

Jackson County Water Control and Improvement District No. 2
Annual Financial Report
For the Year Ended December 31, 2020

Garland R. Sandhop
Certified Public Accountant
Edna, Texas

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS
COUNTY OF JACKSON

I, Clifford K. Born, of the Jackson County Water Control and Improvement District No. 2 hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 12th day of April, 2021, its annual audit report for the fiscal period ended December 31, 2020 and that copies of the annual audit report have been filed in the District's office, located at 5955 FM 616, Vanderbilt, Texas 77991.

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: _____, 2021

By: _____

Clifford K. Born, President

Sworn to and subscribed to before me this _____ day of _____, 2021.

(Seal)

(Signature of Notary)

My Commission Expires On: _____, _____
Notary Public in the State of Texas

Member of
Texas Society of Certified Public Accountants
American Institute of Certified Public Accountants
Texas Association of Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Jackson County Water Control and
Improvement District No. 2
PO Box 574
Vanderbilt, Texas 77991

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson County Water Control and Improvement District No. 2, as of and for the year ended December 31, 2020, 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 error or fraud.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County Water Control and Improvement District No. 2, as of December 31, 2020, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors

Jackson County Water Control and Improvement District No. 2

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 on pages 3 through 8 and 26 through 27 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County Water Control and Improvement District No. 2's basic financial statements. The Schedule of Temporary Investments is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Temporary Investments is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Temporary Investments is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Garland R. Sandhop
Certified Public Accountant

March 31, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the District's financial statements provides a narrative overview of the District's financial activities for the fiscal year ended December 31, 2020. The information presented here should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to private sector business. They present the financial picture of the District from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets over time may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the district's net assets changed during the most recent fiscal year using full accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements can be found on pages 9 to 12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *current sources and uses of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental funds financial statements can be found on pages 9 through 12 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the district. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statements can be found on page 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 25 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

Required supplementary information can be found on pages 26 through 27 of this report.

Financial Highlights

- The assets of the District exceeded its liabilities at December 31, 2020 by \$982,463.25 (net assets). Of this amount, \$160,664.18 was unrestricted net assets and available to meet the District's ongoing operations.
- The District's total net assets increased by \$19,323.13.
- The District reported \$67,065.33 combined ending fund balances for governmental activities, which represents an increase of \$16,621.89. Of this amount, \$62,091.83 (unreserved fund balance) is available to meet ongoing obligations. The increase in ending fund balances is attributable to ongoing operations of the water/wastewater facilities of the District.
- At the end of the current calendar year, unreserved fund balance for the general fund was \$62,091.83 or 0.2739 times the total general fund expenditures.

Jackson County Water Control and Improvement District No. 2

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

- During the fiscal year, the District's government-wide revenue totaled \$243,325.00 generated from property taxes, water and sewer charges, and other activities. The District's government-wide expenses totaled \$226,703.11.
- During the fiscal year, the District's total debt decreased by \$35,334.45, representing payments on outstanding loans with Prosperity Bank and S. A. Mercer.

District-wide Financial Analysis

Net assets may serve, over time, as a useful indicator of the District's financial position. The District's net assets exceeded liabilities by \$982,463.25 at December 31, 2020.

A large portion of the District's net assets (83.65%) reflects its investment in capital assets net of any related outstanding debt used to acquire those assets. The District uses capital assets to provide services to residents of the District; therefore, these assets are not available for future spending or for use in liquidation of outstanding debt. The resources required to repay the outstanding debt must be provided from other sources, such as provision of service to customers.

The District's net assets at calendar year-end is summarized as follows:

	Governmental Activities		
	12/31/2020	12/31/2019	Variance
Current and other assets	\$ 123,453.12	\$ 115,018.20	\$ 8,434.92
Capital assets	1,119,198.43	1,144,173.34	\$ (24,974.91)
Total assets	1,242,651.55	1,259,191.54	(16,539.99)
Current liabilities	13,232.38	48,777.42	\$ (35,545.04)
Non-current liabilities	297,399.36	297,717.45	\$ (318.09)
Total liabilities	310,631.74	346,494.87	(35,863.13)
Net assets:			
Invested in capital assets, net of related debt	821,799.07	811,439.53	\$ 10,359.54
Unrestricted	160,664.18	101,257.14	\$ 59,407.04
	<u>\$ 982,463.25</u>	<u>\$ 912,696.67</u>	<u>\$ 69,766.58</u>

At December 31, 2020, none of the District's net assets is subject to external restrictions on how they may be used. \$160,664.18 (16.35%) in unrestricted net assets may be used to meet the District's ongoing obligations.

At December 31, 2020 and 2019, the District reports positive balances in all categories of net assets.

For the period ended December 31, 2020, the District reports a decrease of \$10,359.54 in restricted net assets and an increase of \$59,407.04 in unrestricted net assets for all governmental activities. The District's overall net assets increased by \$69,766.58.

Jackson County Water Control and Improvement District No. 2

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Governmental activities. Governmental activities increased the District's net assets by \$69,766.58.

