BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

Audited Financial Statements

For the Fiscal Year Ended September 30, 2022

and Independent Auditors' Report

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
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For the Year Ended September 30, 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Bell County Water Control and
Improvement District No. 2
Little River-Academy, Texas

Opinion

We have audited the accompanying financial statements of the business-type activity of the Bell County Water Control and Improvement District No. 2, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of Bell County Water Control and Improvement District No. 2, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Bell County Water and Control and Improvement District No. 2, 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 opinion.

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 Bell County Water Control and Improvement District No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 Bell County Water Control and Improvement District No. 2'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 Bell County Water Control and Improvement District No. 2'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 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

Management is responsible for the other information included in the annual report. The other information comprises the other supplementary information section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Temple, Texas
April 26, 2023

As management of Bell County Water Control and Improvement District No. 2 (the "District") we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2022. Please read this information in conjunction with the basic financial statements that follow this section.

Overview of the District

Bell County Water Control and Improvement District No. 2 was established in 1954 to provide water to the citizenry of Little River-Academy, Texas. In 1966, the District was granted the right to also provide sewer services to the citizens.

The Basic Financial Statements

The discussion and analysis is intended to serve as an introduction to the Bell Count Water Control and Improvement District No. 2's basic financial statements. The District's basic financial statements consist of two components: the financial statements and the notes to the financial statements. This report also contains certain required supplementary information in addition to the basic financial statements themselves.

The financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements present information for the District as a whole and provide an indication of the District's financial health.

The Statement of Net Position reports the assets, liabilities, and net position of the District. The Statement of Revenues, Expenses, and Changes in Net Position reports all the revenues and expenses during the time period indicated. The Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income, cash payments for debt repayment, and capital acquisitions.

Following the financial statements are the notes. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The required supplementary information provides a comparative schedule of actual revenues and expenses to those budgeted by the District.

The other supplementary information is required to be presented by Texas Commission on Environmental Quality and Texas Water Development Board.

Financial Analysis

The following information provides a comparative analysis of the year ended September 30, 2022 and 2021 financial information which is presented in the table below.

Financial Analysis (Continued)

Assets

Total assets increased $64,630, during the year ended September 30, 2022 due to operations of the District.

Net capital assets decreased by $86,024 during the year ended September 30, 2022 due to depreciation expense.

Liabilities

Total current liabilities of the District consist primarily of accrued interest, customer deposits, and the current portion of long-term debt. Total current liabilities increased by $4,658 during the year ended September 30, 2022.

Long-term liabilities primarily represents bonds due in future years. Long-term liabilities decreased during the current year by $140,000 due to scheduled bond payments.

Condensed Financial Information for September 30, 2022 and 2021

	2022	2021	Change
Statement of Net Position			
Current Assets	$ 366,307	$ 270,107	$ 96,200
Net Captial Assets	2,784,387	2,870,411	(86,024)
Restricted Assets	664,527	610,073	54,454
Total Assets	$ 3,815,221	$ 3,750,591	$ 64,630
Current Liabilities	$ 74,188	$ 69,530	$ 4,658
Long-term Liabilities	1,595,000	1,735,000	(140,000)
Total Liabilities	1,669,188	1,804,530	(135,342)
Net Investment in Capital Assets	1,189,387	1,135,411	53,976
With Donor Restrictions	664,527	603,682	60,845
Without Donor Restrictions	292,119	206,968	85,151
Total Net Position	2,146,033	1,946,061	199,972
Total Liabilities and Net Position	$ 3,815,221	$ 3,750,591	$ 64,630

Financial Analysis (Continued)

Condensed Financial Information for September 30, 2022 and 2021

	2022	2021	Change
Statement of Revenue, Expenses, and Changes in Net Position			
Water and Sewer Fees	$ 1,214,030	$ 1,080,963	$ 133,067
Other Operating Revenues	44,661	36,916	7,745
Non-operating Revenues	4,003	349	3,654
Total Revenues	1,262,694	1,118,228	144,466
Operating Expenses	986,489	867,998	118,491
Non-operating Expenses	76,233	82,761	(6,528)
Total Expenses	1,062,722	950,759	111,963
Change in Net Position	199,972	167,469	32,503
Net Position - Beginning of Year	1,946,061	1,778,592	167,469
Net Position - End of Year	$ 2,146,033	$ 1,946,061	$ 199,972

Net Position

As of September 30, 2022, the District had net position of $2,146,033, an increase of $199,972, or 10% over the previous year.

Operating Revenues

Water and sewer fees increased during the year by $133,067, an increase of 11%, primarily due to increased rates and weather conditions.

Non-operating Revenues and Expenses

Non-operating revenue represents investment income and any other inflows not directly related to the operations of the District. The non-operating expenses are related to interest on long-term debt.

Capital Assets and Long-term Debt

Capital Assets

The District's in capital assets, net of accumulated depreciation, at September 30, 2022 totals $2,784,387. Capital assets include land, buildings, equipment, the water system, and the sewer system. Additional information on the District's capital assets can be found in Note 3 to the financial statements.

