

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

ANNUAL FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED AUGUST 31, 2021

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brown County Water Improvement District #1

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Brown County Water Improvement District #1, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Brown County Water Improvement District #1 as of August 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3 through 5 and 22 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Brown County Water Improvement District #1's basic financial statements. The Texas supplementary information is presented for additional analysis and is not a required part of the basic financial statements.

The Texas supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021, on our consideration of Brown County Water Improvement District #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brown County Water Improvement District #1's internal control over financial reporting and compliance.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
September 24, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

This section of Brown County Water Improvement District #1's (the District's) annual financial report presents an analysis of the District's financial performance during the fiscal year ended August 31, 2021. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2021

- The District's net position increased by \$982,924 or 5.2% from the previous year.
- Operating revenues decreased \$60,080 or 1.2% from the previous year.
- Operating expenses increased \$135,160 or 3.5% from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following five parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, a section that presents additional information as required by the Texas Commission on Environment Quality (TCEQ), and other information required by GAO.

The financial statements include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section of *Texas Supplementary Information* which includes additional information beyond that required and further explains the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles generally accepted in the United States of America. The Statement of Net Position includes information on the District's assets and liabilities and provides information about the nature and amount of investments in resources (assets) and the obligations to the District's creditors (liabilities). The Statement of Activities identifies the District's revenues and expenses for the fiscal year ended August 31, 2021. This statement provides information on the District's operations and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, financing activities and investments. From the Statement of Cash Flows, the reader can obtain information on the sources and uses of cash and the changes in the cash and cash equivalent's balance.

FINANCIAL ANALYSIS OF THE DISTRICT

The statements of net position and revenues, expenses and changes in net position provide an indication of the District's financial condition and also indicate that the financial condition of the District improved during the last fiscal year, with an increase to net position of \$982,924.

Table 1
Consolidated Statements of Net Position

	2021	2020	Dollar Change	Percent Change
Current assets	\$ 9,919,924	\$ 9,201,752	\$ 718,172	8%
Noncurrent assets	<u>19,199,390</u>	<u>19,954,231</u>	<u>(754,841)</u>	-4%
Total Assets	<u>29,119,314</u>	<u>29,155,983</u>	<u>(36,669)</u>	0%
Deferred Outflows of Resources	8,415	16,181	(7,766)	-48%
Current liabilities	1,265,313	1,278,435	(13,122)	-1%
Noncurrent liabilities	<u>7,857,122</u>	<u>8,870,915</u>	<u>(1,013,793)</u>	-11%
Total Liabilities	<u>9,122,435</u>	<u>10,149,350</u>	<u>(1,026,915)</u>	-10%
Deferred Inflows of Resources	3,895	4,339	(444)	-10%
Net Position				
Net investment in capital assets	10,819,390	10,504,231	315,159	3%
Restricted	661,770	625,023	36,747	6%
Unrestricted	<u>8,520,239</u>	<u>7,889,221</u>	<u>631,018</u>	8%
Total Net Position	\$ <u><u>20,001,399</u></u>	\$ <u><u>19,018,475</u></u>	\$ <u><u>982,924</u></u>	5%

As the above table indicates total current assets increased by \$718,172 during the fiscal year ended August 31, 2021. This increase is due primarily to increases in cash and cash equivalents. Noncurrent assets decreased 4% due to current year depreciation. Total current liabilities decreased due to the timing of payables. Noncurrent liabilities decreased due to the paying down of long-term debt.

Table 2
Condensed Statement of Activities

	2021	2020	Dollar Change	Percent Change
Operating revenue	\$ 4,964,835	\$ 5,024,915	\$ (60,080)	-1%
Operating expense	<u>4,043,676</u>	<u>3,908,516</u>	<u>135,160</u>	3%
Operating income	921,159	1,116,399	(195,240)	-17%
Other revenue	311,242	555,663	(244,421)	-44%
Other expense	<u>249,477</u>	<u>277,336</u>	<u>(27,859)</u>	-10%
Change in net position	982,924	1,394,726	(411,802)	-30%
Beginning Net Position	<u>19,018,475</u>	<u>17,623,749</u>	<u>1,394,726</u>	8%
Ending Net Position	\$ <u><u>20,001,399</u></u>	\$ <u><u>19,018,475</u></u>	\$ <u><u>515,404</u></u>	3%

The statement of activity identifies the various revenue and expense items which affect the change in net position. As the information in Table 2 indicates, operating revenues decreased \$60,080 due to fluctuations in water sales. Total operating expenses increased \$135,160, a 3.5% increase from the previous year. Net position increased \$982,924 from the previous year.

Budgetary Highlights

The budget for 2021 was approximately \$3,376,000. The District amended its budget during the year for increases and decreases between functional areas. Final budget increased \$72,500 from the adopted budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had invested \$19,199,390, net of accumulated depreciation, in a broad range of capital assets, including infrastructure, buildings, and machinery and equipment. (See Table 3). This amount represents a net decrease of \$754,841 or 3.8% from the previous year.

Table 3
District's Capital Assets

	2021	2020	Dollar Change	Percent Change
Real Estate and Reservoirs	2,104,368	2,104,368		
Infrastructure	38,998,606	38,998,606		
Buildings	483,940	483,940		
Machinery and equipment	1,478,622	1,471,523	7,099	0%
Total at historical cost	43,065,536	43,058,437	7,099	0%
Accumulated depreciation	23,866,146	23,104,206	761,940	3%
Net Capital Assets	19,199,390	19,954,231	(754,841)	-4%

Debt

At the end of the year, the District had \$7,280,000 in long-term liabilities and \$1,100,000 in the current portion of long-term debt. (See Table 4). For a breakdown of the debt requirements, refer to Note 5 of the basic financial statements.

