

**HAYS COUNTY DEVELOPMENT  
DISTRICT NO. 1**

**HAYS COUNTY, TEXAS**

**FINANCIAL REPORT**

**December 31, 2021**

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# McGRATH & CO., PLLC

*Certified Public Accountants*

2900 North Loop West, Suite 880

Houston, Texas 77092

## Independent Auditor's Report

Board of Directors  
Hays County Development District No. 1  
Hays County, Texas

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Hays County Development District No. 1 (the "District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hays County Development District No. 1, as of December 31, 2021, and the respective changes in financial position thereof 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 the 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 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

*Board of Directors  
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Hays County, Texas*

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.

Houston, Texas  
April 14, 2022

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## **Management's Discussion and Analysis**

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***Hays County Development District No. 1  
Management's Discussion and Analysis  
December 31, 2021***

**Using this Annual Report**

Within this section of the financial report of Hays County Development District No. 1 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2021. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements; and
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget.

**Government-Wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

**Fund Financial Statements**

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

***Hays County Development District No. 1  
Management's Discussion and Analysis  
December 31, 2021***

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

**Financial Analysis of the District as a Whole**

The District's net position at December 31, 2021, was negative \$34,261,532. The District's net position is negative because the District incurs debt to construct water and wastewater facilities which it conveys to Dripping Spring Water Supply Corporation and the City of Dripping Springs, respectively. The District also incurs debt to construct certain road facilities and storm sewer systems which it conveys to Hays County. A comparative summary of the District's overall financial position, as of December 31, 2021 and 2020, is as follows:

	2021	2020
Current assets	\$ 3,374,346	\$ 2,600,399
Capital assets	11,685,198	11,120,534
Total assets	<u>15,059,544</u>	<u>13,720,933</u>
Current liabilities	350,885	171,432
Long-term liabilities	47,668,103	42,606,012
Total liabilities	<u>48,018,988</u>	<u>42,777,444</u>
Total deferred inflows of resources	<u>1,302,088</u>	<u>907,127</u>
Net position		
Net investment in capital assets	(4,361,278)	(3,390,897)
Restricted	319,367	90,922
Unrestricted	<u>(30,219,621)</u>	<u>(26,663,663)</u>
Total net assets	<u>\$ (34,261,532)</u>	<u>\$ (29,963,638)</u>

***Hays County Development District No. 1  
Management's Discussion and Analysis  
December 31, 2021***

The total net position of the District decreased during the current fiscal year by \$4,297,894. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2021	2020
Revenues		
Program revenues	\$ 225,500	\$ 720,500
General revenues	935,754	694,739
Total revenues	<u>1,161,254</u>	<u>1,415,239</u>
Expenses		
Utility operations	238,262	167,280
Administrative	263,543	379,975
Debt interest and fees	476,457	378,485
Developer interest	684,687	385,883
Debt issuance costs	570,290	372,489
Depreciation and amortization	507,850	479,092
Total expenses	<u>2,741,089</u>	<u>2,163,204</u>
Change in net position before other item	(1,579,835)	(747,965)
Other item		
Transfers to other governments	<u>(2,718,059)</u>	<u>(3,968,661)</u>
Change in net position	(4,297,894)	(4,716,626)
Net position, beginning of year	<u>(29,963,638)</u>	<u>(25,247,012)</u>
Net position, end of year	<u><u>\$ (34,261,532)</u></u>	<u><u>\$ (29,963,638)</u></u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of December 31, 2021, were \$1,874,174, which consists of \$1,383,108 in the General Fund, \$455,549 in the Debt Service Fund, and \$35,517 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of December 31, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 2,110,756</u>	<u>\$ 1,806,493</u>
Total liabilities	\$ 33,963	\$ 37,896
Total deferred inflows	693,685	374,461
Total fund balance	<u>1,383,108</u>	<u>1,394,136</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 2,110,756</u></u>	<u><u>\$ 1,806,493</u></u>