	Governmental Activities		
	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>Variance</u>
Current and other assets	\$ 123,453.12	\$ 115,018.20	\$ 8,434.92
Capital assets	1,119,198.43	1,144,173.34	\$ (24,974.91)
Total assets	<u>1,242,651.55</u>	<u>1,259,191.54</u>	<u>(16,539.99)</u>
Current liabilities	13,232.38	48,777.42	\$ (35,545.04)
Non-current liabilities	<u>297,399.36</u>	<u>297,717.45</u>	<u>\$ (318.09)</u>
Total liabilities	<u>310,631.74</u>	<u>346,494.87</u>	<u>(35,863.13)</u>
Net assets:			
Invested in capital assets, net of related debt	821,799.07	811,439.53	\$ 10,359.54
Unrestricted	<u>160,664.18</u>	<u>101,257.14</u>	<u>\$ 59,407.04</u>
	<u>\$ 982,463.25</u>	<u>\$ 912,696.67</u>	<u>\$ 69,766.58</u>

Key components of the change in net assets are as follows:

	Governmental Activities		
	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>Variance</u>
Revenues:			
Program revenues:			
Charges for services	198,240.05	179,722.78	18,517.27
General revenues:			
Property taxes	36,061.20	43,591.97	(7,530.77)
Investment earnings	365.46	392.40	(26.94)
Miscellaneous revenues	<u>1,000.00</u>	<u>1,400.00</u>	<u>(400.00)</u>
Total revenues	<u>235,666.71</u>	<u>225,107.15</u>	<u>10,559.56</u>
Expenses:			
Water and sewer services	61,500.66	50,029.21	11,471.45
Salaries, benefits and payroll taxes	65,111.64	65,536.43	(424.79)
Professional fees	9,159.02	12,118.66	(2,959.64)
Other	26,743.24	30,668.62	(3,925.38)
Interest	16,424.79	18,926.07	(2,501.28)
Depreciation	<u>37,404.22</u>	<u>37,155.67</u>	<u>248.55</u>
Total expenses	<u>216,343.57</u>	<u>214,434.66</u>	<u>1,908.91</u>
Increase (decrease) in net assets	19,323.14	10,672.49	8,650.65
Net assets beginning	<u>963,140.11</u>	<u>902,024.18</u>	<u>61,115.93</u>
Net assets ending	<u>\$ 982,463.25</u>	<u>\$ 912,696.67</u>	<u>\$ 69,766.58</u>

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budgetary controls are utilized for fiscal management and accountability.

Governmental funds. The general government functions are reported in the General and Special Revenue Funds. The focus of the District's *governmental funds* is to provide information on current sources, uses, and balances of spendable resources. Such information is useful in determining the District's financing requirements. *Unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at December 31, 2020.

At the end of the current fiscal year the District's governmental funds reported combined ending fund balances of \$67,065.33, an increase of \$16,621.89. The unreserved fund balance is \$62,091.83, which is available to meet the District's ongoing obligations.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$62,091.83. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 0.2739 times total general fund expenditures.

The general fund balance increased by \$16,621.89. Key factors in the increase in general fund balance are as follows:

- Charges for services increased \$18,517.27;
- Property tax revenue decreased \$7,530.77;
- Expenses increased by \$1,908.91.

Debt Administration

	Governmental Activities		
	12/31/2020	12/31/2019	Variance
Loans	\$ 297,399.36	\$ 332,733.81	\$ (35,334.45)
Total debt	\$ 297,399.36	\$ 332,733.81	\$ (35,334.45)

The outstanding loan balance decreased by \$35,334.45 for the scheduled principal payments on loans from Prosperity Bank and S. A. Mercer. See Note B in the accompanying Notes to the Financial Statements for further discussion regarding long-term debt.

Jackson County Water Control and Improvement District No. 2

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Capital Assets

	Governmental Activities		
	12/31/2020	12/31/2019	Variance
Business-type activities			
Land and improvements	\$ 7,729.38	\$ 7,729.38	\$ -
Buildings and equipment	259,934.21	259,934.21	-
Computers	6,106.48	6,106.48	-
Distribution and collection systems	<u>1,522,692.33</u>	<u>1,510,263.02</u>	<u>12,429.31</u>
Total capital assets at historical cost	1,796,462.40	1,784,033.09	12,429.31
Less accumulated depreciation	<u>(677,263.97)</u>	<u>(639,859.75)</u>	<u>(37,404.22)</u>
Capital assets, net	<u>\$ 1,119,198.43</u>	<u>\$ 1,144,173.34</u>	<u>\$ (24,974.91)</u>

Depreciation expense for the year was \$37,404.22.

General Fund Budgetary Highlights.

The Board of Directors did not revise the District's budget for the governmental funds during the year ended December 31, 2020. Actual revenues in the General Fund exceeded budgeted revenue by \$37,325.00. Actual expenditures in the General Fund were more than budgeted expenditures by \$20,703.11. The results were a net increase of \$16,621.89.

Economic Factors and Next Year's Budgets and Rates

The District's rates for water and sewer service remain unchanged for calendar year 2020.

The annual budget is developed to provide efficient, effective and controlled use of the District's resources.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Jackson County Water Control and Improvement District No. 2, P.O. Box 574, Vanderbilt, Texas 77991.

BASIC FINANCIAL STATEMENTS

Jackson County Water Control and Improvement District No. 2

**Statement of Net Assets and
Governmental Funds Balance Sheet
December 31, 2020**

	<u>GENERAL</u>	<u>TOTAL</u>	<u>ADJUST- MENTS (pages 9, 10 & 11)</u>	<u>STATEMENT OF Net Assets</u>
ASSETS				
Cash and investments	\$ 66,486.84	\$ 66,486.84	\$ -	\$ 66,486.84
Taxes receivable	23,029.28	23,029.28	-	23,029.28
Service receivables	20,126.13	20,126.13	-	20,126.13
Due from other government	8,794.01	8,794.01	-	8,794.01
Internal receivables	43.36	43.36	-	43.36
Inventories	1,500.00	1,500.00	-	1,500.00
Prepaid services	3,473.50	3,473.50	-	3,473.50
Capital assets (net of accumulated depreciation)				
Land	-	-	7,729.38	7,729.38
Infrastructure	-	-	1,036,834.77	1,036,834.77
Other capital assets	-	-	74,634.28	74,634.28
TOTAL ASSETS	<u>\$ 123,453.12</u>	<u>\$ 123,453.12</u>	<u>\$ 1,119,198.43</u>	<u>\$ 1,242,651.55</u>
LIABILITIES AND FUND EQUITY				
Accounts payable	\$ 11,419.03	\$ 11,419.03	\$ -	\$ 11,419.03
Salaries/benefits payable	1,813.35	1,813.35	-	1,813.35
Deferred revenue	43,155.41	43,155.41	(43,155.41)	-
Long-term liabilities				
Due within one year	-	-	37,021.61	37,021.61
Due after one year	-	-	260,377.75	260,377.75
Total Liabilities	<u>56,387.79</u>	<u>56,387.79</u>	<u>254,243.95</u>	<u>310,631.74</u>
FUND BALANCE / Net Assets				
Fund balances:				
Reserved for inventories and prepaid services	4,973.50	4,973.50	(4,973.50)	
Unreserved	<u>62,091.83</u>	<u>62,091.83</u>	<u>(62,091.83)</u>	
Total fund balances	<u>67,065.33</u>	<u>67,065.33</u>	<u>(67,065.33)</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>123,453.12</u>	<u>123,453.12</u>		
Net Assets:				
Invested in capital assets, net of related debt			821,799.07	821,799.07
Unrestricted			<u>160,664.18</u>	<u>160,664.18</u>
Total Net Assets			<u>982,463.25</u>	<u>982,463.25</u>

