17.00				

Total water and wastewater charges per 10,000 gallons usage: \$ 199.94

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

	Active	Active	Inactive
	Connections	ESFC	Connections
			(ESFC)
Single Family & Total	2,187	2,187	0

4. Total Water Consumption During the Fiscal Year:

Gallons pumped into system: 182,831,253
Gallons billed to customers: 167,448,778

5. Standby Fees: The District ceased assessing standby fees after 2017.

6. Anticipated sources of funds to be used for debt service payments: Water & Wastewater Revenue

7. Location of District:

The District is located entirely within Bastrop County.
The District is located partially within the City of Bastrop.
The District is located partially within the City of Bastrop ETJ.
The general membership of the Board is not appointed by an office outside the District.

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**SCHEDULE OF EXPENSES BY FUND
YEAR ENDED DECEMBER 31, 2022**

	<u>W/WW FUND</u>	<u>DEBT FUND</u>	<u>CAPITAL FUND</u>	<u>STANDBY FUND</u>	<u>ROAD FUND</u>	<u>TOTALS</u>
Personnel (including benefits)	\$ 968,156	\$ -	\$ -	\$ -	\$ 313,530	\$ 1,281,686
Professional Fees						
Audit	17,680	-	-	1,300	7,020	26,000
Engineering	166,749	-	-	-	74,620	241,369
Legal	13,557	-	-	-	26,096	39,653
Accounting	40,935	-	-	2,678	14,855	58,468
	<u>238,921</u>	<u>-</u>	<u>-</u>	<u>3,978</u>	<u>122,591</u>	<u>365,490</u>
Contracted Services						
Repairs	-	-	-	-	16,100	16,100
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,100</u>	<u>16,100</u>
Administrative						
Directors	-	-	-	-	-	-
Insurance	42,365	-	-	-	2,648	45,013
Office Supplies	146,029	-	-	1,320	23,951	171,300
	<u>188,394</u>	<u>-</u>	<u>-</u>	<u>1,320</u>	<u>26,599</u>	<u>216,313</u>
Maintenance						
Operations	449,440	-	-	-	276,698	726,138
Repairs and Maintenance	214,552	-	-	-	267	214,819
Supplies	253,430	-	-	-	139,781	393,211
	<u>917,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>416,746</u>	<u>1,334,168</u>
Capital Expenditures	<u>-</u>	<u>-</u>	<u>914,897</u>	<u>-</u>	<u>695,927</u>	<u>1,610,824</u>
Depreciation	<u>832,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>832,976</u>
Interest	<u>-</u>	<u>318,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>318,204</u>
TOTAL EXPENDITURES	<u>\$ 3,145,869</u>	<u>\$ 318,204</u>	<u>\$ 914,897</u>	<u>\$ 5,298</u>	<u>\$ 1,591,493</u>	<u>\$ 5,975,761</u>

Number of persons employed by the District: 18
(Does not include independent contractors or consultants)

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

TEMPORARY INVESTMENTS

DECEMBER 31, 2022

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	2065076	Variable	N/A	\$ 71,493	\$ -
Money Market	573543	Variable	N/A	420,605	-
State Investment Pool	7966400002	Variable	N/A	1,463,707	-
Total				<u>1,955,805</u>	<u>-</u>
<u>DEBT SERVICE FUND</u>					
Money Market	831041	Variable	N/A	84,274	-
Money Market	2134385	Variable	N/A	220,284	-
State Investment Pool	7966400001	Variable	N/A	404,374	-
State Investment Pool	7966400004	Variable	N/A	285,867	-
Total				<u>994,799</u>	<u>-</u>
<u>CAPITAL PROJECTS FUND</u>					
State Investment Pool	7966400005	Variable	N/A	5,611,743	-
Total				<u>5,611,743</u>	<u>-</u>
Total				<u><u>\$ 8,562,347</u></u>	<u><u>\$ -</u></u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**GENERAL LONG TERM DEBT SERVICE REQUIREMENTS-BY YEARS
YEAR ENDED DECEMBER 31, 2022**