***Hays County Development District No. 1  
Management's Discussion and Analysis  
December 31, 2021***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	<u>2021</u>	<u>2020</u>
Total revenues	\$ 464,166	\$ 1,094,221
Total expenditures	<u>(475,194)</u>	<u>(674,072)</u>
Revenues over/(under) expenditures	<u>\$ (11,028)</u>	<u>\$ 420,149</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and service availability fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2020 levy was recognized as revenues in the 2021 fiscal year, while the 2019 levy was recognized in the 2020 fiscal year (to the extent that these amounts were collected). While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Service availability fees fluctuate with homebuilding activity within the District. As of December 31, 2021, the District is no longer charging service availability fees to homebuilders.

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Total assets	<u>\$ 1,228,073</u>	<u>\$ 758,655</u>
Total liabilities	\$ 4,231	\$ 3,980
Total deferred inflows	768,293	535,536
Total fund balance	<u>455,549</u>	<u>219,139</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,228,073</u>	<u>\$ 758,655</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	<u>2021</u>	<u>2020</u>
Total revenues	\$ 540,017	\$ 318,262
Total expenditures	<u>(472,832)</u>	<u>(365,320)</u>
Revenues over/(under) expenditures	67,185	(47,058)
Other changes in fund balance	169,225	119,406
Net change in fund balance	<u>\$ 236,410</u>	<u>\$ 72,348</u>

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***Hays County Development District No. 1  
Management's Discussion and Analysis  
December 31, 2021***

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

***Capital Projects Fund***

A comparative summary of the Capital Projects Fund's financial position as of December 31, 2021 and 2020 is as follows:

	2021	2020
Total assets	\$ 35,517	\$ 35,251
Total fund balance	\$ 35,517	\$ 35,251

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2021	2020
Total revenues	\$ 50	\$ 35
Total expenditures	(6,530,559)	(4,312,308)
Revenues under expenditures	(6,530,509)	(4,312,273)
Other changes in fund balance	6,530,775	4,329,799
Net change in fund balance	\$ 266	\$ 17,526

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2021 Unlimited Tax Bonds in the current year and the sale of its Series 2020 Unlimited Tax Bonds in the prior year.

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$47,062 less than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

***Hays County Development District No. 1  
Management's Discussion and Analysis  
December 31, 2021***

**Capital Assets**

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at December 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 1,239,373</u>	<u>\$ 1,239,373</u>
Capital assets being depreciated/amortized		
Landscaping and irrigation	6,256,716	6,079,444
Buildings	2,454,593	2,454,593
Connection charges	1,324,330	1,324,330
Drainage facilities	<u>2,812,936</u>	<u>1,917,694</u>
	<u>12,848,575</u>	<u>11,776,061</u>
Less accumulated depreciation/amortization		
Landscaping and irrigation	(1,441,822)	(1,128,460)
Buildings	(490,920)	(409,100)
Connection charges	(270,980)	(220,822)
Drainage facilities	<u>(199,028)</u>	<u>(136,518)</u>
	<u>(2,402,750)</u>	<u>(1,894,900)</u>
Depreciable capital assets, net	<u>10,445,825</u>	<u>9,881,161</u>
Capital assets, net	<u><u>\$ 11,685,198</u></u>	<u><u>\$ 11,120,534</u></u>

Capital asset additions during the current year include facilities to serve Caliterra Phase 4 Section 11.

The District and Dripping Springs Water Supply Corporation (the "Corporation") and the City of Dripping Springs (the "City") have entered into an agreement which obligates the District to construct water and wastewater facilities to serve the District and, when completed, to convey title to the facilities to the Corporation and City, respectively. Detention facilities and certain other capital assets are retained by the District. Additional information is presented in Notes 9 and 10, respectively.

Additionally, Hays County assumes responsibility (after a one-year maintenance period) for road facilities and storm sewer systems constructed within the county's public right-of-way. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended December 31, 2021, capital assets in the amount of \$2,718,059 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 8.