Table 4
Long-Term Debt

	2021	2020	Dollar Change	Percent Change
Utility Revenue Bond, Series 2015	8,380,000	9,450,000	(1,070,000)	-11%
Total Long-Term Debt	8,380,000	9,450,000	(1,070,000)	-11%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Operating expenses are budgeted at \$3,304,150 for 2021, which is an increase of \$103,367 from 2021 actual budgetary basis amounts. If these estimates are realized, the District's budgetary net position is expected to increase modestly by the close of 2022.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Brown County Water Improvement District #1.

FINANCIAL STATEMENTS

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1**STATEMENT OF NET POSITION**

August 31, 2021

	<u>Business-type Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 8,573,245
Cash and cash equivalents - restricted	661,770
Accounts receivable	463,741
Inventory	137,210
Prepaid expenses	83,958
Total Current Assets	<u>9,919,924</u>
Noncurrent Assets	
Property & equipment, net of accumulated depreciation	
Real estate and reservoirs	2,104,368
Infrastructure, net	16,746,707
Buildings, net	17,385
Machinery & equipment, net	330,930
Total Noncurrent Assets	<u>19,199,390</u>
Total Assets	<u>29,119,314</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension plan	<u>8,415</u>
LIABILITIES	
Current Liabilities	
Accounts payable	120,768
Accrued wages and benefits payable	25,240
Accrued interest payable	19,305
Current portion of long-term debt	1,100,000
Total Current Liabilities	<u>1,265,313</u>
Noncurrent Liabilities	
Accrued employee compensated absences	323,112
Net pension liability	254,010
Long term debt	7,280,000
Total Noncurrent Liabilities	<u>7,857,122</u>
Total Liabilities	<u>9,122,435</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension plan	<u>3,895</u>
NET POSITION	
Net investment in capital assets	10,819,390
Restricted	642,465
Unrestricted	<u>8,539,544</u>
Total Net Position	<u>\$ 20,001,399</u>

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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

STATEMENT OF ACTIVITIES

Year Ended August 31, 2021

	<u>Business-type Activities</u>
Operating revenues:	
Treated water sales	\$ 3,390,020
Entities revenue for debt service	1,336,120
Irrigation water	117,722
Water connections & contracts	120,973
Total operating revenues	<u>4,964,835</u>
Operating expenses:	
Administrative expenses	615,596
Field operations expenses	769,828
Lake expenses	414,020
Treatment plant expenses	1,299,465
Other non-departmental expenses	117,042
Flat Rock Park operations	21,230
Depreciation	806,495
Total operating expenses	<u>4,043,676</u>
Operating income	<u>921,159</u>
Non-operating revenues (expenses)	
Interest income	8,006
Rental and lease income	269,108
Loss on sale of capital assets	(500)
Other miscellaneous revenues	34,628
Bond issue fees and costs	(806)
Interest expense	(248,671)
Total non-operating revenue (expenses)	<u>61,765</u>
Change in net position	982,924
Net position - beginning of year	<u>19,018,475</u>
Net position - end of year	<u>\$ 20,001,399</u>

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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

STATEMENT OF CASH FLOWS

Year Ended August 31, 2021

Cash flows from operating activities:

Cash receipts from water sales	\$ 5,009,688
Cash payments to suppliers for goods and services	(1,315,061)
Cash payments to employees for services	(1,878,405)
Net cash provided by operating activities	<u>1,816,222</u>

Cash flows from noncapital and financing activities:

Rental and lease income	269,108
Other miscellaneous revenues	34,628
Net cash provided by noncapital and financing activities	<u>303,736</u>

Cash flows from capital and related financing activities:

Payments on long-term debt	(1,070,000)
Bond interest expense	(248,671)
Bond fees and costs	(806)
Purchase of property & equipment	(51,654)
Net cash used in capital and related financing activities	<u>(1,371,131)</u>

Cash flows from investing activities:

Interest on investments	8,006
Net cash provided by investing activities	<u>8,006</u>

Net increase in cash

756,833

Cash, beginning of year

8,478,182

Restricted cash, end of year

661,770

Unrestricted cash, end of year

\$ 8,573,245

Reconciliation of operating income to net cash provided by operating activities

Change in net position	\$ 921,159
Sale of assets	(500)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation/amortization	806,495
(Increase) Decrease in operating assets	
Accounts receivable	44,853
Prepaid expense	880
Inventory	(7,072)
Deferred outflows of resources	7,766
Increase in operating liabilities	
Accounts payable	23,703
Accrued payables	9,992
Accrued interest payable	(2,311)
Compensated absences	25,089
Net pension liability	(13,388)
Deferred inflows of resources	(444)
Net cash provided by operating activities	\$ <u>1,816,222</u>

Supplementary Information

Interest paid	\$ <u>250,982</u>
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The accompanying notes are an integral part of the financial statements.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS

The Brown County Water Improvement District #1 (BCWID) was created by the Commissioners Court of Brown County on November 27, 1926, for the purpose of irrigating 14,000 acres including the areas of the City of Brownwood. Additions to the District have resulted in a current area of 24,995 acres.

The District's first bond issue (\$550,000; 5-23-38) provided a portion of the funds to construct the water conveyance canal, filtration plant, and storage tank. A Public Works Administration Grant supplied the remaining funds.

By the order of the Texas Water Rights Commission on September 11, 1978, the District was converted to a municipal utility district retaining the name of Brown County Water Improvement District #1 and the right of eminent domain as granted by Section 55.291 of the Texas Water Code.

A five-member Board of Directors elected by the voters of Brown County governs the District. The Board is organized with a president, vice president, and secretary appointed annually by the board members. The General Manager is hired by the Board and serves as deputy secretary of the Board but has no vote. The primary source of revenues for the District is from wholesale water sales to five area entities. Other revenues are from the various rentals of land and facilities and from the sale of irrigation water.