Capital Assets and Long-term Debt (Continued)

Long-term Debt

At September 30, 2022, the District had total outstanding debt of $1,595,000. The debt consists of bonds payable to the Texas Water Development Board. Current year activity related to long-term debt is summarized in the table below.

	Balance 9/30/2021	Additions	Payments	Balance 9/30/2022	Due within 12 Months
2008 Sewer Bonds	$ 520,000	$ -	$ 55,000	$ 465,000	$ 60,000
2010 Sewer Bonds	205,000	-	20,000	185,000	25,000
2013 Sewer Bonds	1,010,000	-	65,000	945,000	70,000
	$ 1,735,000	$ -	$ 140,000	$ 1,595,000	$ 155,000

Budget to Actual Analysis

The District prepares an operating budget annually on the modified cash basis of accounting. In order to provide a more meaningful comparison of budgeted to actual results, the actual results have been adjusted from the GAAP basis of accounting to the modified cash basis of accounting. Information regarding the reconciliation of the actual results to the modified cash basis of accounting can be found in the note to required supplementary information found on page 22.

There were no amendments to the budget during the fiscal year ended September 30, 2022. Details of the budget, as well as the comparison of actual results to the budget can be found in the following table.

Budget to Actual Analysis (Continued)

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Water and Sewer	$ 1,183,000	$ 1,183,000	$ 1,214,030	$ 31,030
Late fees	28,000	28,000	31,343	3,343
Miscellaneous	18,000	18,000	13,318	(4,682)
Interest income	800	800	2,578	1,778
Other income	-	-	1,425	1,425
Total Revenues	1,229,800	1,229,800	1,262,694	32,894
Expenses				
Purchased water	135,000	135,000	183,132	(48,132)
Contracted services	536,889	536,889	505,089	31,800
Depreciation	86,000	86,000	86,024	(24)
Miscellaneous	65,000	65,000	38,547	26,453
Professional expense	15,150	15,150	15,725	(575)
Repairs and maintenance	9,000	9,000	622	8,378
Salaries	78,000	78,000	80,026	(2,026)
Supplies	12,000	12,000	8,558	3,442
Utilities	70,000	70,000	68,766	1,234
Bond principal	140,000	140,000	140,000	-
Interest	38,343	38,343	76,233	(37,890)
Total Expenses	1,185,382	1,185,382	1,202,722	(17,340)
Change in Net Position	$ 44,418	$ 44,418	$ 59,972	$ 15,554

Financial Forecast

For the 2022-2023 fiscal year, the District will strive to maintain all services without significant changes. The District continues to be aware of and plan for coming changes to funding sources in order to be successful in maintaining their services, meeting regulatory guidelines and maintaining adequate net position.

Requests for Information

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Bridjet Gillis, Office Manager, Bell County Water Control and Improvement District No. 2, P.O. Box 338, Little River-Academy, TX 76554.

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
Statement of Net Position - Proprietary Fund
September 30, 2022

		2022
Assets		
Current Assets		
Cash and cash equivalents	$	220,803
Accounts receivable		145,504
Total Current Assets		366,307
Assets with Donor Restrictions		
Cash and cash equivalents - debt service		664,527
Total Assets with Donor Retrictions		
Noncurrent Assets		
Office and general equipment, net		6,537
Water system, net		492,898
Sewer system, net		2,262,892
Total Depreciable Assets		2,762,327
Land and easements		22,060
Total Assets	$	3,815,221
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$	8,172
Customer deposits		60,080
Total Current Liabilities		68,252
Payable from Assets with Donor Restrictions		
Accrued interest payable		5,936
Current portion long-term debt		155,000
Total Payable from Assets with Donor Restrictions		160,936
Long-term Debt		
Bonds payable		1,595,000
Less: current portion long-term debt		(155,000)
Total Long-term Debt		1,440,000
Total Liabilities		1,669,188
Net Position		
Net investment in capital assets		1,189,387
Restricted for debt service		664,527
Unrestricted net position		292,119
Total Net Position		2,146,033
Total Liabilities and Net Position	$	3,815,221

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

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

Statement of Revenue, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2022

	2022
Operating Revenues	
Water and sewer charges	$ 1,214,030
Late fees	31,343
Miscellaneous	13,318
Total Operating Revenues	1,258,691
Operating Expenses	
Computer and IT expense	1,601
Contracted operations and maintenance	503,488
Depreciation	86,024
Insurance	8,469
License, fees, and dues	18,453
Payroll taxes	11,625
Professional expense	15,725
Purchased water	183,132
Repairs and maintenance	622
Salaries	80,026
Supplies	8,558
Utilities	68,766
Total Operating Expenses	986,489
Operating Income	272,202
Other Income and Expenses	
Interest income	2,578
Interest expense	(76,233)
Other income	1,425
Total Other Income and Expense	(72,230)
Change in Net Position	199,972
Total Net Position - October 1, 2021	1,946,061
Total Net Position - September 30, 2022	$ 2,146,033

