

**HAYS COUNTY DEVELOPMENT
DISTRICT NO. 1**

HAYS COUNTY, TEXAS

FINANCIAL REPORT

December 31, 2019

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McGRATH & CO., PLLC

Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Hays County Development District No. 1, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinions.

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

Opinion

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, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

McGuath & Co, P.C.

Houston, Texas
April 14, 2020

Management's Discussion and Analysis

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***Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2019***

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, 2019. This analysis should be read in conjunction with the independent auditors' 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; and
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements.

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.

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

*Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2019*

Financial Analysis of the District as a Whole

The District's net position at December 31, 2019, was negative \$25,247,012. 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, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Current assets	\$ 1,850,387	\$ 1,426,157
Capital assets	10,918,106	11,302,584
Total assets	<u>12,768,493</u>	<u>12,728,741</u>
Current liabilities	151,351	83,735
Long-term liabilities	<u>37,193,489</u>	<u>36,192,026</u>
Total liabilities	<u>37,344,840</u>	<u>36,275,761</u>
Total deferred inflows of resources	<u>670,665</u>	<u>456,250</u>
Net position		
Net investment in capital assets	(2,737,402)	(1,074,423)
Restricted	36,560	71,559
Unrestricted	<u>(22,546,170)</u>	<u>(23,000,406)</u>
Total net assets	<u>\$ (25,247,012)</u>	<u>\$ (24,003,270)</u>

***Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2019***

The total net position of the District decreased during the current fiscal year by \$1,243,742. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues	\$ 258,500	\$ 627,000
General revenues	493,498	289,605
Total revenues	<u>751,998</u>	<u>916,605</u>
Expenses		
Utility operations	145,660	43,056
Administrative	280,848	1,706,198
Debt interest and fees	260,962	182,148
Developer interest	490,030	
Debt issuance costs	344,813	422,313
Depreciation and amortization	459,478	456,353
Total expenses	<u>1,981,791</u>	<u>2,810,068</u>
Change in net position before other item	(1,229,793)	(1,893,463)
Other item		
Transfers to other governments	<u>(13,949)</u>	<u>(8,869,935)</u>
Change in net position	(1,243,742)	(10,763,398)
Net position, beginning of year	<u>(24,003,270)</u>	<u>(13,239,872)</u>
Net position, end of year	<u>\$ (25,247,012)</u>	<u>\$ (24,003,270)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of December 31, 2019, were \$1,138,503, which consists of \$973,987 in the General Fund, \$146,791 in the Debt Service Fund, and \$17,725 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 1,367,452</u>	<u>\$ 1,134,759</u>
Total liabilities	\$ 35,678	\$ 32,761
Total deferred inflows	357,787	304,167
Total fund balance	<u>973,987</u>	<u>797,831</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,367,452</u>	<u>\$ 1,134,759</u>

***Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2019***

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

	2019	2018
Total revenues	\$ 588,695	\$ 916,174
Total expenditures	(412,539)	(254,539)
Revenues over expenditures	<u>\$ 176,156</u>	<u>\$ 661,635</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 2018 levy was recognized as revenues in the 2019 fiscal year, while the 2017 levy was recognized in the 2018 fiscal year. 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.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of December 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	<u>\$ 465,210</u>	<u>\$ 274,616</u>
Total liabilities	\$ 5,393	\$ -
Total deferred inflows	313,026	152,083
Total fund balance	<u>146,791</u>	<u>122,533</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 465,210</u>	<u>\$ 274,616</u>

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

	2019	2018
Total revenues	\$ 163,135	\$ 253
Total expenditures	(203,596)	(79,376)
Revenues under expenditures	(40,461)	(79,123)
Other changes in fund balance	<u>64,719</u>	<u>201,656</u>
Net change in fund balance	<u>\$ 24,258</u>	<u>\$ 122,533</u>

***Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2019***

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, 2019 and 2018 is as follows:

	2019	2018
Total assets	<u>\$ 17,725</u>	<u>\$ 16,782</u>
Total fund balance	<u>\$ 17,725</u>	<u>\$ 16,782</u>