*Hays County Development District No. 1  
 Management’s Discussion and Analysis  
 December 31, 2021*

**Long-Term Debt and Related Liabilities**

As of December 31, 2021, the District owes approximately \$27,228,103 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At December 31, 2021 and 2020, the District had total bonded debt outstanding as shown below:

Series	2021	2020
2018 Road	\$ 5,400,000	\$ 5,400,000
2019 Road	4,015,000	4,015,000
2020	4,500,000	4,500,000
2021	6,700,000	
	<u>\$ 20,615,000</u>	<u>\$ 13,915,000</u>

During the current year, the District issued \$6,700,000 in unlimited tax bonds. At December 31, 2021, the District had \$111,800,000 in unlimited tax bonds authorized, but unissued for the purpose or purposes of providing water, sewer and drainage improvements within the District and \$150,000,000 for the refunding of such bonds; \$45,585,000 in unlimited tax bonds authorized, but unissued for the purpose or purposes of providing roads within the District and \$70,000,000 for the refunding of such bonds; and \$123,000,000 in unlimited tax bonds authorized, but unissued for the purpose or purposes of providing for economic development and \$150,000,000 for the refunding of such bonds.

**Next Year’s Budget**

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and service availability fees and the projected cost of operating the District. A comparison of next year’s budget to current year actual amounts for the General Fund is as follows:

	2021 Actual	2022 Budget
Total revenues	\$ 464,166	\$ 670,650
Total expenditures	(475,194)	(551,120)
Revenues over/(under) expenditures	(11,028)	119,530
Beginning fund balance	1,394,136	1,383,108
Ending fund balance	<u>\$ 1,383,108</u>	<u>\$ 1,502,638</u>

*Hays County Development District No. 1  
Management's Discussion and Analysis  
December 31, 2021*

**Property Taxes**

The District's property tax base increased approximately \$43,167,000 for the 2021 tax year from \$101,509,108 to \$144,676,387. This increase was primarily due to new construction in the District and increased property values. For the 2021 tax year, the District has levied a maintenance tax rate of \$0.37 per \$100 of assessed value; a debt service tax rate of \$0.14 per \$100 of assessed value; and a road debt service tax rate of \$0.39 per \$100 of assessed value, for a total combined tax rate of \$0.90 per \$100. Tax rates for the 2020 tax year were \$0.37 per \$100 for maintenance and operations and \$0.53 per \$100 for debt service for a combined total of \$0.90 per \$100 of assessed value.

## **Basic Financial Statements**

*Hays County Development District No. 1*  
*Statement of Net Position - Governmental Activities*  
*December 31, 2021*

<b>Assets</b>	
Cash	\$ 128,469
Investments	1,854,976
Deposits held by Hays County Tax Office	750,175
Taxes receivable	477,716
Service availability fees receivable	157,250
Prepaid items	3,000
Other receivables	2,760
Capital assets not being depreciated	1,239,373
Capital assets, net	10,445,825
Total Assets	<u>15,059,544</u>
<b>Liabilities</b>	
Accounts payable	33,350
Other payables	613
Accrued interest payable	141,922
Due to developer	27,228,103
Long-term debt	
Due within one year	175,000
Due after one year	20,440,000
Total Liabilities	<u>48,018,988</u>
<b>Deferred Inflows of Resources</b>	
Deferred property taxes	<u>1,302,088</u>
<b>Net Position</b>	
Net investment in capital assets	(4,361,278)
Restricted for debt service	319,367
Unrestricted	(30,219,621)
<b>Total Net Position</b>	<u>\$ (34,261,532)</u>

See notes to basic financial statements.

