

**HAYS COUNTY DEVELOPMENT
DISTRICT NO. 1**

HAYS COUNTY, TEXAS

FINANCIAL REPORT

December 31, 2023

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Hays County Development District No. 1 (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hays County Development District No. 1, as of December 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

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

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

McGrath & Co, P.C.C.

Houston, Texas
April 11, 2024

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Management's Discussion and Analysis

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Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2023

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, 2023. This analysis should be read in conjunction with the independent auditor’s report and the basic financial statements that follow this section.

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2023

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

Financial Analysis of the District as a Whole

The District's net position at December 31, 2023, was negative \$43,312,144. 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 Spring, 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, 2023 and 2022, is as follows:

	2023	2022
Current assets	\$ 6,016,253	\$ 4,516,687
Capital assets	<u>11,595,901</u>	<u>11,519,679</u>
Total assets	<u><u>17,612,154</u></u>	<u><u>16,036,366</u></u>
Current liabilities	744,209	601,894
Long-term liabilities	<u>57,095,831</u>	<u>51,487,309</u>
Total liabilities	<u><u>57,840,040</u></u>	<u><u>52,089,203</u></u>
Total deferred inflows of resources	<u><u>3,084,258</u></u>	<u><u>2,116,883</u></u>
Net position		
Net investment in capital assets	(7,103,525)	(5,624,098)
Restricted	745,322	458,023
Unrestricted	<u>(36,953,941)</u>	<u>(33,003,645)</u>
Total net assets	<u><u>\$ (43,312,144)</u></u>	<u><u>\$ (38,169,720)</u></u>

Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2023

The total net position of the District decreased during the current fiscal year by \$5,142,424. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues	\$ -	\$ 5,500
General revenues	<u>2,266,771</u>	<u>1,362,270</u>
Total revenues	<u><u>2,266,771</u></u>	<u><u>1,367,770</u></u>
Expenses		
Utility operations	409,781	284,684
Administrative	637,105	387,599
Debt interest and fees	1,084,729	666,771
Developer interest	1,780,575	1,517,253
Debt issuance costs	1,030,992	671,216
Depreciation and amortization	<u>521,823</u>	<u>513,180</u>
Total expenses	<u><u>5,465,005</u></u>	<u><u>4,040,703</u></u>
Change in net position before other item	(3,198,234)	(2,672,933)
Other item		
Transfers to other governments	<u>(1,944,190)</u>	<u>(1,235,255)</u>
Change in net position	(5,142,424)	(3,908,188)
Net position, beginning of year	<u>(38,169,720)</u>	<u>(34,261,532)</u>
Net position, end of year	<u><u>\$ (43,312,144)</u></u>	<u><u>\$ (38,169,720)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of December 31, 2023, were \$2,700,971, which consists of \$1,545,248 in the General Fund, \$1,074,257 in the Debt Service Fund and \$81,466 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u><u>\$ 2,851,230</u></u>	<u><u>\$ 2,473,548</u></u>
Total liabilities	\$ 68,607	\$ 80,528
Total deferred inflows	1,237,375	963,982
Total fund balance	<u>1,545,248</u>	<u>1,429,038</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 2,851,230</u></u>	<u><u>\$ 2,473,548</u></u>

Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2023

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

	2023	2022
Total revenues	\$ 905,832	\$ 595,090
Total expenditures	(789,622)	(549,160)
Revenues over expenditures	<u><u>\$ 116,210</u></u>	<u><u>\$ 45,930</u></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, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2022 levy was recognized as revenues in the 2023 fiscal year, while the 2021 levy was recognized in the 2022 fiscal year (to the extent that these amounts were collected). While the District decreased its maintenance tax levy, property tax revenues increased from prior year because assessed values in the District increased from prior year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of December 31, 2023 and 2022, is as follows:

	2023	2022
Total assets	<u><u>\$ 3,083,557</u></u>	<u><u>\$ 1,973,040</u></u>
Total liabilities	\$ 21,667	\$ 17,771
Total deferred inflows	1,987,633	1,293,651
Total fund balance	<u><u>1,074,257</u></u>	<u><u>661,618</u></u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 3,083,557</u></u>	<u><u>\$ 1,973,040</u></u>

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

	2023	2022
Total revenues	\$ 1,350,783	\$ 790,608
Total expenditures	(1,270,894)	(784,467)
Revenues over expenditures	79,889	6,141
Other changes in fund balance	<u><u>332,750</u></u>	<u><u>199,928</u></u>
Net change in fund balance	<u><u>\$ 412,639</u></u>	<u><u>\$ 206,069</u></u>