The financial statements of the Brown County Water Improvement District #1 include all funds and account groups over which the Board of Directors exercises oversight responsibility. The District is not financially accountable for any other organization, nor is it a component unit of any other government.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the District are summarized below:

The Financial Reporting Entity

The basic financial statements of Brown County Water Improvement District #1 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The District applies all relevant Governmental Accounting Standards Board (GASB) statements.

Basis of Presentation

The District reports only one major fund:

The *Enterprise Fund* is the District's operating fund. It accounts for all financial resources of the District. The primary revenue source of the fund is user fees charged to customers for water usage. Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Measurement Focus, Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Operating revenue consists primarily of water sales. Water sales revenue is recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Operating expenses include cost of sales and services, administrative expenses,

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Expenses are recorded when the related fund liability is incurred.

Contractual Relationships

The District and the City of Brownwood have a contractual relationship in a water supply contract. The water rates are computed and adjusted annually through the calculation of a five-year average component for operation and maintenance of the District's facilities.

The District also has water supply contracts with the City of Bangs, City of Early, Brookesmith Special Utility District, and Zephyr Water Supply.

The accounts of the above named five entities are excluded from the accompanying financial statements because each entity is an autonomous agency that is governed by its own City Council or Board of Directors and the Brown County Water Improvement District #1 has no oversight responsibilities for any of the five entities.

The five entities have only the rights of purchasing water from the District as specified in each of their water supply contracts and have no equity interest in the plant owned by the District.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with initial maturities of three months or less are considered to be cash equivalents. All District investments are certificates of deposit with an original maturity of three months or less, and are, therefore, considered cash equivalents.

Accounts Receivable

Accounts receivables consist of amounts owed to the District primarily from five entities for the sale of water. In addition, there are receivables owed by individuals and other companies for irrigation water sales, annual leases of land, dock permits, space permits, and commercial stalls on the lake.

The District uses the direct write-off method of accounting for uncollectible accounts, which is a departure from generally accepted accounting principles. However, the District believes the difference is immaterial to the financial statements and does not mislead the users of the financial statements. The Board of Directors approves the charging off bad debts only after every avenue available for collection has been addressed. The District does not recognize an allowance for uncollectible accounts. Uncollectible accounts have not been significant in past fiscal years. This portion of accounts receivable was \$436,396 on August 31, 2021.

Also included in accounts receivable is accrued interest receivable on District investments of \$515 on August 31, 2021.

The final portion of the accounts receivable relates to forfeited fund in the employee pension plan. The BCWID 457 Deferred Compensation Plan, an allocated group annuity contract issued by the American United Life Insurance Company had a balance of \$26,830 in the forfeiture account. The forfeiture account is created when employees leave the District and are not fully vested. The portion of the employer matching contributions that is not vested goes into the forfeiture account.

There are no significant receivables which are not scheduled for collection within one year of year end.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Inventory and Prepaid Expenses

Inventories held by the Enterprise Fund (Maintenance and Operating) consist of expendable supplies held for consumption and are priced at cost based on the first-in-first-out cost method. The expendable supplies consist of the lot supply inventory and treatment plant chemicals. A physical inventory is taken annually at year-end. The cost of the inventory is capitalized and is recorded as expenditures at the time of consumption.

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

Property and Equipment

Property and equipment are stated at historical cost. Expenses for maintenance and repairs are expensed as incurred. The District has a capitalization policy where they capitalize fixed assets with a cost greater than \$5,000 and a useful life of three years or more. Depreciation is computed using the straight-line method. When fixed assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings & improvements	20-50 years
Machinery & equipment	3-10 years
Infrastructure	15-35 years

Employee Compensated Absences Balance

Employees accrue vacation leave at a rate per month based on the length of employment service. Employees may not accrue more than 30 days of vacation leave. On each employee's hire-date anniversary, the days in excess of 30 on the hire-date are lost.

In addition to the vacation leave, employees other than supervisors also accrue compensatory overtime benefits at a rate of 1.5 times the actual hours worked. All employees including supervisors accrue holiday benefits at a rate of the normal workday hours.

All unused vacation leave (not exceeding 30 days), compensatory overtime, and holiday benefits accrued is payable upon resignation, retirement, or death to all employees. The District accrues a liability for the employee unused vacation leave, compensatory overtime, and holiday benefits in the proprietary fund.

Employees also have 10 days each year of sick leave that accumulates and carries forward to subsequent years. Retiring employees with 20 years of service to the District are paid for up to 90 days of unused sick leave.

Pension – BCWID Retiree Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the BCWID Retiree Plan and additions to/ deductions from BCWID Retiree Plan fiduciary net position have been determined on the same basis as they are reported by the BCWID Retiree Plan. For this purpose, benefits payments are recognized when due and payable in accordance with benefit terms.

Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net positions are classified in the following categories:

Net investment capital assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Restricted net position - This amount is restricted when there are limitations imposed on its use by either external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The restricted net position on August 31, 2021, was \$642,465, restricted for debt service. The District had restricted assets of cash for debt service of \$661,770 along with related liabilities of accrued interest payable of \$19,305.

Unrestricted net position - This amount is the net position that does not meet the definition of "restricted net position" or "net investment in capital assets".

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the District uses the restricted resources first for the expense.

Budgets and Budgetary Accounting

The District formulates and approves a flexible budget to use as a control device to manage and control expenses during the fiscal year. The budget is affected by the changes in demand for water during the fiscal year. If there is a lot of rain during the year, the water sales appropriately decrease as demand for water decreases. Along with the decreased demand for water, certain expenses such as utilities and repairs also decrease.

The Enterprise Fund (Maintenance and Operating) budget uses accrual concepts except that capital asset purchases (other than bonded debt related to construction), and significant purchases of inventory are reflected as expenses in the year of purchase. In addition, debt service revenue, depreciation on capital assets, bond interest expenses, bond issue fees and costs, and the accrued employee compensated balances are not budgeted.

The Brown County Water Improvement District #1 follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to the beginning of the fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenses and the means of financing them. The proposed water rates are calculated on a running five-year average of the gallons of water sold divided by the estimated operating costs for the budget year.