*Hays County Development District No. 1*  
*Statement of Activities - Governmental Activities*  
*For the Year Ended December 31, 2021*

<b>Expenses</b>	
<b>Utility operations</b>	
Repairs and maintenance	\$ 234,766
Utilities	3,496
<b>Administrative</b>	
Professional fees	182,556
Contracted services	61,660
Administrative	18,968
Miscellaneous	359
<b>Debt service</b>	
Interest and fees	476,457
Developer interest	684,687
Debt issuance costs	570,290
<b>Depreciation and amortization</b>	507,850
<b>Total Expenses</b>	<u>2,741,089</u>
<b>Program Revenues</b>	
Service availability fees	<u>225,500</u>
<b>Net Program Expense</b>	(2,515,589)
<b>General Revenues</b>	
Property taxes	913,582
Penalties and interest	3,583
Investment earnings	18,589
<b>Total General Revenues</b>	<u>935,754</u>
<b>Revenues Under Expenses</b>	(1,579,835)
<b>Other Item</b>	
Transfers to other governments	<u>(2,718,059)</u>
<b>Change in net position</b>	(4,297,894)
<b>Net Position</b>	
<b>Beginning of the year</b>	<u>(29,963,638)</u>
<b>End of the year</b>	<u><u>\$ (34,261,532)</u></u>

See notes to basic financial statements.

**Hays County Development District No. 1**  
**Balance Sheet - Governmental Funds**  
**December 31, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total
<b>Assets</b>				
Cash	\$ 110,744	\$ -	\$ 17,725	\$ 128,469
Investments	1,263,984	542,140	48,852	1,854,976
Deposits held by Hays County Tax Office		750,175		750,175
Taxes receivable	196,441	281,275		477,716
Service availability fees receivable	157,250			157,250
Prepaid items	3,000			3,000
Other receivable	2,760			2,760
Internal balances	376,577	(345,517)	(31,060)	
<b>Total Assets</b>	<b>\$ 2,110,756</b>	<b>\$ 1,228,073</b>	<b>\$ 35,517</b>	<b>\$ 3,374,346</b>
<b>Liabilities</b>				
Accounts payable	\$ 33,350	\$ -	\$ -	\$ 33,350
Other payables	613			613
Accrued interest payable		4,231		4,231
<b>Total Liabilities</b>	<b>33,963</b>	<b>4,231</b>		<b>38,194</b>
<b>Deferred Inflows of Resources</b>				
Deferred property taxes	536,435	768,293		1,304,728
Deferred service availability fees	157,250			157,250
<b>Fund Balances</b>				
Nonspendable	3,000			3,000
Restricted		455,549	35,517	491,066
Unassigned	1,380,108			1,380,108
<b>Total Fund Balances</b>	<b>1,383,108</b>	<b>455,549</b>	<b>35,517</b>	<b>1,874,174</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,110,756</b>	<b>\$ 1,228,073</b>	<b>\$ 35,517</b>	<b>\$ 3,374,346</b>

See notes to basic financial statements.

***Hays County Development District No. 1  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
December 31, 2021***

Total fund balance, governmental funds		\$ 1,874,174
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 14,087,948	
Less accumulated depreciation/amortization	<u>(2,402,750)</u>	
Change due to capital assets		11,685,198
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(20,615,000)	
Interest payable on debt	<u>(137,691)</u>	
Change due to long-term debt		(20,752,691)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		
		(27,228,103)
Service availability fees receivable that are not collected within sixty days of fiscal year end are not considered availability to pay current period expenditures and are deferred in the funds.		
		157,250
The unavailable portion of property taxes receivable and collections of the 2021 property tax levy are reported as deferred inflows in the fund financial statements. In the government wide statements, however, deferred inflows consist of the entire 2021 property tax levy.		
Fund level deferred property taxes	1,304,728	
Government wide level deferred property taxes	<u>(1,302,088)</u>	
		2,640
Total net position - governmental activities		<u><u>\$ (34,261,532)</u></u>

See notes to basic financial statements.