The District financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and capitalized interest from sale of the bonds. The difference between these financial resource 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

Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2023

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, 2023 and 2022, is as follows:

	2023	2022
Total assets	<u><u>\$ 81,466</u></u>	<u><u>\$ 70,099</u></u>
Total fund balance	<u><u>\$ 81,466</u></u>	<u><u>\$ 70,099</u></u>

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

	2023	2022
Total revenues	\$ 10,156	\$ 1,212
Total expenditures	<u>(11,766,039)</u>	<u>(7,766,702)</u>
Revenues under expenditures	<u>(11,755,883)</u>	<u>(7,765,490)</u>
Other changes in fund balance	<u>11,767,250</u>	<u>7,800,072</u>
Net change in fund balance	<u><u>\$ 11,367</u></u>	<u><u>\$ 34,582</u></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 2023 Unlimited Tax Bonds in the current year and the sale of its Series 2022 Unlimited Tax Bonds in the prior year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$49,980 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

Capital Assets

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

Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2023

Capital assets held by the District at December 31, 2023 and 2022, are summarized as follows:

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 1,685,157</u>	<u>\$ 1,403,880</u>
Capital assets being depreciated/amortized		
Landscaping and irrigation	6,314,509	6,256,716
Buildings	2,454,593	2,454,593
Connection charges	1,373,930	1,373,930
Drainage facilities	<u>3,205,465</u>	<u>2,946,490</u>
	<u>13,348,497</u>	<u>13,031,729</u>
Less accumulated depreciation/amortization		
Landscaping and irrigation	(2,071,435)	(1,755,184)
Buildings	(654,560)	(572,740)
Connection charges	(376,020)	(323,500)
Drainage facilities	<u>(335,738)</u>	<u>(264,506)</u>
	<u>(3,437,753)</u>	<u>(2,915,930)</u>
Depreciable capital assets, net	<u>9,910,744</u>	<u>10,115,799</u>
Capital assets, net	<u><u>\$ 11,595,901</u></u>	<u><u>\$ 11,519,679</u></u>

Capital asset additions during the current year include facilities to serve Caliterra Phase 5 Section 14.

The District and Dipping Spring Water Supply Corporation (the “Corporation”) and the City of Dripping Spring (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 system 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 government upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended December 31, 2023, capital assets in the amount of \$1,944,190 have been recorded as transfers to other governments in the government-wide statement. Additional information is presented in Note 8.

Long-Term Debt and Related Liabilities

As of December 31, 2023, the District owes approximately \$17,180,831 to developers for completed projects. 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 \$434,037 for projects under construction by the developers.

Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2023

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, 2023 and 2022, the District had total bonded debt outstanding as shown below:

Series	2023	2022
2018 Road	\$ 5,200,000	\$ 5,300,000
2019 Road	3,840,000	3,940,000
2020	4,400,000	4,500,000
2021	6,700,000	6,700,000
2022	8,000,000	8,000,000
2023	<u>12,100,000</u>	
	<u>\$ 40,240,000</u>	<u>\$ 28,440,000</u>

During the current year, the District issued \$12,100,000 in unlimited tax bonds. At December 31, 2023, the District had \$91,700,000 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 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 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:

	2023 Actual	2024 Budget
Total revenues	\$ 905,832	\$ 1,137,216
Total expenditures	(789,622)	(1,112,870)
Revenues over expenditures	116,210	24,346
Beginning fund balance	1,429,038	1,545,248
Ending fund balance	<u>\$ 1,545,248</u>	<u>\$ 1,569,594</u>

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Basic Financial Statements

Hays County Development District No. 1
Statement of Net Position - Governmental Activities
December 31, 2023

Assets

Cash	\$ 49,711
Investments	2,744,648
Deposits held by Hays County Tax Office	9,971
Taxes receivable	3,068,413
Service availability fees receivable	140,750
Other receivables	2,760
Capital assets not being depreciated	1,685,157
Capital assets, net	9,910,744
Total Assets	<u>17,612,154</u>

Liabilities

Accounts payable	67,963
Other payables	644
Accrued interest payable	350,602
Due to developer	17,180,831
Long-term debt	
Due within one year	325,000
Due after one year	39,915,000
Total Liabilities	<u>57,840,040</u>

Deferred Inflows of Resources

Deferred property taxes	<u>3,084,258</u>
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Net Position

Net investment in capital assets	(7,103,525)
Restricted for debt service	745,322
Unrestricted	(36,953,941)
Total Net Position	<u>\$ (43,312,144)</u>

See notes to basic financial statements.