A meeting of the board of directors is then called, and public notice given, for the purpose of adopting the proposed budget.

Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the board of directors.

Once a budget is approved, it can only be amended by the approval of a majority of the members of the board of directors. As required by law, such amendments are made before the fact, are reflected in the official minutes of the board of directors and are not made after fiscal year end.

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provision, if any, are reported below, along with actions taken to address such violations:

<u>Violations</u>	<u>Action Taken</u>
None reported	Not applicable

Deficit Fund Balance or Fund Net Position of Individual Funds

There were no deficit fund balances or fund net positions on August 31, 2021.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Risk Management

The District is exposed to various risks of loss related to torts, theft, damage, or destruction of assets, errors, and omissions, injuries to employees, and natural disasters. During the year ended August 31, 2020, the Brown County Water Improvement District #1 was a member of the Texas Water Conservation Association Risk Management Fund (Fund). The Fund is a public entity risk pool composed of three separate self-insurance programs. The Fund is governed by an eleven-member Board of Trustees comprised of senior management from member districts and authorities. Each board member is elected by the Fund's membership and serves overlapping three-year terms. Members pay contributions to the Fund for purposes of obtaining coverage against risks associated with worker's compensation, liability, or property. The District participates in each of the Fund's programs. The Fund operates as a risk-sharing pool by assuming the risks related to the contributions paid by each member regardless of whether the group continues to be a participating member of the Association. With the exception of any deductibles or retrospective rated coverage, the members fully transfer their risks to the Fund. The BCWID retains a small risk on an annual deductible amount on each type of insurance coverage. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

The District also provides health care to its employees through a commercial insurance with no risk retained by the District. The employees may pay premiums for spouse and/or family members. Employees, at their retirement, may pay the premiums for coverage if they elect to do so. The District does not pay any portion of the retired employee's coverage.

NOTE 3: DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

The following are the District's cash and investment holdings held at cost which approximates fair value.

Cash and Cash Equivalents

Unrestricted

Cash on hand	\$	275
Cash in bank		1,781,745
Certificates of deposit, maturity 3 month or less		<u>6,791,500</u>
Total unrestricted		<u><u>8,573,520</u></u>

Restricted

Interest & Sinking cash in bank		<u>661,770</u>
Total Restricted		<u><u>661,770</u></u>
Total Cash and Cash Equivalents	\$	<u><u>9,235,290</u></u>

At year-end, the cash and investments on deposit at the depository bank had a carrying amount of \$9,235,015 and a bank balance of \$9,317,058. The bank balance was properly secured by applicable FDIC coverage and pledged securities on August 31, 2020, and at all times throughout the fiscal year.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS - continued

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owed by the entity.

The Public Funds Investment Act (ACT) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirement of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

Investment Accounting Policy

The District has adopted the provisions of GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Pools." Those provisions require that certain investments be reported at fair value, rather than at cost or amortized cost, and that the changes in the fair value of investments be recognized as investment revenue.

The Statement further provides that the District has the option of continuing to report certain investments at cost or amortized cost but must disclose its policy in that regard.

In accordance with the Statement, the District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Analysis of Specific Deposit and Investment Risk

Credit Risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

Custodial Credit Risk, which is the risk that deposits are exposed to if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. On August 31, 2021, the District was not exposed to custodial credit risk.

Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's policy is to diversify its investments by security type, maturity scheduling and financial institution to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. On August 31, 2021, the District was not exposed to concentration of credit risk.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS - continued

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the maturity of investments to less than one year. However, the Board may specifically authorize a longer maturity for a given investment within legal limits. The maturities of such investments are to be made to coincide as nearly as possible with the expected use of the funds.

Foreign Currency Risk is the risk that exchange rates will adversely affect the fair value of an investment. As of August 31, 2021, the District was not exposed to foreign currency risk.

NOTE 4: PROPERTY AND EQUIPMENT

A summary of changes in fixed assets is as follows:

	<u>Balance at Dec 31, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at Dec 31, 2021</u>
Business-type Activities:				
Non-Depreciable Assets:				
Real Estate and Reservoirs	\$ 2,104,368	\$ _____	\$ _____	\$ 2,104,368
Total non-depreciable assets	<u>2,104,368</u>	<u>_____</u>	<u>_____</u>	<u>2,104,368</u>
Depreciable Assets:				
Infrastructure	38,998,606			38,998,606
Buildings	483,940			483,940
Machinery and equipment	1,471,523	51,654	44,555	1,478,622
Total depreciable assets	<u>40,954,069</u>	<u>51,654</u>	<u>44,555</u>	<u>40,961,168</u>
Less accumulated depreciation				
Infrastructure	21,520,090	731,810		22,251,900
Buildings	460,594	5,961		466,555
Machinery and equipment	1,123,522	68,724	44,555	1,147,691
Total accumulated depreciation	<u>23,104,206</u>	<u>806,495</u>	<u>44,555</u>	<u>23,861,146</u>
Total Business-type Activities, net:	\$ <u>19,954,231</u>	\$ <u>(754,841)</u>	\$ _____	\$ <u>19,199,390</u>

Depreciation expense for the year ended August 31, 2021, was \$806,495.

Additions to capital assets included two pickups and a motor and fire equipment to a boat.

NOTE 5: LONG-TERM DEBT

In October 2004, the District made application to the Texas Water Development Board (TWDB) seeking financial assistance to provide funds for making certain water improvements, in accordance with the State Water Revolving Fund. TWDB approved the application. The City of Brownwood's water supply contract with the District requires the City to pass an ordinance approving the issuance of the bonds of the District and to serve as the primary obligated party for the bond issue (as has been the case on all previous bond issues of the BCWID #1). In November 2005, the District and City executed a Memorandum of Understanding (MOU) regarding the water system improvement project.