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

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2022

		2022
Cash Flows from Operating Activities		
Receipts from customers	$	1,229,777
Interest received on cash and cash equivalents		2,578
Other income		1,425
Interest paid on long-term debt		(76,688)
Payments to suppliers		(177,642)
Payments for contracted services		(505,089)
Payments for license, fees, and dues		(18,453)
Payments to employees and board member		(80,026)
Payments for taxes		(13,069)
Payments for professional fees		(15,725)
Payments for insurance		(8,469)
Payments for repairs and maintenance		(622)
Payments for supplies		(8,558)
Payments for utilities		(70,606)
Net cash provided (used) by operating activities		258,833
Cash Flows from Financing Activities		
Principal paid on long-term debt		(140,000)
Net cash provided (used) by financing activities		(140,000)
Net increase (decrease) in cash, cash equivalents, and restricted cash		118,833
Cash, cash equivalents, and restricted cash - October 1, 2021		766,497
Cash, cash equivalents, and restricted cash - September 30, 2022	$	885,330
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities		
Change in net position	$	199,972
Adjustments to reconcile change in net position to net cash provided by operating activities		
Depreciation		86,024
(Increase) decrease in accounts receivable		(31,821)
Increase (decrease) in accounts payable		3,650
Increase (decrease) in accrued liabilities		(1,444)
Increase (decrease) in customer deposits		2,907
Increase (decrease) in accrued interest payable		(455)
Net cash provided by operating activities	$	258,833
Reconciliation of Total Cash, Cash Equivalents, and Restricted Cash		
Cash and Cash Equivalents Without Donor Restrictions	$	220,803
Cash and Cash Equivalents With Donor Restrictions		664,527
Total Cash, Cash Equivalents, and Restricted Cash	$	885,330
Supplmental Disclosure of Cash Flow Data		
Cash paid during the year for interest	$	76,688

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bell County Water Control and Improvement District No. 2 (the "District") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental 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 District's accounting policies are described below.

Reporting Entity
The District was created in November 23, 1954, by the Commissioners Court of Bell County and was granted sewer powers by the Texas Water Rights Commission on April 25, 1966. The Board of Directors held its first meeting December 3, 1954, and the first bonds were sold July 25,1955. The District operates under Texas Water Code Chapter 51.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of separately elected governing board that is elected by the citizens in a general popular election. Component unites are legally separated organizations for which the elected officials of the primary government are financially accountable. The is District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) it is able to impose its will on that organization, or 2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the primary government.

Based on application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units required to be included in these financial statements.

Basis of Accounting and Measurement Focus
The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water and sewer to its service area on a continuing basis be financed or recovered primarily through user charges (water sales and sewer fees), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales, sewer fees, and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expense are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

Required fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting, Judgments, Estimates, and Assumptions
The preparation of the financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect:

- The reported amounts of assets, liabilities, revenues and expenses, and accompanying disclosures; and

- The disclosure of contingent assets and liabilities.

Uncertainty about accounting estimates and assumptions could result in outcomes that require material adjustments to the carrying amount of assets or liabilities in future periods. Existing circumstances and assumptions about future developments, however, may change due to circumstances arising that are beyond the management's control; such changes could materially affect future reported financial results.

Fair Value of Financial Instruments
A financial instrument is any contract that creates a financial asset for one entity and a financial liability for, or ownership interest in, another entity.

The net position of the District at September 30, 2022 includes certain financial instruments that may have a fair value that is different from the value currently reflected on the financial statements. In reviewing the financial instruments of the District, certain assumptions and methods were used in determining the fair value of each category of financial instruments for which it is practicable to estimate that value.

The carrying amount and estimated fair value of the District's financial instruments general approximate their fair value at September 30, 2022, because of the short-term maturity of these instruments.

Cash, Cash Equivalents, and Restricted Cash
For the purposes of the statement of cash flows, cash, cash equivalents, and restricted cash represent all cash accounts controlled by the District. In addition, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Investments
The District legally may invest in certificates of deposit, checking accounts, savings accounts, and other available bank investments provided that such accounts and investments are secured by federal deposit insurance or approved pledged securities in an amount equal to those funds. Additionally, the District may invest directly in debt securities of the United States, unless such an investment is expressly prohibited by law. The District invests in accordance with its adopted investment policy, as required by the Public Funds Investment Act of 1993 (Local Governments Code Chapter 2256).

The District currently has no investments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are collateralized in part by customer deposits and are subject to legal action or collection. Interest is not accrued on the balance. The District does not establish an allowance for doubtful accounts and does not use the reserve method for recognizing bad debt. Bad debt is treated as direct write-off's in the period management determines that collection is not probable. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not material to the financial statements. During the year ended September 30, 2022, there were no amounts charged to bad debts. The District considers accounts receivable as of September 30, 2022, to be fully collectible.