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

	2019	2018
Total revenues	\$ 20	\$ 178
Total expenditures	<u>(3,949,358)</u>	<u>(1,621,905)</u>
Revenues under expenditures	(3,949,338)	(1,621,727)
Other changes in fund balance	<u>3,950,281</u>	<u>1,634,054</u>
Net change in fund balance	<u>\$ 943</u>	<u>\$ 12,327</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2019 Unlimited Tax Road Bonds in the current year and the sale of its Series 2018 Unlimited Tax Road 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 \$156,570 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

***Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2019***

Capital Assets

The District has entered into a financing agreement with its developer for the financing of the construction of capital assets within the District. The developer 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, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated		
Land and improvements	\$ 1,217,949	\$ 1,217,949
Capital assets being depreciated/amortized		
Landscaping and irrigation	5,920,329	5,920,329
Buildings	2,454,593	2,454,593
Connection charges	1,324,330	1,249,330
Drainage facilities	1,416,713	1,416,713
	<u>11,115,965</u>	<u>11,040,965</u>
Less accumulated depreciation/amortization		
Landscaping and irrigation	(823,962)	(527,945)
Buildings	(327,280)	(245,460)
Connection charges	(170,664)	(120,506)
Drainage facilities	(93,902)	(62,419)
	<u>(1,415,808)</u>	<u>(956,330)</u>
Depreciable capital assets, net	<u>9,700,157</u>	<u>10,084,635</u>
Capital assets, net	<u>\$ 10,918,106</u>	<u>\$ 11,302,584</u>

Capital asset additions during the current year include connection charges paid to the Dripping Springs Water Supply Corporation.

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

***Hays County Development District No. 1
Management’s Discussion and Analysis
December 31, 2019***

when the developer is reimbursed. For the year ended December 31, 2019, capital assets in the amount of \$13,949 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 8.

Long-Term Debt and Related Liabilities

As of December 31, 2019, the District owes \$27,778,489 to its developer 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. As discussed in Note 5, the District has an additional commitment in the amount of \$4,166,827 for projects under construction by the developer. As noted, the District will owe its developer for these projects 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, 2019 and 2018, the District had total bonded debt outstanding as shown below:

Series	2019	2018
2018 Road	\$ 5,400,000	\$ 5,400,000
2019 Road	4,015,000	
	<u>\$ 9,415,000</u>	<u>\$ 5,400,000</u>

During the year, the District issued \$4,015,000 in unlimited tax road bonds. At December 31, 2019, the District had \$123,000,000 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:

	2019 Actual	2020 Budget
Total revenues	\$ 588,695	\$ 634,654
Total expenditures	(412,539)	(477,016)
Revenues over expenditures	176,156	157,638
Beginning fund balance	797,831	973,987
Ending fund balance	<u>\$ 973,987</u>	<u>\$ 1,131,625</u>

*Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2019*

Property Taxes

The District's property tax base increased approximately \$23,927,000 for the 2019 tax year from \$50,591,354 to \$74,518,345. This increase was primarily due to increased property values in the District. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.48 per \$100 of assessed value and a debt service tax rate of \$0.42 per \$100 of assessed value, for a total combined tax rate of \$0.90 per \$100. Tax rates for the 2018 tax year were \$0.60 per \$100 for maintenance and operations and \$0.30 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, 2019

Assets

Cash	\$ 67,934
Investments	895,291
Deposits held by Hays County Tax Office	375,908
Taxes receivable	280,791
Service availability fees receivable	226,850
Prepaid items	3,613
Capital assets not being depreciated	1,217,949
Capital assets, net	9,700,157
Total Assets	<u>12,768,493</u>

Liabilities

Accounts payable	35,034
Other payables	644
Accrued interest payable	115,673
Due to developer	27,778,489
Long-term debt	
Due after one year	9,415,000
Total Liabilities	<u>37,344,840</u>

Deferred Inflows of Resources

Deferred property taxes	<u>670,665</u>
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Net Position

Net investment in capital assets	(2,737,402)
Restricted for debt service	36,560
Unrestricted	(22,546,170)
Total Net Position	<u><u>\$ (25,247,012)</u></u>

See notes to basic financial statements.