In October 2006, the Board of Directors approved the certificate for order authorizing the issuance, sale, and delivery of the Brown County Water Improvement District No. 1 Revenue Bonds, Series 2006, in the principal amount of \$20,490,000. The bonds are dated August 1, 2006. These bonds are issued through the Drinking Water State Revolving Fund. The District submitted requests for reimbursements of allowable construction costs along with the supporting documentation of those expenditures to the TWDB as construction progressed.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 5: LONG-TERM DEBT - continued

As the TWDB reviews and approves the reimbursements, the bonds are funded, and the proceeds are remitted to the District. The bond funds remitted to the District represent pass-through Federal Assistance provided by the Environmental Protection Agency. All of the revenue bonds were issued as of August 31, 2017.

The Modification No. 1 to the Water Supply Contract dated January 1, 2000, with the City of Brownwood is a part of the certificate for order authorizing the 2006 revenue bonds. The modified water supply contract provides that a debt service charge of a fixed monthly payment will be paid by the City of Brownwood and other contracting parties (Brooksmith Special Utility District, City of Early, Zephyr Water Supply, and City of Bangs) for the annual debt service requirements. The monthly debt service charges are calculated to produce monies enough to pay the required debt service payments as they become due. The City of Brownwood is liable for payment of all of the principal and interest on the bonds. However, the other contracting parties pay a portion of the debt service charge based on the percentage of treated water sold to those entities over the last five years.

The bonds are payable from and secured by an irrevocable first lien on and pledge of the pledged revenues. The bonds are secured by and payable only from the pledged revenues and are not secured by or payable from a mortgage or deed of trust on any real, personal, or mixed properties constituting the System.

The BCWID will provide annually to each NRMSIR (nationally recognized municipal securities information repository) and any SID (state information repository), within six months after the end of each fiscal year, financial information, and operating data with respect to the District. The Issuer will notify any SID and either each NRMSIR or the MSRB (Municipal Securities Rulemaking Board), in a timely manner, of any material event notices.

The bond principal is payable on February 1 of each year beginning in 2009. Interest on the bonds is payable semiannually on each February 1 and August 1, beginning on February 1, 2007. The bond interest rates vary from 2.150% up to 2.950%. Once all bonds are issued, the maturity terms of the bonds range from February 1, 2009, through February 1, 2028. The bonds and interest are payable to the paying agent, Regions Bank, Houston, Texas. The balance of the long-term debt on August 31, 2021, was \$8,380,000.

The 2006 Bond Order requires that the District "fix, establish, maintain, and collect such rates, charges, and fees for the use and availability of the System at all times as are necessary to produce Gross Revenues sufficient, together with any other Pledged Revenues, (1) to pay all current operation and maintenance expenses of the System, and (2) to produce Pledged Revenues for each year at least equal to one times the principal and interest requirements of all then outstanding Bonds and Additional Bonds for the year during which such requirements are scheduled to be the greatest." The District is in compliance with the required Rate Covenant for the year ended August 31, 2021.

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balances</u>	<u>Due Within</u> <u>One Year</u>
Brown County Water Improvement					
District Revenue Bonds					
Series 2006	\$ 9,450,000	\$	\$ 1,070,000	\$ 8,380,000	\$ 1,100,000
Net Pension Liability	267,398	26,039	39,427	254,010	
Compensated Absences	298,023	111,882	86,794	323,111	
Total Debt	<u>\$ 10,015,421</u>	<u>\$ 137,921</u>	<u>\$ 1,196,221</u>	<u>\$ 8,957,121</u>	<u>\$ 1,100,000</u>

Total interest expense for the year ended August 31, 2021, was \$248,671.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 5: LONG-TERM DEBT - continued

The debt matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,100,000	\$ 221,955	\$ 1,321,955
2023	1,130,000	191,568	1,321,568
2024	1,160,000	159,790	1,319,790
2025	1,195,000	126,820	1,321,820
2026	1,230,000	92,563	1,322,563
2027-2028	<u>2,565,000</u>	<u>75,867</u>	<u>2,640,867</u>
	<u>\$ 8,380,000</u>	<u>\$ 868,563</u>	<u>\$ 9,248,563</u>

NOTE 6: DEFERRED OUTFLOW AND INFLOW OF RESOURCES

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, *deferred outflows of resources* and *deferred inflows of resources*, represent acquisitions of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) or an outflow of resources (expenditures) until that time. On August 31, 2021, there was deferred outflows of resources amounting to \$8,415 and deferred inflows of resources amounting to \$3,895 related to the BCWID Retiree Plan. Additional disclosures are discussed in Note 7 Employee Retirement Plans - BCWID Retiree Plan.

NOTE 7: EMPLOYEE RETIREMENT PLANS

Employees Retirement Fund

Effective September 1, 2011, the BCWID adopted a cash or deferred profit-sharing plan and is known as the BCWID Defined Contribution Plan. This Plan is a single-employer plan. The Plan Administrator is the BCWID, and the Plan Trustees are the general manager and two board members of the District. The Plan covers substantially all employees of the District. Each employee is eligible for coverage in the plan when he/she has worked 6 months or longer. Minimum age of participants must be 20.5. Elective deferral contributions by employees are not permitted. Matching contributions are not permitted. Normal retirement age is 65. The Plan does not provide an early retirement age.

Within the defined contribution plan, the District established the BCWID 401(a) Discretionary Plan, an allocated group annuity contract issued by the American United Life Insurance Company. The contract is an agreement between the District as the sponsoring employer/ plan trustee and AUL. An allocated contract means that every participant who holds assets in the Plan will have an individual account. Each participant account maintains each money source separately and each participant will determine the investments for his account. The BCWID 401(a) Discretionary Plan is funded through biweekly payments from the District based on a percentage of gross payrolls for each employee. An annual "catch-up" contribution is made each September to fund the amount needed for each of the participants to accumulate the same benefit amount due that would have been available under the old defined benefit plan in effect in prior years. This annual "catch-up" contribution is subject to resources available and appropriation by the Board each fiscal year. This fiscal year is the final year required for the annual catch-up contribution for participants in the old defined benefit plan.