Property, Plant, and Equipment

The District records its capital assets at cost including applicable taxes and installation costs. Capital assets are defined by the District as assets with an initial, individual costs of more than $10,000 and an estimated useful life in excess of one year. Depreciation is provided using the straight-line method.

Repairs not significantly extending the life of the asset are charged to expense in the period incurred.

Compensated Absences, Vacations, and Employee Retirement

Earned vacation and sick pay time are required to be used during the year of accrual. Sick pay is not paid upon termination, but will be paid only upon illness while in the employment of the District. The employees of the District do not participate in a public retirement system, but are covered by social security.

Budgets

The District adopts an operating budget each year on the modified cash basis, a basis of accounting other than generally accepted accounting principles ("GAAP"). Adjustments necessary to covert the results of operations, which are presented on the GAAP basis, to the modified cash basis are made for purposes of the budgetary comparison.

Property Taxes

Property taxes are levied by October 1 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 they are imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenue are considered available when they become due or past due and receivable with the current period.

The District previously assessed property taxes in order to meet debt service requirements; however, beginning with the 2008 tax year, the District ceased assessing property taxes since the related bond issue was fully retired.

Restricted Resources

Certain assets of the District are restricted for use by ordinance or debt covenant and, accordingly, are shown as assets with donor restrictions on the accompanying statement of net position. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position
Proprietary fund net positon is divided into three components:

- *Net investment in capital assets* – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related on those assets.
- *Restricted* – consist of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- *Unrestricted* – all other net position is reported in this category.

Impairment of Long Lived Assets
The District reviews the carrying value of capital assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by management in performing the assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other factors. The District did not recognize an impairment loss during the year ended September 30, 2022.

Recently Adopted Accounting Pronouncement
In June 2017, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 87, *Leases*. The standard was effective for year ends beginning after June 15, 2021. The District adopted the requirements of the new standard effective October 1, 2021. Adoption of the new standard had not material impact on the financial statements for the year ended September 30, 2022.

NOTE 2 – CASH AND CASH EQUIVALENTS

At September 30, 2022, the District has cash equivalents on deposit at one financial institution. Details of the deposits are as follows:

Cash and Cash Equivalents - Without Donor Restrictions		
Demand Deposits	$	220,803
Total Cash and Cash Equivalents - Without Donor Restrictions		220,803
Cash and Cash Equivalents - With Donor Restrictions		
Money Market - Restricted for Debt Service		664,527
Total Cash and Cash Equivalents -With Donor Restrictions		664,527
Total Cash and Cash Equivalents	$	885,330

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk for Deposits – State law requires entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount of deposit at the end of each business day that are in excess of the coverage provided by the Federal Deposit Insurance Corporation (FDIC). The pledged securities must be in the name of the District and held by the District or its agent.

Credit Risk – To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments to demand accounts and certificates of deposit, either insured by the FDIC, or its successors or fully collateralized as described above.

Concentration of Credit Risk – To limit the risk of loss attributable to the magnitude of the District's investment in a single issuer, the District deposits/invests in only those entities that fully insure such deposits/investments as described above.

Interest Rate Risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District has limited investments to those with a maturity not exceeding one year.

Foreign Currency Risk for Investments – The District does not make investments denominated in any foreign currency.

As of September 30, 2022, deposits with a financial institution is comprised of eight cash accounts. At September 30, 2022, the general ledger balances of cash totaled $885,330 and the bank balances totaled $929,378. The District's deposits at year-end were covered by federal depository insurance or by collateral pledged by the District's financial institution.

Collateral pledged by the financial institution, to cover a portion of the uninsured amounts, is held by the safekeeping bank for the financial institution in the financial institution's name. Collateral consists of FNMA 30YR-AS5068 maturing June 1, 2045 and FNMA 30YR-AT3409 maturing September 1, 2043. The market value of securities pledged as of September 30, 2022 is $1,042,199.

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/1/2021	Additions	Deletions	Balance 9/30/2022
Building	$ 12,539	$ -	$ -	$ 12,539
Office and general equipment	82,648	-	-	82,648
Water System	1,170,859	-	-	1,170,859
Sewer System	2,755,807	-	-	2,755,807
	4,021,853	-	-	4,021,853
Land	22,060	-	-	22,060
Total	$ 4,043,913	$ -	$ -	$ 4,043,913

NOTE 3 – CAPITAL ASSETS (Continued)

	Balance 10/1/2021	Additions	Deletions	Balance 9/30/2022
Accumulated Depreciation:				
Building	$ 12,539	$ -	$ -	$ 12,539
Office and general equipment	74,046	2,065	-	76,111
Water system	649,118	28,843	-	677,961
Sewer system	437,799	55,116	-	492,915
Total	$ 1,173,502	$ 86,024	$ -	$ 1,259,526