DUE DURING FISCAL YEARS ENDING	ANNUAL REQUIREMENTS FOR SERIES 2016		
	TOTAL PRINCIPAL DUE	TOTAL INTEREST DUE	TOTAL PRINCIPAL AND INTEREST DUE
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>\$ 4,515,000</u>	<u>\$ 1,287,084</u>	<u>\$ 5,802,084</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**GENERAL LONG TERM DEBT SERVICE REQUIREMENTS-BY YEARS
YEAR ENDED DECEMBER 31, 2022**

DUE DURING FISCAL YEARS ENDING	ANNUAL REQUIREMENTS FOR SERIES 2021		
	TOTAL PRINCIPAL DUE	TOTAL INTEREST DUE	TOTAL PRINCIPAL AND INTEREST DUE
2023	435,000	111,125	546,125
2024	445,000	103,512	548,512
2025	450,000	95,725	545,725
2026	460,000	87,850	547,850
2027	470,000	79,800	549,800
2028	480,000	71,575	551,575
2029	490,000	63,175	553,175
2030	495,000	54,600	549,600
2031	505,000	45,938	550,938
2032	515,000	37,100	552,100
2033	525,000	28,088	553,088
2034	535,000	18,900	553,900
2035	545,000	9,538	554,538
2036	-	-	-
	<u>\$ 6,350,000</u>	<u>\$ 806,926</u>	<u>\$ 7,156,926</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**GENERAL LONG TERM DEBT SERVICE REQUIREMENTS-BY YEARS
YEAR ENDED DECEMBER 31, 2022**

DUE DURING FISCAL YEARS ENDING	ANNUAL REQUIREMENTS FOR ALL SERIES		
	TOTAL PRINCIPAL DUE	TOTAL INTEREST DUE	TOTAL PRINCIPAL AND INTEREST DUE
2023	720,000	274,087	994,087
2024	740,000	259,178	999,178
2025	755,000	243,043	998,043
2026	775,000	225,804	1,000,804
2027	795,000	207,485	1,002,485
2028	815,000	188,113	1,003,113
2029	835,000	167,719	1,002,719
2030	850,000	146,414	996,414
2031	870,000	124,333	994,333
2032	895,000	101,370	996,370
2033	915,000	77,347	992,347
2034	940,000	52,481	992,481
2035	960,000	26,636	986,636
2036	-	-	-
	<u>\$ 10,865,000</u>	<u>\$ 2,094,010</u>	<u>\$ 12,959,010</u>

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**ANALYSIS OF CHANGES IN GENERAL LONG TERM DEBT
YEAR ENDED DECEMBER 31, 2022**

	<u>SERIES 2016</u>	<u>SERIES 2021</u>	<u>TOTALS</u>
Interest Rate	1.15- 4.12%	1.75- 1.75%	
Dates Interest Payable	6/1 : 12/1	6/1 : 12/1	
Maturity Dates	12/1/2035	12/1/2035	
Bonds at Beginning of Year	\$ 4,790,000	\$ 6,775,000	\$ 11,565,000
Bonds Sold During the Year	-	-	-
Bonds Defeased During the Year	-	-	-
Retirements During the Year	<u>(275,000)</u>	<u>(425,000)</u>	<u>(700,000)</u>
Bonds at End of Year	<u>\$ 4,515,000</u>	<u>\$ 6,350,000</u>	<u>\$ 10,865,000</u>
Interest Paid During the Year	\$ 169,672	\$ 148,532	\$ 318,204
Change in Accrued Interest	<u>-</u>	<u>-</u>	<u>-</u>
Interest Expense	<u>\$ 169,672</u>	<u>\$ 148,532</u>	<u>\$ 318,204</u>
Paying Agent	TWDB		
	<u>Revenue Bonds</u>		
Bond Authority:			
Bonds	\$ 13,865,000	(a)	
Amount Issued	\$ 13,865,000		
Remaining To Be Issued	\$ -		
Debt Service Fund Cash and Temporary Investments balances as of December 31, 2022			<u>\$ 994,799</u>
Average annual debt service payment (principal & interest) for remaining term of all debt			<u>\$ 996,847</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, 2022**