*Hays County Development District No. 1
Statement of Activities - Governmental Activities
For the Year Ended December 31, 2019*

Expenses	
Utility operations	
Repairs and maintenance	\$ 143,894
Utilities	1,766
Administrative	
Professional fees	210,178
Contracted services	48,766
Administrative	21,657
Miscellaneous	247
Debt service	
Interest and fees	260,962
Developer interest	490,030
Debt issuance costs	344,813
Depreciation and amortization	459,478
Total Expenses	<u>1,981,791</u>
Program Revenues	
Service availability fees	<u>258,500</u>
Net Program Expense	(1,723,291)
General Revenues	
Property taxes	477,532
Penalties and interest	542
Investment earnings	15,424
Total General Revenues	<u>493,498</u>
Revenues Under Expenses	(1,229,793)
Other Item	
Transfers to other governments	<u>(13,949)</u>
Change in net position	(1,243,742)
Net Position	
Beginning of the year	(24,003,270)
End of the year	<u>\$ (25,247,012)</u>

See notes to basic financial statements.

*Hays County Development District No. 1
Balance Sheet - Governmental Funds
December 31, 2019*

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	\$ 50,209	\$ -	\$ 17,725	\$ 67,934
Investments	736,521	158,770		895,291
Deposits held by Hays County Tax Office		375,908		375,908
Taxes receivable	149,775	131,016		280,791
Service availability fees receivable	226,850			226,850
Prepaid items	3,613			3,613
Internal balances	200,484	(200,484)		
Total Assets	\$ 1,367,452	\$ 465,210	\$ 17,725	\$ 1,850,387
Liabilities				
Accounts payable	\$ 35,034	\$ -	\$ -	\$ 35,034
Other payables	644			644
Accrued interest payable		5,393		5,393
Total Liabilities	35,678	5,393		41,071
Deferred Inflows of Resources				
Deferred property taxes	357,787	313,026		670,813
Fund Balances				
Nonspendable	3,613			3,613
Restricted		146,791	17,725	164,516
Unassigned	970,374			970,374
Total Fund Balances	973,987	146,791	17,725	1,138,503
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,367,452	\$ 465,210	\$ 17,725	\$ 1,850,387

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, 2019*

Total fund balance, governmental funds \$ 1,138,503

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 12,333,914	
Less accumulated depreciation/amortization	<u>(1,415,808)</u>	
Change due to capital assets		10,918,106

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	(9,415,000)	
Interest payable on debt	<u>(110,280)</u>	
Change due to long-term debt		(9,525,280)

Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position*. (27,778,489)

The unavailable portion of property taxes receivable and collections of the 2019 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 2019 property tax levy.

Fund level deferred property taxes	670,813	
Government wide level deferred property taxes	<u>(670,665)</u>	
		148

Total net position - governmental activities \$ (25,247,012)

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, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Property taxes	\$ 318,256	\$ 159,128	\$ -	\$ 477,384
Penalties and interest	361	181		542
Service availability fees	258,500			258,500
Investment earnings	11,578	3,826	20	15,424
Total Revenues	<u>588,695</u>	<u>163,135</u>	<u>20</u>	<u>751,850</u>
Expenditures				
Current service operations				
Professional fees	198,178		12,000	210,178
Contracted services	46,914	1,852		48,766
Repairs and maintenance	143,894			143,894
Utilities	1,766			1,766
Administrative	21,657			21,657
Miscellaneous	130	88	29	247
Capital outlay			3,102,486	3,102,486
Debt service				
Developer interest			490,030	490,030
Interest and fees		201,656		201,656
Debt issuance costs			344,813	344,813
Total Expenditures	<u>412,539</u>	<u>203,596</u>	<u>3,949,358</u>	<u>4,565,493</u>
Revenues Over/(Under) Expenditures	176,156	(40,461)	(3,949,338)	(3,813,643)
Other Financing Sources				
Proceeds from sale of bonds		64,719	3,950,281	4,015,000
Net Change in Fund Balances	176,156	24,258	943	201,357
Fund Balances				
Beginning of the year	797,831	122,533	16,782	937,146
End of the year	<u>\$ 973,987</u>	<u>\$ 146,791</u>	<u>\$ 17,725</u>	<u>\$ 1,138,503</u>