	Balance 9/30/2022	Accumulated Depreciation	Net Book Value	Depreciation Expense	Estimated Useful Life
Building	$ 12,539	$ 12,539	$ -	$ -	30 years
Office and general equipment	82,648	76,111	6,537	2,065	10 years
Water system	1,170,859	677,961	492,898	28,843	5-50 years
Sewer system	2,755,807	492,915	2,262,892	55,116	50 years
	4,021,853	1,259,526	2,762,327	86,024	
Land	22,060	-	22,060	-	n/a
Total	$ 4,043,913	$ 1,259,526	$ 2,784,387	$ 86,024	

NOTE 4 - LONG-TERM DEBT

Utility System Revenue Bonds – Series 2008

On July 10, 2008, the District issued Bell County Water Control and Improvement District No. 2 Utility System Revenue Bonds, Series 2008 in the amount of $1,055,000 to fund the construction on the Little River Sewer Plant.

The bonds, bearing interest at variable rates ranging from 2.35% to 4.55%, are due in annual installments of principal each September 1, beginning September 1, 2010. Interest payments are due semiannually on March 1 and September 1, beginning September 2008.

The bonds are payable from and secured by a lien on and pledge of the entire revenue of the sewer system after reasonable operating and maintenance expenses have been paid.

The Series 2008 Utility System Revenue Bonds require the District to maintain an Interest and Sinking Fund whereby monthly deposits are to sum approximately the next year's debt requirement. The District is also required to accumulate one year's average annual debt service requirements in a Reserve Fund by making monthly deposits until such balance is achieved. At September 30, 2022, the District had deposits reserved for debt service related to this issue totaling $250,375.

NOTE 4 - LONG-TERM DEBT (Continued)

Utility System Revenue Bonds – Series 2008 (Continued)

Future debt service requirements are as follows:

Year Ending Septmber 30,	Principal	Interest	Total Requirements
2023	$ 60,000	$ 20,533	$ 80,533
2024	60,000	18,013	78,013
2025	65,000	15,433	80,433
2026	65,000	12,572	77,572
2027	70,000	9,712	79,712
2028-2029	145,000	9,975	154,975
	$ 465,000	$ 86,238	$ 551,238

Utility System Revenue Bonds – Series 2010

On December 15, 2010, the District issued Bell County Water Control and Improvement District No. 2 Utility System Revenue Bonds, Series 2010 in the amount of $390,000 to complete the construction on the Little River Sewer Plant.

The bonds, bearing interest at variable rates ranging from 1.59% to 5.19%, are due in annual installments of principal each September 1, beginning September 1, 2011. Interest payments are due semiannually on March 1 and September 1, beginning March 2011.

The bonds are payable from and secured by a lien on and pledge of the entire revenue of the sewer system after reasonable operating and maintenance expenses have been paid.

The Series 2010 Utility System Revenue Bonds require the District to maintain an Interest and Sinking Fund whereby monthly deposits are to sum approximately the next year's debt requirement. The District is also required to accumulate one year's average annual debt service requirements in a Reserve Fund by making monthly deposits until such balance is achieved. At September 30, 2022, the District had deposits reserved for debt service related to this issue totaling $139,170.

NOTE 4 - LONG-TERM DEBT (Continued)

Utility System Revenue Bonds – Series 2010 (Continued)

Future debt service requirements are as follows:

Year Ending Septmber 30,	Principal	Interest	Total Requirements
2023	$ 25,000	$ 9,174	$ 34,174
2024	25,000	8,014	33,014
2025	25,000	6,842	31,842
2026	25,000	5,619	30,619
2027	25,000	4,371	29,371
2028-2029	60,000	4,656	64,656
	$ 185,000	$ 38,676	$ 223,676

Utility System Revenue Bonds – Series 2013

On October 3, 2013, the District issued Bell County Water Control and Improvement District No. 2 Utility System Revenue Bonds, Series 2013 in the amount of $1,500,000 to fund construction of the Academy Sewer Plant.

The bonds, bearing interest at variable rates ranging from 0.53% to 4.76%, are due in annual installments of principal each September 1, beginning September 1, 2014. Interest payments are due semiannually on March 1 and September 1, beginning March 2014.

The bonds are payable from and secured by a lien on and pledge of the entire revenue of the sewer system after reasonable operating and maintenance expenses have been paid.

The Series 2013 Utility System Revenue Bonds require the District to maintain an Interest and Sinking Fund whereby monthly deposits are to sum approximately the next year's debt requirement. The District is also required to accumulate one year's average annual debt service requirements in a Reserve Fund by making monthly deposits until such balance is achieved. At September 30, 2022, the District had deposits reserved for debt service related to this issue totaling $274,982.