An analysis of defined contribution payments to the 401A Discretionary Plan follows:

Total payroll for the fiscal year ended 8-31-2021	\$1,237,976
Total covered payroll	\$1,151,220
Annual contributions, based on percentage of gross payroll	\$81,796 7.11%

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 7: EMPLOYEE RETIREMENT PLANS - continued

BCWID Retiree Plan

Previous to adopting the defined contribution plan, the BCWID had three retirees receiving monthly benefits from the defined benefit plan that was terminated effective August 31, 2011. To continue to provide the same benefits due to these retirees, the remaining assets from the defined benefit plan trust were transferred to a new group annuity contract for the BCWID Retiree Plan. Once those assets were used, the District began funding the annual amount necessary for the retirees' benefits each September. In September 2020 the District contributed \$10,000 to fund the 2020-2021 payments due to the Retirees.

Even though BCWID Retiree Plan is a group annuity contract, the defined contributions for the Retiree Plan do not meet the definition of a defined contribution plan in accordance with the Governmental Accounting Standards Board (GASB) Statement 68. GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements. GASB Statement 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

On August 31, 2021, the District reported a net pension liability of \$254,010. The net pension liability was measured as of August 31, 2020, and the total pension liability was determined by an actuarial valuation as of August 31, 2020. The present value of benefits was calculated by 2000 RP mortality table at 5.5% interest. There were no active employees included in the BCWID Retiree Plan. Total payments to the two remaining retirees amounted to \$39,427.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 8/31/20	\$ 269,901	\$ 2,503	\$ 267,398
Changes for the year:			
Pension plan investment income		953	(953)
Employer contributions		10,000	(10,000)
Difference between expected and actual experience	(2,435)		(2,435)
Benefit payments	(39,427)	(39,427)	
Net changes	(41,862)	(28,474)	(13,388)
Balance at 8/31/21	\$ 228,039	\$ (25,971)	\$ 254,010

The effects of the differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of the two inactive employees that are provided with benefits through the pension plan. A deferred inflow of resources of \$11,771 was created by the decrease of the present value of retiree benefits as of August 31, 2017. The deferred inflow of resources will be amortized over 7.00 years, which was the average remaining lives of the two retirees as of August 31, 2017. The amortization of that cost will be \$1,858 each year.

The deferred outflow of resources created as August 31, 2016, continued to be amortized by \$7,766 during the current year. For the year ended August 31, 2021, the District recognized net pension expense of \$5,706 less the pension plan investment income of \$953 credited to the plan.

The amounts of the District's balances of deferred outflows of resources related to the BCWID Retiree Plan will be recognized in pension expense as follows:

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 7: EMPLOYEE RETIREMENT PLANS - continued

Year Ended August 31:	Pension Expense Amount
2022	5,706
2023	(176)
2024	(202)
2025	(202)
2026	(202)
Thereafter	(404)

Deferred Compensation Plan — Internal Revenue Code Section 457

The District has made available to its employees a deferred compensation program (457 Plan), created in accordance with Internal Revenue Code Section 457. The 457 Plan permits employees to defer from a minimum of 3% up to a maximum of 15% (not greater than 25%) of compensation. The deferrals are not available to employees until termination, retirement, death, or unforeseeable emergency. Distributions are made by lump sum payout only. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held for the exclusive benefits of the

employees and their beneficiaries. The Plan assets are allocated to separate accounts to each participant employee. The District matches 3% of the deferred compensation.

During the year ended August 31, 2021, the total amounts contributed to 457 Plan were:

Total covered payroll	1,125,994	
Employee contributions, based on percentage of gross payroll designated by each employee	79,286	7.04%
District matching contribution	33,780	3.00%
Total contributions to 457 deferred compensation plan	113,066	10.04%

NOTE 8: BUDGET VARIANCES

The District had no department with an overall negative budget variance. All expenses were authorized and approved by the Board prior to being incurred. There were individual line items within each department that exceeded the amended budget, but the line items which were under budget more than offset these line items.

NOTE 11: NEW GASB STATEMENTS

In June 2017, the GASB issued Statement No. 87 *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. GASB No. 95 postponed the effective date 18 months. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2018, the GASB issued Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 11: NEW GASB STATEMENTS – continued

effective for reporting periods beginning after December 15, 2019. GASB No. 95 postponed the effective date one year. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In August 2018, the GASB issued Statement No. 90 *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. GASB No. 95 postponed the effective date one year. The District determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In May 2019, the GASB issued Statement No. 91 *Conduit debt obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021, due to GASB No. 95. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92 *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021. GASB No. 95 postponed the effective date for one year. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 93 *Replacement of Interbank Offered Rates*. The objective of the Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for reporting periods ending after December 15, 2021. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2022. GASB No. 95 postponed the implementation by one year. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 11: NEW GASB STATEMENTS – continued

interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018. And later. The following statements are postponed by one year: 83, 84, 88, 89, 90, 91, 92 and 93. The following statement is postponed by 18 months: No. 87. The requirements of this Statement are effective immediately.