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, 2019***

Net change in fund balances - total governmental funds \$ 201,357

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. 148

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	\$	3,102,486	
Depreciation/amortization expense		(459,478)	
			2,643,008

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. (13,949)

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		(4,015,000)	
Interest expense accrual		(59,306)	
			(4,074,306)

Change in net position of governmental activities		<u>\$ (1,243,742)</u>	
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See notes to basic financial statements.

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Hays County Development District No. 1
Notes to Basic Financial Statements
December 31, 2019

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 sold 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 Basic Financial Statements
December 31, 2019

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, 2019, 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 \$5,000 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>
Drainage facilities	45 years
Landscaping and irrigation	20 years
Connection charges	30 years (max)
Buildings	30 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 receivable 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 2019 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 2019 property tax levy, which was levied to finance the 2020 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.

Hays County Development District No. 1
Notes to Basic Financial Statements
December 31, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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 the 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 Basic Financial Statements
December 31, 2019

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, 2019, the District’s investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
TexPool	General	\$ 736,521		
	Debt Service	158,770		
		<u>\$ 895,291</u>	AAAm	35 days

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.

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.

Hays County Development District No. 1
Notes to Basic Financial Statements
December 31, 2019

Note 3 – Interfund Balances and Transactions

Amounts due to/from other funds at December 31, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 200,484	Maintenance tax collections not remitted as of year end

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

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended December 31, 2019, is as follows:

	<u>Beginning Balances</u>	<u>Additions/ Adjustments</u>	<u>Ending Balances</u>
Capital assets not being depreciated			
Land and improvements	\$ 1,217,949	\$ -	\$ 1,217,949
Capital assets being depreciated/amortized			
Landscaping and irrigation	5,920,329		5,920,329
Buildings	2,454,593		2,454,593
Connection charges	1,249,330	75,000	1,324,330
Drainage facilities	1,416,713		1,416,713
	<u>11,040,965</u>	<u>75,000</u>	<u>11,115,965</u>
Less accumulated depreciation/amortization			
Landscaping and irrigation	(527,945)	(296,017)	(823,962)
Buildings	(245,460)	(81,820)	(327,280)
Connection charges	(120,506)	(50,158)	(170,664)
Drainage facilities	(62,419)	(31,483)	(93,902)
	<u>(956,330)</u>	<u>(459,478)</u>	<u>(1,415,808)</u>
Subtotal depreciable capital assets, net	<u>10,084,635</u>	<u>(384,478)</u>	<u>9,700,157</u>
Capital assets, net	<u>\$ 11,302,584</u>	<u>\$ (384,478)</u>	<u>\$ 10,918,106</u>

Depreciation and amortization expense for the current year was \$459,478.

Hays County Development District No. 1
Notes to Basic Financial Statements
December 31, 2019

Note 5 – Due to Developer

The District has entered into a financing agreement 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 agreement, the developer will advance funds for the construction of facilities to serve the District. The developer 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.

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

Due to developer, beginning of year	\$ 30,792,026
Developer funded construction and adjustments	88,949
Developer reimbursements	<u>(3,102,486)</u>
Due to developer, end of year	<u>\$ 27,778,489</u>

In addition, the District will owe the developer approximately \$4,166,827, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Amounts Paid By Developers</u>	<u>Remaining Developer Commitment</u>
Caliterra Phase 3, Section 9	\$ 4,166,827	\$ 1,948,204	\$ 2,218,623

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 9,415,000</u>
Due within one year	<u>\$ -</u>

Hays County Development District No. 1
Notes to Basic Financial Statements
December 31, 2019

Note 6 – Long-Term Debt (continued)

The District’s bonds payable at December 31, 2019, 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
	<u>\$ 9,415,000</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.