NOTE 4 - LONG-TERM DEBT (Continued)

Utility System Revenue Bonds – Series 2013 (Continued)

Future debt service requirements are as follows:

Year Ending Septmber 30,	Principal	Interest	Total Requirements
2023	$ 70,000	$ 41,531	$ 111,531
2024	70,000	38,962	108,962
2025	75,000	36,274	111,274
2026	80,000	33,258	113,258
2027	80,000	29,906	109,906
2028-2032	465,000	91,402	556,402
2033	105,000	4,998	109,998
	$ 945,000	$ 276,331	$ 1,221,331

NOTE 5 - PURCHASE OF WATER SERVICE FROM CITY OF TEMPLE

In July 2017, the District entered into a 30-year agreement to purchase water service from the City of Temple, Texas. The City of Temple agrees to deliver and meter treated water required by the WCID No. 2 customers. The District will pay for a minimum of 30,000,000 gallons of water annually during this agreement. The City of Temple bills the District for water purchased, at rates which are reviewed and adjusted periodically. During the fiscal year ended September 30, 2022, the District purchased 37,666,360 gallons of water from the City of Temple at a total charge of $183,132.

NOTE 6 - RELATED PARTY

As of September 30, 2022, the District's board president owns and operates a trash service company. The District utilizes this service and pays a monthly service fee of $100.

NOTE 7 - RISK MANAGEMENT

The District has insurable risks in various areas, including property, casualty, automobile, general commercial liability, and workmen's compensation. For the fiscal year, the District obtained insurance against such risk through commercial carriers. The Board believes the amount and types of coverage are adequate to protect the District from losses which could reasonably be expected to occur.

NOTE 8 – CONCENTRATION OF RISK

The District has receivables from individuals and businesses, all of which are located within the District, including but not limited to the City of Little River-Academy, Texas.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENT

Management has evaluated subsequent events through April 26, 2023, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
Comparison of Revenues and Expenses to Budget
Proprietary Fund – Budgetary Basis
For the Year Ended September 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Operating Revenues				
Water and Sewer	$ 1,183,000	$ 1,183,000	$ 1,214,030	$ 31,030
Late fees	28,000	28,000	31,343	3,343
Miscellaneous	18,000	18,000	13,318	(4,682)
Total Operating Revenues	1,229,000	1,229,000	1,258,691	29,691
Operating Expenses				
Purchased water	135,000	135,000	183,132	(48,132)
Contracted services	536,889	536,889	505,089	31,800
Depreciation	86,000	86,000	86,024	(24)
Miscellaneous	65,000	65,000	38,547	26,453
Professional expense	15,150	15,150	15,725	(575)
Repairs and maintenance	9,000	9,000	622	8,378
Salaries	78,000	78,000	80,026	(2,026)
Supplies	12,000	12,000	8,558	3,442
Utilities	70,000	70,000	68,766	1,234
Total Operating Expenses	1,007,039	1,007,039	986,489	20,550
Operating Income	221,961	221,961	272,202	50,241
Non-operating Revenue (Expenses)				
Interest income	800	800	2,578	1,778
Bond principal	(140,000)	(140,000)	(140,000)	-
Interest expense	(38,343)	(38,343)	(76,233)	(37,890)
Other income	-	-	1,425	1,425
Total Non-operating Revenue (Expenses)	(177,543)	(177,543)	(212,230)	(34,687)
Change in Net Position	$ 44,418	$ 44,418	$ 59,972	$ 15,554

NOTE 1 – BUDGETARY INFORMATION

The financial statements for the District are prepared in accordance with generally accepted accounting principles ("GAAP basis"). Since the District prepares its annual budget on a modified cash basis that differs from the GAAP basis, additional schedules of revenues and expenses are presented to provide meaningful comparison of actual results on the same basis of accounting used to prepare the annual budget.

Adjustments necessary to convert the results of operations for the year ended September 30, 2022 for the GAAP basis to the budget basis are as follows:

Non-operating Revenues (Expenses)		
Total non-operating revenues (expenses) - GAAP basis	$	(72,230)
Payments on bonds are budgeted on cash basis		(140,000)
Non-operating revenues (expenses) - budget basis	$	(212,230)
Change in Net Position		
Change in net position - GAAP basis	$	199,972
Payments on bonds are budgeted on cash basis		(140,000)
Change in net position - budget basis	$	59,972

OTHER SUPPLEMENTAL INFORMATION

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
Services and Rates
For the Year Ended September 30, 2022

1. Services Provided by the District:

X	Retail Water		Wholesale Water		Drainage
X	Retail Wastewater		Wholesale Wastewater		Irrigation
	Parks/Recreation		Fire Protection		Security
	Solid Waste/Garbage		Flood Control		Roads

___ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

___ Other

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rates per 1000 Gallons Over Minimum	Usage Levels
Water	$ 20.00	0	N	$ 8.05	no limit
Wastewater	$ 50.00	-	Y		
Surcharge	$ -	-	N		

Sewer usage employs winter averaging Yes ___ No X

Total water and sewer charges per 10,000 gallons usage $ 150.50

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	0	0	x 1.0	0
≤ 3/4"	659	659	x 1.0	659
1"	18	18	x 2.5	45
1 1/2 "		0	x 5.0	0
2"		0	x 8.0	0
Total Water	677	677		704
Total Wastewater	626	626	x 1.0	626