In May 2020, the GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for years beginning after June 15, 2022. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2020, the GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements Nos. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

REQUIRED SUPPLEMENTARY INFORMATION

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

BUDGETARY COMPARISON SCHEDULE - PROPRIETARY FUND

Year Ended August 31, 2021

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Operating revenues:		
Treated water sales:		
City of Brownwood	\$ 1,596,600	\$ 1,596,600
Brookesmith Water Supply	994,200	994,200
City of Bangs	120,100	120,100
City of Early	208,100	208,100
Zephyr Water Supply	244,700	244,700
Entities revenues for debt service - not budgeted:		
City of Brownwood		
Brookesmith Water Supply		
City of Bangs		
City of Early		
Zephyr Water Supply		
Untreated water sales - Thunderbird Bay	4,800	4,800
Irrigation water	75,000	75,000
Water connections and contracts	100,000	100,000
Total operating revenues	<u>3,343,500</u>	<u>3,343,500</u>
Operating expenses:		
Administration Expenses:		
Salaries	273,800	273,800
Employee compensated absences		
Retirement	163,000	153,000
Social security	21,000	21,000
Group insurance	49,000	49,000
Workmen's compensation	500	500
Unemployment - TWC	3,000	3,000
Supplies	15,500	15,500
Communications	2,000	2,000
Insurance	15,800	15,800
Travel expenses	1,200	1,200
Publications	2,000	2,000
Utilities	7,000	7,000
Legal & consultation fees	30,000	33,500
Director fees	10,500	10,500
Education, fees, and dues	12,000	12,000
Maintenance - buildings & grounds	7,000	7,000
Replacements - buildings & grounds	2,500	2,500
Maintenance - equipment	1,000	1,000
Replacements - equipment	36,000	36,000
Election costs		
Audit	15,000	15,000
Total Administration Expense	<u>667,800</u>	<u>661,300</u>

		Actual Amounts		
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	
\$ 1,523,719		\$ 1,523,719	\$ (72,881)	
1,198,982		1,198,982	204,782	
148,025		148,025	27,925	
207,037		207,037	(1,063)	
312,257		312,257	67,557	
674,340	(674,340)			
419,942	(419,942)			
50,639	(50,639)			
87,917	(87,917)			
103,282	(103,282)			
117,722		117,722	(4,800)	
120,973		120,973	42,722	
<u>4,964,835</u>	<u>(1,336,120)</u>	<u>3,628,715</u>	<u>20,973</u>	
			<u>285,215</u>	
275,163		275,163	(1,363)	
4,104	(4,104)			
145,331		145,331	7,669	
23,811		23,811	(2,811)	
44,206		44,206	4,794	
364		364	136	
6,077		6,077	(3,077)	
12,996		12,996	2,504	
1,940		1,940	60	
15,354		15,354	446	
			1,200	
			2,000	
6,380		6,380	620	
34,736		34,736	(1,236)	
7,650		7,650	2,850	
9,918		9,918	2,082	
1,190		1,190	5,810	
			2,500	
67		67	933	
			36,000	
11,309	(11,309)			
15,000		15,000		
<u>615,596</u>	<u>(15,413)</u>	<u>600,183</u>	<u>61,117</u>	

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Field Operations Expense:		
Salaries	467,600	467,600
Employee compensated absences		
Social security	35,700	35,700
Group insurance	129,000	117,000
Workmen's compensation	8,000	8,000
Supplies	2,000	2,000
Fuel	18,000	18,000
Uniforms	2,600	2,600
Communications	3,500	3,500
Insurance	23,500	23,500
Travel expenses	2,500	2,500
Utilities	27,000	27,000
Education, fees, and dues	2,000	2,000
Maintenance - buildings & grounds	3,000	3,000
Maintenance - laterals & service lines	12,000	12,000
Maintenance - meters	2,000	2,000
Maintenance - pumps, motors, meters	9,000	9,000
Replacements - buildings & laterals	10,000	10,000
Maintenance - machinery, tools, equipment	25,000	17,000
Replacements - equipment/motor vehicles	2,000	2,000
Total Field Operations Expense	<u>784,400</u>	<u>764,400</u>
Lake Expenses:		
Salaries	164,000	211,000
Employee compensated absences		
Social security	12,600	12,600
Group insurance	48,600	48,600
Workmen's compensation	2,350	2,350
Supplies	6,000	6,000
Fuel	14,000	14,000
Uniforms	3,000	3,000
Signs & bouys	16,000	16,000
Communications	4,500	4,500
Insurance	16,800	16,800
Travel expenses	1,500	1,500
Utilities	8,000	8,000
Education, fees, and dues	2,000	2,000
Maintenance - buildings & grounds	25,000	25,000
Maintenance - equipment	13,000	13,000
Replacements - equipment	8,200	60,200
Total Lake Expenses	<u>345,550</u>	<u>444,550</u>

Actual Amounts			
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
471,741		471,741	(4,141)
18,030	(18,030)		
33,728		33,728	1,972
116,710		116,710	290
8,550		8,550	(550)
2,301		2,301	(301)
12,152		12,152	5,848
849		849	1,751
4,262		4,262	(762)
25,889		25,889	(2,389)
621		621	1,879
26,426		26,426	574
1,725		1,725	275
8,975		8,975	(5,975)
10,572		10,572	1,428
6,000		6,000	(4,000)
			9,000
6,551		6,551	3,449
14,746		14,746	2,254
			2,000
<u>769,828</u>	<u>(18,030)</u>	<u>751,798</u>	<u>12,602</u>
216,551		216,551	(5,551)
(8,989)	8,989		
17,308		17,308	(4,708)
54,261		54,261	(5,661)
2,579		2,579	(229)
6,715		6,715	(715)
9,056		9,056	4,944
3,367		3,367	(367)
5,234		5,234	10,766
4,970		4,970	(470)
16,582		16,582	218
113		113	1,387
6,618		6,618	1,382
865		865	1,135
21,846		21,846	3,154
8,681		8,681	4,319
48,263		48,263	11,937
<u>414,020</u>	<u>8,989</u>	<u>423,009</u>	<u>21,541</u>