See accompanying notes and independent auditor's report.

(3) -- Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets

Capital assets are added to Statement of Net Assets	\$ 1,119,198.43
Deferred revenues are eliminated on Statement of Net Assets	43,155.41
Long-term liabilities are recorded on Statement of Net Assets	<u>(297,399.36)</u>
	<u>\$ 864,954.48</u>

Jackson County Water Control and Improvement District No. 2

**Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balance
December 31, 2020**

	GENERAL FUND	TOTAL	ADJUSTMENTS (page 12)	STATEMENT OF ACTIVITIES
REVENUES				
Charges for services	\$ 199,288.49	\$ 199,288.49	\$ (1,048.44)	\$ 198,240.05
Property taxes	42,030.57	42,030.57	(6,609.85)	35,420.72
Investment earnings	365.46	365.46	-	365.46
Penalties and interest	640.48	640.48	-	640.48
Other revenues	1,000.00	1,000.00	-	1,000.00
Total Revenues	<u>243,325.00</u>	<u>243,325.00</u>	<u>(7,658.29)</u>	<u>235,666.71</u>
EXPENDITURES				
Service operations:				
Administrative	252.00	252.00	-	252.00
Insurance	3,292.25	3,292.25	-	3,292.25
Laboratory	4,405.09	4,405.09	-	4,405.09
License and permits	1,691.04	1,691.04	-	1,691.04
Office supplies	3,974.12	3,974.12	-	3,974.12
Other	466.66	466.66	-	466.66
Professional fees	9,159.02	9,159.02	-	9,159.02
Salaries, benefits, & payroll taxes	65,111.64	65,111.64	-	65,111.64
Telephone	2,341.77	2,341.77	-	2,341.77
Utilities	10,320.31	10,320.31	-	10,320.31
Water and sewer services	61,500.66	61,500.66	-	61,500.66
Capital outlay	12,429.31	12,429.31	(12,429.31)	-
Debt service:				
Principal	35,334.45	35,334.45	(35,334.45)	-
Interest	16,424.79	16,424.79	-	16,424.79
Depreciation	-	-	37,404.22	37,404.22
Total expenditures/expenses	<u>226,703.11</u>	<u>226,703.11</u>	<u>(10,359.54)</u>	<u>216,343.57</u>
Excess (deficiency) of revenues over expenditures	<u>16,621.89</u>	<u>16,621.89</u>	2,701.25	
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	16,621.89	16,621.89	<u>16,621.89</u>	
Change in net assets			19,323.14	19,323.14
FUND BALANCE/NET ASSETS:				
Beginning of the year	50,443.44	50,443.44	912,696.67	963,140.11
End of the year	<u>\$ 67,065.33</u>	<u>\$ 67,065.33</u>	<u>\$ 915,397.92</u>	<u>\$ 982,463.25</u>

See accompanying notes and independent auditor's report.

(4) -- Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities

Differences in accounts receivable are reflected in the Statement of Activities	\$	(7,658.29)
Capital outlay is not shown on the Statement of Activities		12,429.31
Principal paid on debt service is not shown on the Statement of Activities		35,334.45
Depreciation is shown on the Statement of Activities		<u>(37,404.22)</u>
	\$	<u>2,701.25</u>

Jackson County Water Control and Improvement District No. 2

**Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2020**

	<u>AGENCY FUNDS</u>
	<u>CUSTOMER DEPOSIT FUND</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 15,476.72
Total Assets	<u>15,476.72</u>
LIABILITIES	
Current Liabilities:	
Due to customers	15,433.36
Due to General Fund	<u>43.36</u>
Total Liabilities	<u>15,476.72</u>
Net Assets	
Total Net Assets	<u>\$ -</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS
NOTES REQUIRED BY THE AGENCY

THE FINANCIAL REPORTING ENTITY AND CREATION OF DISTRICT

The Jackson County Water Control and Improvement District No. 2 (the District) was established in September 1952 as Jackson County Fresh Water Supply District No. 2 by the actions of the legislature of the State of Texas in compliance with laws of the State. The District was converted to a Water Control and Improvement District by Act of the 54th Legislature of the State of Texas in 1956 under acts of Section 4.SB 160. The District operates under Chapter 3A of Title 128 of the Revised Civil Statutes of Texas and all amendments and additions thereto. The first bonds issued by the District were issued and dated as of February 15, 1954 in the amount of \$55,000.00. The District was created to provide water and sewer services to the households in the District.

A. SUMMARY OF ACCOUNTING POLICIES AND BASIS OF ACCOUNTING

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

1. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion in or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District is not a component unit nor does the District have any component units. The District's primary source of funding is taxes and provision of water and sewer services.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-Wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, water and sewer charges, intergovernmental revenues, and other transactions.