Hays County Development District No. 1
Statement of Activities - Governmental Activities
For the Year Ended December 31, 2023

Expenses

Utility operations

Repairs and maintenance	\$ 405,529
Utilities	4,252

Administrative

Professional fees	512,184
Contracted services	101,115
Administrative	22,636
Miscellaneous	1,170

Debt service

Interest and fees	1,084,729
Developer interest	1,780,575
Debt issuance costs	1,030,992

Depreciation and amortization

Total Expenses	521,823
	5,465,005

General Revenues

Property taxes	2,104,367
Penalties and interest	2,748
Investment earnings	159,656
Total General Revenues	2,266,771

Revenues Under Expenses

(3,198,234)

Other Item

Transfers to other governments	(1,944,190)
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Change in net position

(5,142,424)

Net Position

Beginning of the year	(38,169,720)
End of the year	\$ (43,312,144)

See notes to basic financial statements.

Hays County Development District No. 1
Balance Sheet - Governmental Funds
December 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	\$ 31,986	\$ -	\$ 17,725	\$ 49,711
Investments	1,523,580	1,114,931	106,137	2,744,648
Deposits held by Hays County Tax Office		9,971		9,971
Taxes receivable	1,090,991	1,977,422		3,068,413
Service availability fees receivable	140,750			140,750
Other receivable	2,760			2,760
Internal balances	61,163	(18,767)	(42,396)	
Total Assets	\$ 2,851,230	\$ 3,083,557	\$ 81,466	\$ 6,016,253
Liabilities				
Accounts payable	\$ 67,963	\$ -	\$ -	\$ 67,963
Other payables	644			644
Accrued interest payable		21,667		21,667
Total Liabilities	68,607	21,667		90,274
Deferred Inflows of Resources				
Deferred property taxes	1,096,625	1,987,633		3,084,258
Deferred service availability fees	140,750			140,750
Fund Balances				
Restricted		1,074,257	81,466	1,155,723
Unassigned	1,545,248			1,545,248
Total Fund Balances	1,545,248	1,074,257	81,466	2,700,971
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,851,230	\$ 3,083,557	\$ 81,466	\$ 6,016,253

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, 2023

Total fund balance, governmental funds	\$ 2,700,971
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Historical cost	\$ 15,033,654
Less accumulated depreciation/amortization	<u>(3,437,753)</u>
Change due to capital assets	11,595,901
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	(40,240,000)
Interest payable on debt	<u>(328,935)</u>
Change due to long-term debt	(40,568,935)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	
	(17,180,831)
Service availability fees receivable that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds.	
	140,750
Total net position - governmental activities	<u>\$ (43,312,144)</u>

See notes to basic financial statements.

Hays County Development District No. 1

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended December 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Property taxes	\$ 818,365	\$ 1,286,002	\$ -	\$ 2,104,367
Penalties and interest	1,069	1,679		2,748
Investment earnings	86,398	63,102	10,156	159,656
Total Revenues	905,832	1,350,783	10,156	2,266,771
Expenditures				
Current service operations				
Professional fees	266,425		245,759	512,184
Contracted services	89,610	11,505		101,115
Repairs and maintenance	405,529			405,529
Utilities	4,252			4,252
Administrative	22,636			22,636
Miscellaneous	1,170			1,170
Capital outlay			8,708,713	8,708,713
Debt service				
Developer interest			1,780,575	1,780,575
Principal		300,000		300,000
Interest and fees		959,389		959,389
Debt issuance costs			1,030,992	1,030,992
Total Expenditures	789,622	1,270,894	11,766,039	13,826,555
Revenues Over/(Under) Expenditures	116,210	79,889	(11,755,883)	(11,559,784)
Other Financing Sources				
Proceeds from sale of bonds		332,750	11,767,250	12,100,000
Net Change in Fund Balances	116,210	412,639	11,367	540,216
Fund Balances				
Beginning of the year	1,429,038	661,618	70,099	2,160,755
End of the year	\$ 1,545,248	\$ 1,074,257	\$ 81,466	\$ 2,700,971

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, 2023***

Net change in fund balances - total governmental funds	\$ 540,216
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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	\$ 8,708,713
Depreciation/amortization expense	<u>(521,823)</u>
	8,186,890

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.

(1,944,190)

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	(12,100,000)
Principal payments	300,000
Interest expense accrual	<u>(125,340)</u>
	(11,925,340)

Change in net position of governmental activities

\$ (5,142,424)

See notes to basic financial statements.