	AMOUNTS				
	2022	2021	2020	2019	2018
REVENUES					
Water and Wastewater Service	2,700,659	2,365,053	2,375,667	2,121,670	2,065,669
Tap Connection Fees	698,587	620,779	734,567	467,329	673,394
Debt Service Reserve Fee	383,779	285,567	236,241	160,173	152,069
Standby Charges	3,240	14,741	15,790	3,407	21,090
Road Assessment Fees	1,393,043	1,576,034	1,260,055	1,328,741	1,205,250
FEMA Grants	-	-	126,669	-	10,837
Interest and Other	137,875	255,673	310,836	202,277	234,632
TOTAL REVENUES	5,317,183	5,117,847	5,059,825	4,283,597	4,362,941
EXPENDITURES					
Salary Allocation	1,281,686	1,078,540	989,473	900,443	874,960
Operations	726,138	482,321	416,521	475,934	655,488
Repairs and Maintenance	214,819	225,523	156,800	171,738	318,910
Contract Services	16,100	62,100	800	65,725	590,420
Consumable Supplies	393,211	284,826	177,737	171,221	258,889
Professional Fees	365,490	360,179	237,017	300,740	215,542
Office	171,300	99,523	101,759	102,046	77,358
Insurance and Other	45,013	32,121	36,252	54,566	36,147
Capital Expenditures	695,927	806,976	849,021	182,148	630,101
Depreciation	836,313	729,569	700,154	684,890	714,522
Interest	318,204	175,747	180,999	185,349	188,902
TOTAL EXPENDITURES	5,064,201	4,337,425	3,846,533	3,294,800	4,561,239
Excess (Deficit) of Revenues over Expenditures	<u>252,982</u>	<u>780,422</u>	<u>1,213,292</u>	<u>988,797</u>	<u>(198,298)</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,187</u>	<u>2,087</u>	<u>2,053</u>	<u>1,964</u>	<u>1,740</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>852</u>	<u>828</u>	<u>796</u>	<u>753</u>	<u>720</u>

	PERCENT OF REVENUES				
	2022	2021	2020	2019	2018
REVENUES					
Water and Wastewater Service	51%	46%	47%	50%	47%
Tap Connection Fees	13%	12%	15%	11%	15%
Debt Service Reserve Fee	7%	6%	5%	4%	3%
Standby Charges	0%	0%	0%	0%	0%
Road Assessment Fees	26%	31%	25%	31%	28%
FEMA Grants	0%	0%	3%	0%	0%
Interest and Other	3%	5%	6%	5%	5%
TOTAL REVENUES	100%	100%	100%	100%	100%
EXPENDITURES					
Salary Allocation	24%	21%	20%	21%	20%
Operations	14%	9%	8%	11%	15%
Repairs and Maintenance	4%	4%	3%	4%	7%
Contract Services	0%	1%	0%	2%	14%
Consumable Supplies	7%	6%	4%	4%	6%
Professional Fees	7%	7%	5%	7%	5%
Office	3%	2%	2%	2%	2%
Insurance and Other	1%	1%	1%	1%	1%
Capital Expenditures	13%	16%	17%	4%	14%
Depreciation	16%	14%	14%	16%	16%
Interest	6%	3%	4%	4%	4%
TOTAL EXPENDITURES	95%	85%	76%	77%	105%
Excess (Deficit) of Revenues over Expenditures	5%	15%	24%	23%	-5%

BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
YEAR ENDED DECEMBER 31, 2022**

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 12/31/21</u>	<u>REIMBURSEMENTS FYE 12/31/21</u>	<u>TITLE AT YEAR END</u>
<u>DIRECTORS</u>				
Mary Beth O'Hanlon	Elected 5/22-5/26	\$ -	\$ -	President
Scott Ferguson	Elected 11/20-5/24	-	-	Vice-President
Michele Plummer	Elected 5/22-5/26	-	-	Secretary
Ron Whipple	Elected 11/20-5/24	-	-	Treasurer
Butch Carmack	Elected 5/22-5/26	-	-	Director
		<u>\$ -</u>	<u>\$ -</u>	

CONSULTANTS

McLean & Howard		\$ 13,828	\$ -	Attorney
McCreary Veselka Bragg & Allen		\$ 25,503		Attorney
Municipal Accounts & Consulting		\$ 10,609	\$ -	Accountant-Prior
Inframark		\$ 47,858		Accountant
Befco Engineering		\$ 29,760	\$ -	Engineer
West, Davis & Company		\$ 26,000	\$ -	Auditor