The Statement of Activities presents expenses and revenues for the District's activities.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following governmental funds:

General Fund - The General (System) Fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

Capital Project Fund - The Capital Project Fund is used for the acquisition or construction of major capital facilities including capital outlays financed by general obligation debt.

In addition, the District reports the following fund:

Agency Funds - Agency Funds are used to account for assets held by the District or as an agent for other funds and/or other governments. The District's Agency fund is entirely comprised of customers' water and sewer deposits. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenues from local sources consist primarily of property taxes and water and sewer charges. Property tax revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgment, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposits.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from Texas Legislature.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Infrastructure	50
Equipment	10 - 20

e. Restricted Assets

Resources for customer meter deposit refunds are classified as Restricted Assets in the fund financial statements. The related liability is reported as "Due to Customers."

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and Out are netted and presented as a single "Transfers" line on the Governmental-Wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the Government-Wide Statement of Net Assets.

g. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

h. Loans

The District accounts for short-term debt in the appropriate fund. There were no short-term debts during the year ended December 31, 2020.

i. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose.

There were no fund balance reservations at December 31, 2020.

j. Restricted Resources

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

k. Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through March 31, 2021, which is the date these statements were available to be issued.

4. Budgets and Budgetary Accounting

The budgets for the Governmental Fund adopted during the year by the District were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The General Fund has a legally adopted budget.

B. LONG-TERM DEBT

Revenue Anticipation Note

The District was granted permission from the Texas Commission on Environmental Quality (TCEQ) to enter into a long-term revenue anticipation note agreement with Prosperity Bank. The maximum permitted amount is \$374,934 with a maximum rate of 4.99%. The District executed the note on October 17, 2016 and utilized the funding to eliminate existing debt at Prosperity Bank related to the District's local match requirement for construction of a wastewater treatment plant. The new loan totaled \$370,617.44 and bears an interest rate of 4.99%. The note matures September 5, 2028.

Scheduled payments are as follows:

Year Ended December 31,	Revenue Anticipation Notes		
	Principal	Interest	Total
2020	\$ 27,455.98	\$ 13,956.98	\$ 41,412.96
2021	28,857.79	12,555.17	41,412.96
2022	30,331.21	11,081.75	41,412.96
2023	31,879.83	9,533.13	41,412.96
2024	33,507.51	7,905.45	41,412.96
2025-2028	<u>140,137.62</u>	<u>13,679.39</u>	<u>153,817.01</u>
Total	<u>\$ 292,169.94</u>	<u>\$ 68,711.87</u>	<u>\$ 360,881.81</u>

Equipment Note

The District entered into a Promissory Note agreement with S. A. Mercer on August 11, 2016 to fund the purchase of a new generator for the water/wastewater plant. The note totaled \$62,100.00 and bears interest at a rate of 7.5% and matures August 15, 2024.

Scheduled payments are as follows:

Year Ended December 31,	Equipment Note		
	Principal	Interest	Total
2020	\$ 7,560.38	\$ 2,785.90	\$ 10,346.28
2021	8,147.30	2,198.98	10,346.28
2022	8,779.81	1,566.47	10,346.28
2023	9,461.39	884.89	10,346.28
2024	<u>6,614.99</u>	<u>185.29</u>	<u>6,800.28</u>
	<u>\$ 40,563.87</u>	<u>\$ 7,621.53</u>	<u>\$ 48,185.40</u>

The following is a summary of the changes in the District's Long-Term Debt Account Group for the year ended December 31, 2020:

	Balance 1/1/2020	Additions	Retired	Balance 12/31/2020	Due Within One Year
Revenue anticipation note	\$ 292,169.94	\$ -	\$ 27,764.05	\$ 264,405.89	\$ 27,455.98
Equipment note	40,563.87	-	7,570.40	32,993.47	7,560.38
Governmental Activities: Long-Term Liabilities	<u>\$ 332,733.81</u>	<u>\$ -</u>	<u>\$ 35,334.45</u>	<u>\$ 297,399.36</u>	<u>\$ 35,016.36</u>

Interest

Interest costs of \$16,424.79 were incurred in the general fund for the year ended December 31, 2020.

C. PROPERTY TAXES

During the year ended December 31, 2020, the District levied an ad valorem tax for maintenance and operations at a rate of 0.2908 per \$100 of assessed value. The District's total tax levy was \$35,382.38.

	Maintenance Taxes
Taxes Receivable, Beginning of Year	\$ 29,639.13
Plus: 2020 Original Tax Levy	35,382.38
Less: Adjustments	<u>600.26</u>
Total to be accounted for	65,621.77
Tax collections:	
Current year	17,204.20
Prior years	<u>25,388.29</u>
Total collections	42,592.49
Taxes Receivable, End of Year	<u>\$ 23,029.28</u>
Taxes Receivable, By Years	
Prior	\$ 3,142.51
2016	306.46
2017	369.15
2018	494.60
2019	538.38
2020	<u>18,178.18</u>
Taxes Receivable, End of Year	<u>\$ 23,029.28</u>

D. COMMITMENTS AND CONTINGENT LIABILITIES ARISING FROM DISTRICT DEVELOPMENT

There is no litigation pending that came to our attention that would have a material effect on the financial statements as of December 31, 2020.

E. EMPLOYEES RETIREMENT SYSTEM

a. Retirement Plan

The District does not have an employee retirement or pension plan.

2. Social Security Coverage

The District has two employees participating in the Social Security and Medicare programs.

F. ENCUMBRANCES OUTSTANDING

The District does not employ encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

G. EFFECTS OF SUBSEQUENT EVENTS

In the opinion of the District's administration, no events have occurred through March 31, 2021, the date the financial statements were available to be issued, which would materially affect the financial statements.

H. ACCUMULATED UNPAID EMPLOYEE BENEFITS

There were no unpaid employee benefits at December 31, 2020.

I. MATERIAL VIOLATIONS OF FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

There were no violations of finance related legal and contractual provisions as of December 31, 2020.