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Hays County Development District No. 1

Notes to Financial Statements

December 31, 2023

Note 1 – Summary of Significant Accounting Policies

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

Creation

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

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

Reporting Entity

The District is a political subdivision of the State of Texas governed by an appointed 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 appointed 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*.

Hays County Development District No. 1

Notes to Financial Statements

December 31, 2023

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's and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes. 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 and interest earned on investments. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Use of Restricted Resources

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

Hays County Development District No. 1

Notes to Financial Statements

December 31, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

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, 2023, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

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

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

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

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.

Hays County Development District No. 1

Notes to Financial Statements

December 31, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

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 2023 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 2023 property tax levy, which was levied to finance the 2024 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 does not have any nonspendable fund balances.

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.

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.

Hays County Development District No. 1

Notes to Financial Statements

December 31, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Deposits and Investments

Deposit Custodial Credit Risk

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

Hays County Development District No. 1

Notes to Financial Statements

December 31, 2023

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, 2023, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 1,523,580		
	Debt Service	1,114,931		
	Capital Projects	106,137		
		<u>\$ 2,744,648</u>	AAAm	38 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.

Hays County Development District No. 1

Notes to Financial Statements

December 31, 2023

Note 2 – Deposits and Investments (continued)

TexPool (continued)

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

Investment Credit and Interest Rate Risk

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

Note 3 – Interfund Balances and Transactions

Amounts due to/from other funds at December 31, 2023, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 18,767	Maintenance tax collections not remitted as of year-end and Appraisal District fees paid by the General Fund
General Fund	Capital Projects Fund	42,396	Bond application costs paid by the General Fund

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

Hays County Development District No. 1
Notes to Financial Statements
December 31, 2023

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended December 31, 2023, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 1,403,880	\$ 281,277	\$ 1,685,157
Capital assets being depreciated/amortized			
Landscaping and irrigation	6,256,716	57,793	6,314,509
Buildings	2,454,593		2,454,593
Connection charges	1,373,930		1,373,930
Drainage facilities	2,946,490	258,975	3,205,465
	13,031,729	316,768	13,348,497
Less accumulated depreciation/amortization			
Landscaping and irrigation	(1,755,184)	(316,251)	(2,071,435)
Buildings	(572,740)	(81,820)	(654,560)
Connection charges	(323,500)	(52,520)	(376,020)
Drainage facilities	(264,506)	(71,232)	(335,738)
	(2,915,930)	(521,823)	(3,437,753)
Subtotal depreciable capital assets, net	10,115,799	(205,055)	9,910,744
Capital assets, net	\$ 11,519,679	\$ 76,222	\$ 11,595,901

Depreciation/amortization expense for the current year was \$521,823.

Note 5 – Due to Developers

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

Hays County Development District No. 1
Notes to Financial Statements
December 31, 2023

Note 5 – Due to Developers (continued)

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

Due to developer, beginning of year	\$ 23,347,309
Developer funded construction and adjustments	2,542,235
Developer reimbursements	(8,708,713)
Due to developer, end of year	<u><u>\$ 17,180,831</u></u>

In addition, the District will owe the developers approximately \$434,037, 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.

	Contract Amount	Percentage Complete
Traffic Signal at Caliterra Parkway and RR12	\$ 434,037	0%

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u><u>\$ 40,240,000</u></u>
Due within one year	<u><u>\$ 325,000</u></u>

Hays County Development District No. 1

Notes to Financial Statements

December 31, 2023

Note 6 – Long-Term Debt (continued)

The District's bonds payable at December 31, 2023, 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	\$ 5,200,000	\$ 5,400,000	2.60% - 4.00%	April 1, 2022 - 2046	April 1, October 1	April 1, 2023
2019 Road	3,840,000	4,015,000	3.00% - 5.00%	April 1, 2022 - 2046	April 1, October 1	April 1, 2024
2020	4,400,000	4,500,000	2.00% - 4.50%	April 1, 2023 - 2048	April 1, October 1	April 1, 2025
2021	6,700,000	6,700,000	2.00% - 4.00%	April 1, 2025 - 2050	April 1, October 1	April 1, 2026
2022	8,000,000	8,000,000	4.50% - 6.00%	April 1, 2025-2050	April 1, October 1	April 1, 2027
2023	12,100,000	12,100,000	4.375% - 6.500%	April 1, 2026 - 2051	April 1, October 1	April 1, 2028
	<u>\$ 40,240,000</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, 2023, the District had \$91,700,000 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.