***Hays County Development District No. 1  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended December 31, 2021***

	General Fund	Debt Service Fund	Capital Projects Fund	Total
<b>Revenues</b>				
Property taxes	\$ 375,982	\$ 537,829	\$ -	\$ 913,811
Penalties and interest	1,558	2,025		3,583
Service availability fees	68,250			68,250
Investment earnings	18,376	163	50	18,589
<b>Total Revenues</b>	<b>464,166</b>	<b>540,017</b>	<b>50</b>	<b>1,004,233</b>
<b>Expenditures</b>				
Current service operations				
Professional fees	160,456		22,100	182,556
Contracted services	57,149	4,511		61,660
Repairs and maintenance	234,766			234,766
Utilities	3,496			3,496
Administrative	18,968			18,968
Miscellaneous	359			359
Capital outlay			5,253,482	5,253,482
Debt service				
Developer interest			684,687	684,687
Interest and fees		468,321		468,321
Debt issuance costs			570,290	570,290
<b>Total Expenditures</b>	<b>475,194</b>	<b>472,832</b>	<b>6,530,559</b>	<b>7,478,585</b>
<b>Revenues Over/(Under) Expenditures</b>	<b>(11,028)</b>	<b>67,185</b>	<b>(6,530,509)</b>	<b>(6,474,352)</b>
<b>Other Financing Sources</b>				
Proceeds from sale of bonds		169,225	6,530,775	6,700,000
<b>Net Change in Fund Balances</b>	<b>(11,028)</b>	<b>236,410</b>	<b>266</b>	<b>225,648</b>
<b>Fund Balances</b>				
<b>Beginning of the year</b>	<b>1,394,136</b>	<b>219,139</b>	<b>35,251</b>	<b>1,648,526</b>
<b>End of the year</b>	<b>\$ 1,383,108</b>	<b>\$ 455,549</b>	<b>\$ 35,517</b>	<b>\$ 1,874,174</b>

See notes to basic financial statements.



***Hays County Development District No. 1  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of the Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2021***

Net change in fund balances - total governmental funds \$ 225,648

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for:

Property taxes	\$ (229)	
Service availability fees	157,250	
		157,021

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	5,253,482	
Depreciation/amortization expense	(507,850)	
		4,745,632

The District conveys public roads and related storm sewer systems to Hays County upon completion of construction. The District also conveys water facilities to the Dripping Springs Water Supply Corporation and wastewater facilities to the City of Dripping Springs. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (2,718,059)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of long-term debt	(6,700,000)	
Interest expense accrual	(8,136)	
		(6,708,136)

Change in net position of governmental activities \$ (4,297,894)

See notes to basic financial statements.

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## **Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Hays County Development District No. 1 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

### **Creation**

The District was organized, created and established pursuant to an order of the Hays County Commissioner’s Court, dated January 11, 2000, and operates in accordance with the powers granted by Article XVI, Section 59, Article III, Sections 52 and 52a of the Constitution of the State of Texas, and Chapter 383 of the Texas Local Government Code. The creation of the District was confirmed by passage of SB 1823 Regular Session of the Texas Legislature (2001) and the powers of the District were expanded and clarified by passage of HB 4184, Regular Session of the Texas Legislature (2015). The Board of Directors held its first meeting on February 7, 2000 and the first bonds were issued on May 10, 2018.

The District is responsible for providing water, sewer and drainage facilities within the District. As further discussed in Notes 9 and 10, the District transfers certain water and wastewater facilities to Dripping Springs Water Supply Corporation and the City of Dripping Springs, for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

### **Reporting Entity**

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

### **Government-Wide and Fund Financial Statements**

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and service availability fees charged to customers within the District. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage and road facilities.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, service availability fees and interest earned on investments. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

**Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

*Hays County Development District No. 1*  
*Notes to Financial Statements*  
*December 31, 2021*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Prepaid Items**

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At December 31, 2021, an allowance for uncollectible accounts was not considered necessary.