J. LEASES COMMITMENTS

The District entered into no lease arrangements during the calendar year ended December 31, 2020.

K. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Business-type activities				
Capital assets not being depreciated:				
Land and improvements	\$ 7,729.38	\$ -	\$ -	\$ 7,729.38
Total capital assets not being depreciated	<u>7,729.38</u>	<u>-</u>	<u>-</u>	<u>7,729.38</u>
Other capital assets:				
Buildings and equipment	259,934.21	-	-	259,934.21
Computers	6,106.48	-	-	6,106.48
Distribution and collection systems	<u>1,510,263.02</u>	<u>12,429.31</u>	<u>-</u>	<u>1,522,692.33</u>
Total other capital assets at historical cost	<u>1,776,303.71</u>	<u>12,429.31</u>	<u>-</u>	<u>1,788,733.02</u>
Less accumulated depreciation for:				
Buildings and equipment	(179,761.99)	(6,272.49)	-	(186,034.48)
Computers	(5,218.53)	(153.40)	-	(5,371.93)
Distribution and collection systems	<u>(454,879.23)</u>	<u>(30,978.33)</u>	<u>-</u>	<u>(485,857.56)</u>
Total accumulated depreciation	(639,859.75)	(37,404.22)	-	(677,263.97)
Other capital assets, net	<u>1,136,443.96</u>	<u>(24,974.91) *</u>	<u>-</u>	<u>1,111,469.05</u>
Business-type activities capital assets, net	<u>\$ 1,144,173.34</u>	<u>\$ (24,974.91)</u>	<u>\$ -</u>	<u>\$ 1,119,198.43</u>

*Depreciation expense was charged to functions as follows:

Business-type activities:	
Water and sewer	\$ 37,404.22
Total business-type activities depreciation expense	<u>\$ 37,404.22</u>

L. INTERFUND RECEIVABLES & PAYABLES

a. Due To and From Other Funds

Balances due to and due from other funds at December 31, 2020 consisted of the following:

<u>Due to Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Agency Fund	\$ 43.36	Transfers

M. DEPOSITS AND INVESTMENTS

1. Deposits

At December 31, 2020, the carrying amount of the District's deposits was \$81,963.56. The District's deposits consist of demand deposits, savings accounts and certificates of deposit. Bank deposits are held at Prosperity Bank and Jackson County Federal Credit Union. At year-end, total bank deposits were \$83,675.32. Of the bank balances, the FDIC covered \$83,675.32.

The District does not carry any bank balance over and above the insured amounts. Customer deposits are restricted for refunds of customer deposits when water and sewer service is disconnected and/or for payment of customer accounts in the event of customer nonpayment.

The cash deposits held at the financial institution can be categorized according to three levels of risk. These levels are:

Category 1 – Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 – Uncollateralized.

Based on these three levels of risk, all of the District's cash deposits are classified as category 1. Restricted and pledged assets and revenues:

	<u>Customer Deposits</u>	<u>Total</u>
Cash - restricted	\$ 15,476.72	\$ 15,476.72

2. Investments

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District is allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are guaranteed by the State of Texas or the United States; (5) obligations of state agencies, counties, cities and other political subdivisions of any state which is of investment quality and which has received a rating of not less than A or its equivalent; (6) fully collateralized or insured time deposits; (7) fully collateralized direct repurchase agreements; (8) and other securities or obligations approved by the District and eligible under the Public Funds Investment Act.

The District had \$32,928.36 in General Fund certificates of deposit at December 31, 2020.

N. RECEIVABLES

	<u>General Fund</u>	<u>Total</u>
Taxes	\$ 23,029.28	\$ 23,029.28
Less: Allowance for uncollectible	-	-
	<u>\$ 23,029.28</u>	<u>\$ 23,029.28</u>
 Water and sewer services	 \$ 20,126.13	 \$ 20,126.13
Less: Allowance for uncollectible	 -	 -
	 <u>\$ 20,126.13</u>	 <u>\$ 20,126.13</u>
 Taxes due from tax collector	 <u>\$ 8,794.01</u>	 <u>\$ 8,794.01</u>
 Penalties and interest due from tax collector	 <u>\$ -</u>	 <u>\$ -</u>

Uncollectible accounts

The District uses the specific write-off method of accounting for uncollectible customer water and sewer accounts by charging such losses to operations in the period in which uncollectibility is determined. This method does not differ materially from generally accepted accounting principles. There were \$0.00 in service receivables written-off as uncollectible for the year ended December 31, 2020.

O. 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, injuries to employees, and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage and settlements have not exceeded coverage for the past three years.

P. SHARED FACILITIES

The District shares office space in the Vanderbilt Community Center with the Jackson County Emergency Services District No. 1 (JCESD No. 1). The building is the property of the County of Jackson. The District reimbursed JCESD No. 1 during the year ended December 31, 2020 as follows:

- Insurance: \$1,687.00
- Maintenance: \$640.08
- Telephone: \$600.00
- Utilities: \$1,333.83

These amounts are recognized as expenditures in the General Fund.

Q. RESERVED EQUITY ACCOUNTS

	General Fund
Reserved for inventories	\$ 1,500.00
Reserved for prepaid expenses	3,473.50
Total reserved equity	\$ 4,973.50

R. WATER AND SEWER RATES

	Effective Current Date		Rate		Type of Customer
Water	1/1/2019	\$ 31.25	First 2,000 gallons		Residential
		\$ 5.02	Per 1,000 gallons thereafter		Commercial
					Governmental
Sewer	1/1/2019	\$ 28.08	First 2,000 gallons		Residential
		\$ 3.99	Per 1,000 gallons thereafter		Commercial
					Governmental
Tap fees	Actual cost	Actual cost	Actual cost		Residential

Rates for water and sewer sold to customers outside the District are double the rates set forth above.