On December 14, 2023, the District issued its \$12,100,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.952939%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

Hays County Development District No. 1
Notes to Financial Statements
December 31, 2023

Note 6 – Long-Term Debt (continued)

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

Bonds payable, beginning of year	\$ 28,440,000
Bonds issued	12,100,000
Bonds retired	(300,000)
Bonds payable, end of year	<u><u>\$ 40,240,000</u></u>

As of December 31, 2023, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2024	\$ 325,000	\$ 1,494,377	\$ 1,819,377
2025	665,000	1,573,242	2,238,242
2026	930,000	1,536,393	2,466,393
2027	975,000	1,491,555	2,466,555
2028	1,030,000	1,448,086	2,478,086
2029	1,085,000	1,405,152	2,490,152
2030	1,115,000	1,360,785	2,475,785
2031	1,165,000	1,315,843	2,480,843
2032	1,245,000	1,269,030	2,514,030
2033	1,285,000	1,221,230	2,506,230
2034	1,320,000	1,173,331	2,493,331
2035	1,405,000	1,122,800	2,527,800
2036	1,465,000	1,068,850	2,533,850
2037	1,510,000	1,013,559	2,523,559
2038	1,570,000	956,850	2,526,850
2039	1,665,000	896,276	2,561,276
2040	1,735,000	831,929	2,566,929
2041	1,785,000	764,728	2,549,728
2042	1,910,000	693,840	2,603,840
2043	1,990,000	618,604	2,608,604
2044	2,070,000	539,750	2,609,750
2045	2,175,000	456,851	2,631,851
2046	2,250,000	369,762	2,619,762
2047	1,700,000	290,627	1,990,627
2048	1,790,000	219,093	2,009,093
2049	1,590,000	147,368	1,737,368
2050	1,660,000	75,938	1,735,938
2051	830,000	19,713	849,713
	<u><u>\$ 40,240,000</u></u>	<u><u>\$ 25,375,562</u></u>	<u><u>\$ 65,615,562</u></u>

Hays County Development District No. 1

Notes to Financial Statements

December 31, 2023

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.

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 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$0.90 per \$100 of assessed value, of which \$0.35 was allocated to maintenance and operations, \$0.31 was allocated to debt service and \$0.24 was allocated for road debt service. The resulting tax levy was \$2,115,144 on the adjusted taxable value of \$235,015,957

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, 2023 levy collections in the amount of \$15,845 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 2023 tax levy of \$3,084,258 is reported as deferred inflows. These amounts will be recognized as revenue in 2024.

Note 8 – Transfers to Other Governments

In accordance with an agreement between the District and Dripping Springs Water Supply Corporation (the "Corporation") and the City of Dripping Springs (the "City"), the District transfers all of its wastewater and water facilities to the City and Corporation, respectively. See Notes 9 and 10 for additional information. Additionally, Hays County assumes responsibility (after a one-year maintenance period) for road facilities and storm sewer systems constructed within the county's public right-of-way. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended December 31, 2023, the District reported transfers to other governments in the amount of \$1,944,190 for projects completed and transferred to the City and the Corporation.

Hays County Development District No. 1

Notes to Financial Statements

December 31, 2023

Note 9 – Retail Water Service Agreement with 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.

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, 2023, the District has paid all amounts due to the Corporation for the Contribution Fee.

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

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

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

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

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

Hays County Development District No. 1

Notes to Financial Statements

December 31, 2023

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.

Required Supplementary Information

Hays County Development District No. 1

Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 825,000	\$ 818,365	\$ (6,635)
Penalties and interest		1,069	1,069
Investment earnings	24,000	86,398	62,398
Total Revenues	<u>849,000</u>	<u>905,832</u>	<u>56,832</u>
Expenditures			
Current service operations			
Professional fees	211,500	266,425	(54,925)
Contracted services	80,150	89,610	(9,460)
Repairs and maintenance	466,400	405,529	60,871
Utilities	4,800	4,252	548
Administrative	18,720	22,636	(3,916)
Miscellaneous	1,200	1,170	30
Total Expenditures	<u>782,770</u>	<u>789,622</u>	<u>(6,852)</u>
Revenues Over Expenditures	66,230	116,210	49,980
Fund Balance			
Beginning of the year	<u>1,429,038</u>	<u>1,429,038</u>	
End of the year	<u>\$ 1,495,268</u>	<u>\$ 1,545,248</u>	<u>\$ 49,980</u>

Hays County Development District No. 1
Notes to Required Supplementary Information
December 31, 2023

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.