**Interfund Activity**

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Landscaping and irrigation	5-20 years
Buildings	30 years
Connection charges	30 years (max)
Drainage facilities	20-45 years

The District’s detention facilities are considered improvements to land and are non-depreciable.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Deferred Inflows and Outflows of Financial Resources**

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes and service availability fees receivable that are not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2021 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2021 property tax levy, which was levied to finance the 2022 fiscal year.

**Net Position – Governmental Activities**

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service and capitalized interest from the sale of bonds in the Debt Service Fund.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds**

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to other entities, and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

**Note 2 – Deposits and Investments**

**Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

*Hays County Development District No. 1*  
*Notes to Financial Statements*  
*December 31, 2021*

**Note 2 – Deposits and Investments (continued)**

**Investments**

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of December 31, 2021, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 1,263,984	AAAm	38 days
	Debt Service	542,140		
	Capital Projects	48,852		
		<u>\$ 1,854,976</u>		

**TexPool**

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.



*Hays County Development District No. 1*  
*Notes to Financial Statements*  
*December 31, 2021*

**Note 2 – Deposits and Investments (continued)**

**TexPool (continued)**

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

**Investment Credit and Interest Rate Risk**

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

**Note 3 – Interfund Balances and Transactions**

Amounts due to/from other funds at December 31, 2021, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 345,517	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	31,060	Bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

***Hays County Development District No. 1***  
***Notes to Financial Statements***  
***December 31, 2021***

**Note 4 – Capital Assets**

A summary of changes in capital assets, for the year ended December 31, 2021, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 1,239,373	\$ -	\$ 1,239,373
Capital assets being depreciated/amortized			
Landscaping and irrigation	6,079,444	177,272	6,256,716
Buildings	2,454,593		2,454,593
Connection charges	1,324,330		1,324,330
Drainage facilities	1,917,694	895,242	2,812,936
	<u>11,776,061</u>	<u>1,072,514</u>	<u>12,848,575</u>
Less accumulated depreciation/amortization			
Landscaping and irrigation	(1,128,460)	(313,362)	(1,441,822)
Buildings	(409,100)	(81,820)	(490,920)
Connection charges	(220,822)	(50,158)	(270,980)
Drainage facilities	(136,518)	(62,510)	(199,028)
	<u>(1,894,900)</u>	<u>(507,850)</u>	<u>(2,402,750)</u>
Subtotal depreciable capital assets, net	<u>9,881,161</u>	<u>564,664</u>	<u>10,445,825</u>
Capital assets, net	<u>\$ 11,120,534</u>	<u>\$ 564,664</u>	<u>\$ 11,685,198</u>

Depreciation/amortization expense for the current year was \$507,850.

**Note 5 – Due to Developer**

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage, landscaping and irrigation, and park and recreational facilities, buildings and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District’s developer has also advanced funds to the District for operating expenses.

*Hays County Development District No. 1*  
*Notes to Financial Statements*  
*December 31, 2021*

**Note 5 – Due to Developer (continued)**

Changes in the estimated amounts due to developer during the year are as follows:

Due to developer, beginning of year	\$ 28,691,012
Developer funded construction and adjustments	3,790,573
Developer reimbursements	<u>(5,253,482)</u>
Due to developer, end of year	<u><u>\$ 27,228,103</u></u>

**Note 6 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	<u><u>\$ 20,615,000</u></u>
Due within one year	<u><u>\$ 175,000</u></u>

The District's bonds payable at December 31, 2021, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2018 Road	\$ 5,400,000	\$ 5,400,000	2.60% - 4.00%	April 1, 2022 - 2046	April 1, October 1	April 1, 2023
2019 Road	4,015,000	4,015,000	3.00% - 5.00%	April 1, 2022 - 2046	April 1, October 1	April 1, 2024
2020	4,500,000	4,500,000	2.00% - 4.50%	April 1, 2023 - 2048	April 1, October 1	April 1, 2025
2021	6,700,000	6,700,000	2.00% - 4.00%	April 1, 2025 - 2050	April 1, October 1	April 1, 2026
	<u><u>\$ 20,615,000</u></u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