S. BUDGET BASIS OF ACCOUNTING

The District adopts an annual appropriated budget for the General Fund. The budget is used as a guide by management to limit expenditures to revenues received.

Excess of Actual Revenues over Budgeted Revenues

Actual General Fund revenues exceeded budgeted revenues by \$37,325.00 for the year ended December 31, 2020.

Deficiency of Revenues over Expenditures

General Fund revenues were more than expenditures by \$16,621.89 for the year ended December 31, 2020.

NOTES REQUIRED BY THE AGENCY AND GAAP

Jackson County Water Control and Improvement District No. 2

Budgetary Comparison Schedule
General Fund
December 31, 2020

	Actual	Original Budget	Variance Positive (Negative)
Revenues:			
Charges for water and sewer services	\$ 199,288.49	\$ 168,000.00	\$ 31,288.49
Property taxes	42,030.57	34,111.52	7,919.05
Investment earnings	365.46	300.00	65.46
Penalties and interest	640.48	800.00	(159.52)
Other	<u>1,000.00</u>	<u>2,788.48</u>	<u>(1,788.48)</u>
Total Revenues	<u>243,325.00</u>	<u>206,000.00</u>	<u>37,325.00</u>
Expenditures/expenses:			
Service operations:			
Administrative	252.00	1,400.00	1,148.00
Insurance	3,292.25	3,200.00	(92.25)
Laboratory	4,405.09	6,000.00	1,594.91
License and permits	1,691.04	2,500.00	808.96
Office supplies	3,974.12	3,000.00	(974.12)
Other	466.66	500.00	33.34
Professional fees	9,159.02	8,700.00	(459.02)
Salaries, benefits, & payroll taxes	65,111.64	67,500.00	2,388.36
Telephone	2,341.77	2,300.00	(41.77)
Utilities	10,320.31	10,000.00	(320.31)
Water and sewer services	61,500.66	49,140.76	(12,359.90)
Capital Outlay	<u>12,429.31</u>	<u>-</u>	<u>(12,429.31)</u>
Total expenditures/expenses	<u>174,943.87</u>	<u>154,240.76</u>	<u>(20,703.11)</u>
Excess (deficiency) of revenues over expenditures	68,381.13	51,759.24	16,621.89
Other financing sources/(uses)			
Debt service			
Principal	(35,334.45)	(35,334.45)	-
Interest	<u>(16,424.79)</u>	<u>(16,424.79)</u>	<u>-</u>
Total other financing sources/uses	<u>(51,759.24)</u>	<u>51,759.24</u>	<u>-</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	16,621.89	-	16,621.89
Fund balance:			
Beginning of the year	<u>50,443.44</u>	<u>50,443.44</u>	<u>-</u>
End of the year	<u>\$ 67,065.33</u>	<u>\$ 50,443.44</u>	<u>\$ 16,621.89</u>

1. BUDGETS

The budgets for the Governmental Fund adopted during the year by the District was prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The General Fund has a legally adopted budget.

TEXAS SUPPLEMENTARY INFORMATION (TSI)

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and is not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

1. Services Provided by the District during the Fiscal Year:

- | | | |
|--|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other (specify): _____ | | |

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum Use</u>	<u>Usage Levels</u>
Water:	\$31.25	2,000	N/A	\$5.02	3,000 to 5,000
Wastewater:	\$28.08	2,000	N/A	\$3.99	3,000 to 5,000
Surcharge:	_____	_____	_____	_____	_____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water: \$71.77 Wastewater \$60.30

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤	151	151	x 1.0	151
1"	2	2	x 2.5	5
1 1/2"	1	1	x 5.0	5
2"	2	2	x 8.0	16
3"	3	3	x 15.0	45
4"	3	3	x 25.0	75
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	162			
Total Wastewater		162	x 1.0	

TSI-1. Services and Rates (Continued)

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into the system:	<u>10,073,177</u>	Water Accountability Ratio: (Gallons billed/Gallons pumped)
Gallons billed to customers:	<u>10,073,177</u>	<u>100.00%</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent Commission Order:

Does the District have Operation and Maintenance standby fees? Yes No

If yes, Date of the most recent Commission Order:

5. Location of District

County(ies) in which the District is located: Jackson

Is the District located entirely within one county? Yes No

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located:

Is the District located within a city's extra territorial jurisdiction? (ETJ)

ETJ's in which the District is located: Entirely Partly Not at all

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom?

Personnel Expenditures (including benefits)*		
Salaries, benefits and taxes	\$	65,111.64
Professional Fees:		
Professional fees		9,159.02
Utilities		10,320.31
Repairs and Maintenance		61,500.66
Administrative Expenditures:		
Office supplies		3,974.12
Insurance		3,292.25
License & Permits		1,691.04
Other administrative expense		252.00
Capital Outlay:		
Capitalized assets		12,429.31
Long Term Debt:		
Principal		35,334.45
Interest		16,424.79
Laboratory		4,405.09
Other Expenditures		<u>2,808.43</u>
TOTAL EXPENDITURES	\$	<u>226,703.11</u>

* Number of persons employed by the District: 0 Full-Time 2 Part-Time

Jackson County Water Control and Improvement District No. 2

TSI-3. Temporary Investments
December 31, 2020

FUNDS	IDENTIFICATION OR CERTIFICATE NUMBER	INTEREST RATE	MATURITY DATE	BALANCE AT END OF YEAR	ACCRUED INTEREST RECEIVABLE AT END OF YEAR
General Fund					
Certificate of Deposit	1287	1.00%	12/2/2021	\$ 11,081.93	\$ -
Certificate of Deposit	1288	1.00%	12/2/2021	\$ 11,081.93	-
Certificate of Deposit	1289	1.00%	12/2/2021	\$ 11,081.93	-
General Fund Total				\$ 33,245.79	\$ -