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

Gallons pumped into the system	75,444,360
Pumped for internal use	2,964,000
Gallons billed to customers	65,078,730
Water Accountability Ratio	90.19%

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
Enterprise Fund Expenses
For the Year Ended September 30, 2022

Personnel (including benefits) and board member fee	$	91,651
Professional fees:		
Auditing and accounting		15,725
Purchased services for resale:		
Bulk water and wastewater service purchases		183,132
Contracted services		503,488
Utilities		68,766
Repairs and maintenance		622
Administrative expenditures:		
Computer and IT expense		1,601
Insurance		8,469
License, fees, and dues		18,453
Supplies		8,558
Other expenditures:		
Depreciation		86,024
Interest		76,233
Total expenditures	$	1,062,722

Number of persons employed by the District: 2 Full-Time 0 Part-Time
(Do not include independent contractors or consultants)

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
Long-term Debt Service Requirement – By Years
For the Year Ended September 30, 2022

	Series 2008		
Due During Fiscal Years Ending	Principal Due Sept 1	Interest Due Mar 1, Sept 1	Totals
2023	$ 60,000	$ 20,533	$ 80,533
2024	60,000	18,013	78,013
2025	65,000	15,433	80,433
2026	65,000	12,572	77,572
2027	70,000	9,712	79,712
2028	70,000	6,563	76,563
2029	75,000	3,412	78,412
	$ 465,000	$ 86,238	$ 551,238

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

Long-term Debt Service Requirement – By Years (Continued)
For the Year Ended September 30, 2022

	Series 2010		
Due During Fiscal Years Ending	Principal Due Sept 1	Interest Due Mar 1, Sept 1	Totals
2023	$ 25,000	$ 9,174	$ 34,174
2024	25,000	8,014	33,014
2025	25,000	6,842	31,842
2026	25,000	5,619	30,619
2027	25,000	4,371	29,371
2028	30,000	3,099	33,099
2029	30,000	1,557	31,557
	$ 185,000	$ 38,676	$ 223,676

	Series 2013		
Due During Fiscal Years Ending	Principal Due Sept 1	Interest Due Mar 1, Sept 1	Totals
2023	$ 70,000	$ 41,531	$ 111,531
2024	70,000	38,962	108,962
2025	75,000	36,274	111,274
2026	80,000	33,258	113,258
2027	80,000	29,906	109,906
2028	85,000	26,427	111,427
2029	90,000	22,618	112,618
2030	95,000	18,514	113,514
2031	95,000	14,135	109,135
2032	100,000	9,708	109,708
2033	105,000	4,998	109,998
	$ 945,000	$ 276,331	$ 1,221,331

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
Long-term Debt Service Requirement – By Years (Continued)
For the Year Ended September 30, 2022

	Annual Requirement for All Series		
Due During Fiscal Years Ending	Principal Due Sept 1	Interest Due Mar 1, Sept 1	Totals
2023	$ 155,000	$ 71,238	$ 226,238
2024	155,000	64,989	219,989
2025	165,000	58,549	223,549
2026	170,000	51,449	221,449
2027	175,000	43,989	218,989
2028	185,000	36,089	221,089
2029	195,000	27,587	222,587
2030	95,000	18,514	113,514
2031	95,000	14,135	109,135
2032	100,000	9,708	109,708
2033	105,000	4,998	109,998
	$ 1,595,000	$ 401,245	$ 1,996,245

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
Change in Long-term Bonded Debt
For the Year Ended September 30, 2022

	Bond Issues			
	Series 2008	Series 2010	Series 2013	Total
Interest rate	2.35% - 4.55%	1.59% - 5.19%	0.53% - 4.76%	
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/10 to 9/1/29	9/1/11 to 9/1/29	9/1/14 to 9/1/33	
Bonds outstanding at beginning of current year	$ 520,000	$ 205,000	$ 1,010,000	$ 1,735,000
Bonds sold during the current year	-	-	-	-
Retirements during the current year	55,000	20,000	65,000	140,000
Bonds outstanding at end of current year	$ 465,000	$ 185,000	$ 945,000	$ 1,595,000
Interest Paid During the Current Year	$ 22,817	$ 10,072	$ 43,799	$ 76,688

Paying Agent's Name and Address:

Series 2008	Texas Water Development Board, P.O. Box 13231, Austin, TX 78711
Series 2010	Texas Water Development Board, P.O. Box 13231, Austin, TX 78711
Series 2013	Texas Water Development Board, P.O. Box 13231, Austin, TX 78711

Bond authority:	Revenue Bonds	Revenue Bonds	Revenue Bonds
Amount authorized by voters	$ 1,055,000	$ 390,000	$ 1,500,000
Amount issued	$ 1,055,000	$ 390,000	$ 1,500,000
Remaining to be issued	$ -	$ -	$ -