*Hays County Development District No. 1*  
*Notes to Financial Statements*  
*December 31, 2021*

**Note 6 – Long-Term Debt (continued)**

At December 31, 2021, the District had \$111,800,000 in unlimited tax bonds authorized, but unissued for the purpose or purposes of providing water, sewer and drainage improvements within the District and \$150,000,000 for the refunding of such bonds; \$45,585,000 in unlimited tax bonds authorized, but unissued for the purpose or purposes of providing roads within the District and \$70,000,000 the refunding of such bonds; and \$123,000,000 in unlimited tax bonds authorized, but unissued for the purpose or purposes of providing for economic development and \$150,000,000 for the refunding of such bonds.

On November 10, 2021, the District issued its \$6,700,000 Series 2021 Unlimited Tax Bonds at a net effective interest rate of 2.676395%. Proceeds of the bonds were used to reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 13,915,000
Bonds issued	<u>6,700,000</u>
Bonds payable, end of year	<u><u>\$ 20,615,000</u></u>

*Hays County Development District No. 1*  
*Notes to Financial Statements*  
*December 31, 2021*

**Note 6 – Long-Term Debt (continued)**

As of December 31, 2021, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2022	\$ 175,000	\$ 602,447	\$ 777,447
2023	300,000	607,224	907,224
2024	325,000	594,511	919,511
2025	500,000	578,324	1,078,324
2026	530,000	558,986	1,088,986
2027	560,000	539,749	1,099,749
2028	590,000	522,668	1,112,668
2029	625,000	507,033	1,132,033
2030	630,000	490,279	1,120,279
2031	660,000	472,537	1,132,537
2032	715,000	453,474	1,168,474
2033	720,000	433,412	1,153,412
2034	730,000	413,163	1,143,163
2035	785,000	391,607	1,176,607
2036	815,000	368,419	1,183,419
2037	825,000	344,559	1,169,559
2038	855,000	319,825	1,174,825
2039	915,000	293,357	1,208,357
2040	945,000	265,247	1,210,247
2041	955,000	236,466	1,191,466
2042	1,035,000	206,309	1,241,309
2043	1,070,000	173,951	1,243,951
2044	1,105,000	140,122	1,245,122
2045	1,160,000	104,888	1,264,888
2046	1,185,000	68,244	1,253,244
2047	580,000	42,090	622,090
2048	615,000	26,489	641,489
2049	350,000	13,910	363,910
2050	360,000	4,680	364,680
	\$ 20,615,000	\$ 9,773,970	\$ 30,388,970

**Note 7 – Property Taxes**

On November 7, 2000, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations without limitation. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

***Hays County Development District No. 1***  
***Notes to Financial Statements***  
***December 31, 2021***

**Note 7 – Property Taxes (continued)**

All property values and exempt status, if any, are determined by the Hays Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2021 fiscal year was financed through the 2020 tax levy, pursuant to which the District levied property taxes of \$0.90 per \$100 of assessed value, of which \$0.37 was allocated to maintenance and operations and \$0.53 was allocated to debt service. The resulting tax levy was \$913,582 on the adjusted taxable value of \$101,509,108.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District’s use during the current fiscal year. Consequently, 2021 levy collections in the amount of \$827,012 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2021 tax levy of \$1,302,088 is reported as deferred inflows. These amounts will be recognized as revenue in 2022.

Property taxes receivable, at December 31, 2021, consisted of the following:

Current year taxes receivable	\$ 475,076
Prior years taxes receivable	2,640
Property taxes receivable	<u>\$ 477,716</u>

**Note 8 – Transfers to Other Governments**

In accordance with an agreement between the District and Dripping Springs Water Supply Corporation (the “Corporation”) and the City of Dripping Springs (the “City”), the District transfers all of its wastewater and water facilities to the City and Corporation, respectively. See Notes 9 and 10 for additional information. Additionally, Hays County assumes responsibility (after a one-year maintenance period) for road facilities and storm sewer systems constructed within the county’s public right-of-way. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. For the year ended December 31, 2021, the total amount of projects completed and transferred to the City and Corporation was \$2,718,059.