	<u>Maintenance Taxes</u>
Taxes Receivable, Beginning of Year	\$ 29,639.13
2020 Original Tax Levy	35,382.38
Adjustments	<u>600.26</u>
Total to be accounted for	<u>65,621.77</u>
Tax collections:	
Current year	17,204.20
Prior years	<u>25,388.29</u>
Total Collections	<u>42,592.49</u>
Taxes Receivable, End of Year	<u>\$ 23,029.28</u>
Taxes Receivable, By Years	
Prior	\$ 3,142.51
2016	306.46
2017	369.15
2018	494.60
2019	538.38
2020	<u>18,178.18</u>
Taxes Receivable, End of Year	<u>\$ 23,029.28</u>

Property Valuations:	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Minerals & Industrial	\$ 174,380.00	\$ 418,710.00	\$ 430,160.00	\$ 449,870.00	\$ 516,880.00
Land	2,245,610.00	2,045,030.00	1,964,250.00	1,959,030.00	1,965,150.00
Improvements	15,734,767.00	12,131,970.00	11,893,860.00	7,254,819.00	10,726,156.00
Personal Property	<u>372,306.00</u>	<u>237,321.00</u>	<u>214,478.00</u>	<u>195,479.00</u>	<u>249,609.00</u>
Total Property Valuations	\$ 18,527,063.00	\$ 14,833,031.00	\$ 14,502,748.00	\$ 9,859,198.00	\$ 13,457,795.00
Tax Rates per \$100 Valuation					
Debt service tax rates	0.0000	0.0000	0.0000	0.0000	0.0000
Maintenance tax rates	<u>0.2908</u>	<u>0.3248</u>	<u>0.2757</u>	<u>0.3290</u>	<u>0.3197</u>
Total Tax Rates per \$100 Valuation	<u>0.2908</u>	<u>0.3248</u>	<u>0.2757</u>	<u>0.3290</u>	<u>0.3197</u>
Original Tax Levy:	<u>\$ 35,382.38</u>	<u>\$ 34,149.86</u>	<u>\$ 27,181.81</u>	<u>\$ 30,269.69</u>	<u>\$ 29,301.48</u>
Percent of Taxes Collected to Taxes Levied	<u>120%</u>	<u>105%</u>	<u>111%</u>	<u>94%</u>	<u>91%</u>

Jackson County Water Control and Improvement District No. 2

**TSI-5 Long-Term Debt Service Requirements
Notes Payable - By Years
December 31, 2020**

<u>Prosperity Bank Note</u>			
<u>Due During Fiscal Year Ending</u>	<u>Principal Due Monthly</u>	<u>Interest Due Monthly</u>	<u>Total</u>
2021	28,873.52	12,539.44	41,412.96
2022	30,347.75	11,065.21	41,412.96
2023	31,897.21	9,515.75	41,412.96
2024	33,525.78	7,887.18	41,412.96
2025	35,237.51	6,175.45	41,412.96
2026-2028	<u>104,524.12</u>	<u>7,420.50</u>	<u>111,944.62</u>
Totals	<u>\$ 264,405.89</u>	<u>\$ 54,603.53</u>	<u>\$ 319,009.42</u>

<u>S. A. Mercer Note Payable</u>			
<u>Due During Fiscal Year Ending</u>	<u>Principal Due Monthly</u>	<u>Interest Due Monthly</u>	<u>Total</u>
2021	\$ 8,148.09	\$ 2,198.19	10,346.28
2022	8,780.63	1,565.65	10,346.28
2023	9,462.31	883.97	10,346.28
2024	<u>6,602.44</u>	<u>184.66</u>	<u>6,787.10</u>
Totals	<u>\$ 32,993.47</u>	<u>\$ 4,832.47</u>	<u>\$ 37,825.94</u>

<u>Cumulative Long-Term Debt</u>			
<u>Due During Fiscal Year Ending</u>	<u>Principal Due Monthly</u>	<u>Interest Due Monthly</u>	<u>Total</u>
2021	37,021.61	14,737.63	51,759.24
2022	39,128.38	12,630.86	51,759.24
2023	41,359.52	10,399.72	51,759.24
2024	40,128.22	8,071.84	48,200.06
2025	35,237.51	6,175.45	41,412.96
2026-2028	<u>104,524.12</u>	<u>7,420.50</u>	<u>111,944.62</u>
Totals	<u>\$ 297,399.36</u>	<u>\$ 59,436.00</u>	<u>\$ 356,835.36</u>

Jackson County Water Control and Improvement District No. 2

**TSI-6 Changes in General Long-Term Debt
December 31, 2020**

	<u>Prosperity Bank Note</u>	<u>S. A. Mercer Note</u>
Interest rate	4.99%	7.50%
Dates payable	Monthly	Monthly
Amount due monthly	\$ 3,451.08	\$ 862.19
Maturity dates	November 5, 2024	August 15, 2024
Note outstanding at beginning of current year	\$ 292,169.94	\$ 40,563.87
Debt executed during the current year		
Debt paid during the current year	<u>(27,764.05)</u>	<u>(7,570.40)</u>
Debt outstanding at end of current year	<u>\$ 264,405.89</u>	<u>\$ 32,993.47</u>
Interest paid during the current year	<u>\$ 13,648.91</u>	<u>\$ 2,775.88</u>
Paying agent's name and city:		
Prosperity Bank Note	Prosperity Bank Edna, Edna, Texas	
S. A. Mercer	Edna, Texas	
Debt Service Fund cash and temporary investments balances as of December 31, 2020:		\$ -
Average annual debt service payment (principal & interest) for remaining term of all debt:		\$ 47,124.94