Debt service fund cash and temporary investment balances as of 9/30/22

Series 2008	Series 2010	Series 2013	Total
$ 250,375	$ 139,170	$ 274,982	$ 664,527

Average annual debt service payment (principal and interest) for remaining term of all bond debt:

Series 2008	Series 2010	Series 2013	Total
$ 78,748	$ 31,954	$ 111,030	$ 221,732

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

Comparative Schedule of Revenues and Expenses – Enterprise Fund

For the Year Ended September 30, 2022

	2022	2021	2020	2019	2018
Operating Revenues					
Service revenues	$ 1,245,373	$ 1,113,114	$ 1,041,961	$ 763,520	$ 799,851
Tax revenue	-	-	-	-	-
Miscellaneous	13,318	4,765	88,710	994	10,846
Total Operating Revenues	1,258,691	1,117,879	1,130,671	764,514	810,697
Operating Expenses					
Purchased water	183,132	92,446	161,714	137,311	141,641
Salaries	80,026	78,692	113,807	153,406	144,189
Professional fees	15,725	2,085	8,250	8,250	8,069
Contracted services	582,324	577,518	345,264	200,870	149,563
Consumable supplies	8,558	9,218	16,090	24,032	20,972
Recurring expenses	30,700	15,903	15,376	22,681	17,779
Depreciation	86,024	86,536	86,570	86,462	86,462
Fines and penalties	-	5,600	164	19,500	9,900
Total Opertating Expenses	986,489	867,998	747,235	652,512	578,575
Net Operating Income	272,202	249,881	383,436	112,002	232,122
Non-operating Revenues					
Interest income	2,578	349	1,027	1,644	813
Other income	1,425	-	-	-	-
Total Non-operating Revenues	4,003	349	1,027	1,644	813
Non-operating Expenses					
Interest expense	76,233	82,761	87,667	91,886	95,712
Total Non-operating Expenses	76,233	82,761	87,667	91,886	95,712
Net Income (Loss)	$ 199,972	$ 167,469	$ 296,796	$ 21,760	$ 137,223

2022	2021	2020	2019	2018
98.9%	99.6%	92.2%	99.9%	98.7%
0.0%	0.0%	0.0%	0.0%	0.0%
1.1%	0.4%	7.8%	0.1%	1.3%
100.0%	100.0%	100.0%	100.0%	100.0%
14.5%	8.3%	14.3%	18.0%	17.5%
6.4%	7.0%	10.1%	20.1%	17.8%
1.2%	0.2%	0.7%	1.1%	1.0%
46.3%	51.7%	30.5%	26.3%	18.4%
0.7%	0.8%	1.4%	3.1%	2.6%
2.4%	1.4%	1.4%	3.0%	2.2%
6.8%	7.7%	7.7%	11.3%	10.7%
0.0%	0.5%	0.0%	2.6%	1.2%
78.4%	77.6%	66.1%	85.3%	71.4%
21.6%	22.4%	33.9%	14.7%	28.6%
0.2%	0.0%	0.1%	0.2%	0.1%
0.1%	0.0%	0.0%	0.0%	0.0%
0.3%	0.0%	0.1%	0.2%	0.1%
6.1%	7.4%	7.8%	12.0%	11.8%
6.1%	7.4%	7.8%	12.0%	11.8%
15.9%	15.0%	26.2%	2.8%	16.9%

BELL COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
Board Members, Key Personnel, and Consultants
For the Year Ended September 30, 2022

Complete District Mailing Address: Bell County W.C.I.D. No. 2
P.O. Box 338
Little River-Academy, TX 76554

District Business Telephone Number: (254) 982-4685

Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): September 2015

Names	Term of Office Elected and Expires or Date Hired	Fees of Office Paid* (FYE 9/30/22)	Title at Year End
Board Members:			
Ronnie White, Jr.	(Elected) 5/2022 - 5/2024	$ 35,252	Pres.
Joe Chaffin	(Elected) 5/2022 - 5/2026	$ -	V.P.
R. C. Williams	(Elected) 5/2020 - 5/2024	$ -	Treasurer
Donald Curlee	(Elected) 5/2022 - 5/2024	$ -	Secretary
Gary Lanham	(Elected) 5/2022 - 5/2026	$ -	Director
Bill Easley	(Retired) 5/2020 - 5/2022	$ -	

* Fees of Office are amounts actually paid to a director during the District's fiscal year.

Names	Term of Office Elected and Expires or Date Hired	Fees/Expense Reimbursements (FYE 9/30/22)	Title at Year End
Key Administrative Personnel			
Ronnie White, Jr.	1/1/2017	$ 35,252	District Manager
Consultants:			
Operations Management International, Inc.		$ 503,458	Operator
Paul J. Christensen & Associates, LLC		$ 8,250	Auditor
Ludwick, Montgomery, & Stapp, P.C.		$ 7,475	Bookkeeper