**Note 9 – Retail Water Service Agreement with the Dripping Springs Water Supply Corporation**

On August 29, 2013, the District entered into an agreement with Dripping Springs Water Supply Corporation (the “Corporation”) for construction and extension of water distribution lines to serve the District. As the system is acquired or constructed, the District shall transfer the system to the Corporation but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is 15 years, extendable for three additional 5-year terms.

*Hays County Development District No. 1*  
*Notes to Financial Statements*  
*December 31, 2021*

**Note 9 – Retail Water Service Agreement with the Dripping Springs Water Supply Corporation (continued)**

Water rates charged by the Corporation to users in the District, shall be the same rates charged to similar users within the Corporation's territory. All revenue derived from these charges belongs to the Corporation.

The Developer on behalf of the District will pay to the Corporation a one-time Front End Capital Contribution Fee based on 550 LUEs (an amount of water services sufficient for one living unit equivalent). The total Contribution Fee is \$1,100,000 (550 LUE x \$2,000), of which \$125,000 was payable to the Corporation upon execution of this Agreement. Additionally, the District is required to pay \$50,000 in quarterly installments beginning on August 30, 2014 and continuing until the last payment is made on August 30, 2019. As of December 31, 2021, the District has paid all amounts due to the Corporation for the Contribution Fee.

Each District Customer will pay the Corporation the West Travis County Public Utility Agency (WTCPUA) Connection Fee for its respective connection. The amount of the WTCPUA Connection Fee is based on the amount of the Connection Fee charged to the Corporation by the WTCPUA under the WTCPUA Water Services Agreement and is currently \$5,500 per LUE; however, the amount of this fee may change from time to time.

**Note 10 – Wastewater Service Agreement with the City of Dripping Springs**

On January 27, 2014, the District entered into an agreement and first amendment to the agreement with the City of Dripping Springs (the "City") for construction and extension of sanitary sewer collection systems to serve the District. To the extent that the City has entered into contracts for design and construction of related facilities and, as work is performed under those contracts, the District is obligated to pay or reimburse the City its pro rata share of costs as established in the agreement. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District.

On April 13, 2014, the District approved the second amendment to expand the permitted disposal capacity from 300,000 gallons per day (GPD) to 348,500 GPD.

Sewer rates charged by the City to users in the District shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

**Note 11 – Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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**Required Supplementary Information**

*Hays County Development District No. 1  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended December 31, 2021*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 371,354	\$ 375,982	\$ 4,628
Penalties and interest		1,558	1,558
Service availability fees	150,000	68,250	(81,750)
Investment earnings	3,000	18,376	15,376
Total Revenues	<u>524,354</u>	<u>464,166</u>	<u>(60,188)</u>
<b>Expenditures</b>			
Current service operations			
Professional fees	196,500	160,456	36,044
Contracted services	46,600	57,149	(10,549)
Repairs and maintenance	224,200	234,766	(10,566)
Utilities	2,100	3,496	(1,396)
Administrative	17,720	18,968	(1,248)
Miscellaneous	1,200	359	841
Total Expenditures	<u>488,320</u>	<u>475,194</u>	<u>13,126</u>
<b>Revenues Over/(Under) Expenditures</b>	36,034	(11,028)	(47,062)
<b>Fund Balance</b>			
Beginning of the year	1,394,136	1,394,136	
<b>End of the year</b>	<u>\$ 1,430,170</u>	<u>\$ 1,383,108</u>	<u>\$ (47,062)</u>

*Hays County Development District No. 1*  
*Notes to Required Supplementary Information*  
*December 31, 2021*

**Budgets and Budgetary Accounting**

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.