Jackson County Water Control and Improvement District No. 2

**TSI-7A. Comparative Schedule of Revenues and Expenditures
General Fund - Five Years Ended
December 31, 2020**

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
GENERAL FUND REVENUES										
Revenues	\$ 243,325.00	\$ 218,259.67	\$ 193,737.95	\$ 200,275.18	\$ 632,157.37	100.00%	100.00%	100.00%	100.00%	100.00%
GENERAL FUND EXPENDITURES										
Personnel Expenditures (including benefits)	62,699.09	63,312.85	60,889.65	59,762.20	54,928.43	25.77%	29.01%	31.43%	29.84%	8.69%
Professional fees:										
Auditing	5,400.00	5,200.00	5,100.00	5,000.00	4,800.00	2.22%	2.38%	2.63%	2.50%	0.76%
Jackson County Appraisal District	942.47	1,036.76	858.88	1,085.97	1,000.36	0.39%	0.48%	0.44%	0.54%	0.16%
Jackson County Tax Assessor - Collector	79.05	98.15	-	284.00	280.96	0.03%	0.04%	0.00%	0.14%	0.04%
Legal and accounting	2,737.50	2,906.25	3,237.25	3,316.50	6,008.65	1.13%	1.33%	1.67%	1.66%	0.95%
Contracted services:										
Other contracted services	-	2,877.50	-	-	-	0.00%	1.32%	0.00%	0.00%	0.00%
Utilities	10,320.31	9,372.20	10,136.53	11,864.22	11,913.18	4.24%	4.29%	5.23%	5.92%	1.88%
Supplies and maintenance	61,500.66	50,029.21	52,502.64	35,672.56	58,489.98	25.28%	22.92%	27.10%	17.81%	9.25%
Administrative expenditures:										
Office supplies	3,974.12	3,552.61	3,664.01	4,064.23	4,208.84	1.63%	1.63%	1.89%	2.03%	0.67%
Insurance	3,292.25	4,583.93	3,802.61	3,508.91	3,336.16	1.35%	2.10%	1.96%	1.75%	0.53%
Other administrative expenditures	252.00	1,067.29	366.63	400.00	400.00	0.10%	0.49%	0.19%	0.20%	0.06%
Bad Debt Expense	-	-	-	800.13	-	0.00%	0.00%	0.00%	0.40%	0.00%
Capital outlay:										
Acquisition of fixed assets	12,429.31	17,482.53	4,597.50	-	84,810.97	5.11%	8.01%	2.37%	0.00%	13.42%
Debt service:										
Principal	35,334.45	32,833.17	31,284.61	29,511.79	391,811.12	14.52%	15.04%	16.15%	14.74%	61.98%
Interest	16,424.79	18,926.07	20,474.63	22,247.45	22,228.88	6.75%	8.67%	10.57%	11.11%	3.52%
Laboratory	4,405.09	6,904.93	6,042.00	4,945.55	5,574.65	1.81%	3.16%	3.12%	2.47%	0.88%
Other expenditures:										
Employee travel	2,412.55	2,223.58	2,370.69	2,364.18	2,541.94	0.99%	1.02%	1.22%	1.18%	0.40%
Other	4,499.47	5,187.66	1,585.98	1,716.49	3,377.41	1.85%	2.38%	0.82%	0.86%	0.53%
Total Expenditures	226,703.11	227,594.69	206,913.61	186,544.18	655,711.53	93.17%	104.27%	106.79%	93.15%	103.72%
EXCESS GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES	\$ 16,621.89	\$ (9,335.02)	\$ (13,175.66)	\$ 13,731.00	\$ (23,554.16)	6.83%	-4.27%	-6.79%	6.85%	-3.72%

Jackson County Water Control and Improvement District No. 2

TSI-7B. Comparative Schedule of Revenues and Expenditures
Debt Service Fund - Five Years Ended
December 31, 2020

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
DEBT SERVICE FUND REVENUES										
Tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%
Penalties and interest	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Total Debt Service Revenues	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
DEBT SERVICE FUND EXPENDITURES										
Debt service	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Interest and fiscal charges	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Total Debt Service Fund Expenditures	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
EXCESS DEBT SERVICE FUND REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL ACTIVE RETAIL WATER CONNECTIONS	162	162	158	158	184					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	162	162	158	158	184					

Jackson County Water Control and Improvement District No. 2

TSI-7C. Comparative Schedule of Revenues and Expenditures
 Capital Project Fund - Five Years Ended
 December 31, 2020

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
CAPITAL PROJECT FUND REVENUES										
Grant income	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%
Other	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Total Capital Project Revenues	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
CAPITAL PROJECT FUND EXPENDITURES										
Capital outlay	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Other	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Total Capital Project Fund Expenditures	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
EXCESS CAPITAL PROJECT FUND REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.00%	0.00%

Complete District Mailing Address: P.O. Box 574, Vanderbilt, Texas 77991

District Business Telephone Number: (361) 284-3572

Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): June 15, 2006

Limit on Fees of Office that a Director may receive during a fiscal year:
(Set by Board Resolution - TWC Section 49.060) N/A

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid 2020	Expense Reimburse- ments 2020	Title at Year End
Board Members:				
Clifford K. Born	(Elected) 5/96 - 5/24	None	None	President
Bruce Deen	(Elected) 5/02 - 5/22	None	None	Vice-President
Jeri Garza	(Elected) 5/04 - 5/22	None	None	Secretary/Treasury
Emily Castillo	(Elected) 5/94 - 5/22	None	None	Director
Julie Simek	(Elected) 5/03 - 5/22	None	None	Director
Key Administrative Personnel:				
Christy Clark	10/1/2003	\$ 21,600.00	Actual	Secretary/Bookkeeper
Kervin Robinson	12/2008	\$ 36,495.99	Actual	System Operator
Consultants:				
Jackson County Appraisal District	N/A	\$ 942.47		Appraisal District
John D. Mercer & Associates, Inc.	N/A	\$ -		Engineer of Record
Jackson County Tax Assessor-Collector	N/A	\$ 79.05		Tax Assessing and Collecting
Cherrilyn R. Henneke, CPA	N/A	\$ 3,294.90		Accounting Services
Garland R. Sandhop, CPA	1996	\$ 5,400.00		Auditor