At December 31, 2019, the District had \$123,000,000 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 July 16, 2019, the District issued its \$4,015,000 Series 2019 Unlimited Tax Road Bonds at a net effective interest rate of 3.294930%. Proceeds of the bonds were used to (1) reimburse the developer for the cost of road facilities constructed within the District plus interest expense at the net effective interest rate of the bonds; and (2) 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	\$ 5,400,000
Bonds issued	<u>4,015,000</u>
Bonds payable, end of year	<u>\$ 9,415,000</u>

Hays County Development District No. 1
Notes to Basic Financial Statements
December 31, 2019

Note 6 – Long-Term Debt (continued)

As of December 31, 2019, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2020	\$ -	\$ 363,453	\$ 363,453
2021		331,093	331,093
2022	175,000	327,918	502,918
2023	200,000	320,843	520,843
2024	225,000	312,630	537,630
2025	225,000	304,443	529,443
2026	250,000	296,705	546,705
2027	250,000	288,905	538,905
2028	275,000	280,562	555,562
2029	300,000	271,327	571,327
2030	300,000	261,124	561,124
2031	300,000	250,375	550,375
2032	350,000	238,750	588,750
2033	350,000	226,500	576,500
2034	350,000	214,500	564,500
2035	375,000	202,031	577,031
2036	400,000	188,719	588,719
2037	400,000	175,031	575,031
2038	425,000	160,765	585,765
2039	450,000	145,375	595,375
2040	475,000	128,953	603,953
2041	475,000	112,047	587,047
2042	525,000	94,265	619,265
2043	550,000	74,922	624,922
2044	575,000	54,500	629,500
2045	600,000	33,188	633,188
2046	615,000	11,141	626,141
	<u>\$ 9,415,000</u>	<u>\$ 5,670,065</u>	<u>\$ 15,085,065</u>

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 Basic Financial Statements
December 31, 2019

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 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$0.90 per \$100 of assessed value, of which \$0.60 was allocated to maintenance and operations and \$0.30 was allocated to debt service. The resulting tax levy was \$455,322 on the adjusted taxable value of \$50,591,354.

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, 2019 levy collections in the amount of \$390,022 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 2019 tax levy of \$670,665 is reported as deferred inflows. These amounts will be recognized as revenue in 2020.

Note 8 – Transfers to Other Governments

Hays County assumes responsibility for the maintenance of 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*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended December 31, 2019, the District recorded transfers to other governments in the amount of \$13,949 for public roads completed and transferred.

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.

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.

Hays County Development District No. 1
Notes to Basic Financial Statements
December 31, 2019

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

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, 2019, the District has paid \$1,100,000 in connection fees to the Corporation.

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 \$5,180 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.

Note 12 – Concentration of Risk

Approximately 37% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the only source of revenue for both the General Fund and the Debt Service Fund, the continued ability of these taxpayers to continue to pay their property taxes is an important factor in the District’s ability to meet its future obligations.

Required Supplementary Information

*Hays County Development District No. 1
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended December 31, 2019*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 298,096	\$ 318,256	\$ 20,160
Penalties and interest	250	361	111
Service availability fees	55,000	258,500	203,500
Investment earnings	3,000	11,578	8,578
Total Revenues	<u>356,346</u>	<u>588,695</u>	<u>232,349</u>
Expenditures			
Current service operations			
Professional fees	183,000	198,178	(15,178)
Contracted services	44,000	46,914	(2,914)
Repairs and maintenance	88,560	143,894	(55,334)
Utilities	1,600	1,766	(166)
Administrative	18,600	21,657	(3,057)
Miscellaneous	1,000	130	870
Total Expenditures	<u>336,760</u>	<u>412,539</u>	<u>(75,779)</u>
Revenues Over Expenditures	19,586	176,156	156,570
Fund Balance			
Beginning of the year	797,831	797,831	
End of the year	<u>\$ 817,417</u>	<u>\$ 973,987</u>	<u>\$ 156,570</u>

Hays County Development District No. 1
Notes to Required Supplementary Information
December 31, 2019

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.