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
Treatment Plant Expenses:		
Salaries	351,000	351,000
Employee compensated absences		
Social security	27,000	27,000
Group insurance	113,000	113,000
Workmen's compensation	6,300	6,300
Supplies	5,000	5,000
Fuel	3,000	3,000
Uniforms	2,000	2,000
Lab supplies	27,000	27,000
Chemicals	280,000	280,000
Communications	3,500	3,500
Insurance & bonds	30,000	30,000
Travel expenses	2,500	2,500
Utilities	275,000	275,000
Contractual equipment maintenance	50,000	50,000
Education, fees, and dues	8,500	8,500
Maintenance - buildings & grounds	39,000	39,000
Replacements - buildings & grounds	30,000	30,000
Maintenance - valves	3,000	3,000
Maintenance - meters	6,000	6,000
Maintenance - motors & pumps	4,000	4,000
Maintenance - equipment	25,000	25,000
Replacements - equipment	30,000	30,000
Total Treatment Plant Expenses	<u>1,320,800</u>	<u>1,320,800</u>
Other non-departmental expenses	185,000	185,000
Flat Rock Park operations		
Depreciation		
Total operating expenses	<u>3,303,550</u>	<u>3,376,050</u>
Operating income (loss)	<u>39,950</u>	<u>(32,550)</u>
Non-Operating Revenues(Expenses):		
Rental and lease income:		
Commercial stalls and concessions	15,000	15,000
Docks and spaces	210,000	210,000
Lake residence, lot, land, and grass leases	14,000	14,000
Total rental and lease income	<u>239,000</u>	<u>239,000</u>
Sale of assets	10,000	10,000
Interest income	15,000	15,000
Other miscellaneous revenues		
Bond issue fees and costs		
Interest expense		
Total non-operating revenue(expense)	<u>264,000</u>	<u>264,000</u>
Total change in net position	303,950	231,450
Net position - beginning of year	<u>19,018,475</u>	<u>19,018,475</u>
Net position - end of year	<u>\$ 19,322,425</u>	<u>\$ 19,249,925</u>

Actual Amounts			
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
346,668		346,668	4,332
11,944	(11,944)		
26,437		26,437	563
92,213		92,213	20,787
6,699		6,699	(399)
5,550		5,550	(550)
3,175		3,175	(175)
2,624		2,624	(624)
22,442		22,442	4,558
348,144		348,144	(68,144)
3,046		3,046	454
29,881		29,881	119
129		129	2,371
250,408		250,408	24,592
50,929		50,929	(929)
9,203		9,203	(703)
15,384		15,384	23,616
23,896		23,896	6,104
5,616		5,616	(2,616)
10,805		10,805	(4,805)
12,760		12,760	(8,760)
21,239		21,239	3,761
273		273	29,727
<u>1,299,465</u>	<u>(11,944)</u>	<u>1,287,521</u>	<u>33,279</u>
117,042		117,042	67,958
21,230		21,230	(21,230)
806,495	(806,495)		
<u>4,043,676</u>	<u>(842,893)</u>	<u>3,200,783</u>	<u>175,267</u>
921,159	(493,227)	427,932	109,948
21,250		21,250	6,250
235,986		235,986	25,986
11,872		11,872	(2,128)
<u>269,108</u>		<u>269,108</u>	<u>30,108</u>
(500)		(500)	(10,500)
8,006		8,006	(6,994)
34,628		34,628	34,628
(806)	806	(806)	(806)
<u>(248,671)</u>	<u>248,671</u>	<u>(248,671)</u>	<u>248,671</u>
61,765	249,477	61,765	295,107
982,924	(243,750)	489,697	405,055
<u>19,018,475</u>		<u>19,018,475</u>	
<u>\$ 20,001,399</u>	<u>\$ (243,750)</u>	<u>\$ 19,508,172</u>	<u>\$ 405,055</u>

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

Schedule of Net Pension Liability

Year Ended August 31, 2021

	<u>Fiscal Year</u> 2021	<u>Fiscal Year</u> 2020	<u>Fiscal Year</u> 2019	<u>Fiscal Year</u> 2018
<u>Total Pension Liability</u>				
Difference between expected and actual experience	\$ (2,435)	33,253	19,928	(74,492)
Benefit payments	<u>(39,427)</u>	<u>(39,427)</u>	<u>(39,427)</u>	<u>(68,771)</u>
Net change in total pension liability	(41,862)	(6,174)	(19,499)	(143,263)
Total pension liability beginning of year	<u>269,901</u>	<u>276,075</u>	<u>295,574</u>	<u>438,837</u>
Total pension liability end of year	\$ <u><u>228,039</u></u>	\$ <u><u>269,901</u></u>	\$ <u><u>276,075</u></u>	\$ <u><u>295,574</u></u>
<u>Plan Fiduciary Net Position</u>				
Employer contributions	\$ 10,000	10,000	39,500	78,500
Pension plan investment income	953	388	834	588
Benefit payments - 2 retirees	<u>(39,427)</u>	<u>(39,427)</u>	<u>(39,427)</u>	<u>(68,771)</u>
Net change in plan fiduciary net position	(28,474)	(29,039)	907	10,317
Plan fiduciary net position, beginning of year	<u>2,503</u>	<u>31,542</u>	<u>30,635</u>	<u>20,318</u>
Plan fiduciary net position, end of year	\$ <u><u>(25,971)</u></u>	\$ <u><u>2,503</u></u>	\$ <u><u>31,542</u></u>	\$ <u><u>30,635</u></u>
Net Pension Liability, end of year	\$ <u><u>254,010</u></u>	\$ <u><u>267,398</u></u>	\$ <u><u>244,533</u></u>	\$ <u><u>264,939</u></u>
Plan fiduciary net position as a percentage of total pension liability	-11.39%	0.93%	11.43%	10.36%
District's covered employee payroll - none active	\$ -	-	-	-
Net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%

Notes to Schedule

Pension plan assets are held in a group annuity contract of the BCWID Retiree Plan. The measurement date of the net pension liability was August 31, 2021.

GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

In accordance with GASB 68, Paragraph 138, only seven years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Contributions are not actuarially determined. The benefits for the two retirees were determined on the actual date of retirement. The pension paid to each retiree does not change. The District funds the BCWID Retiree Plan annually in Spetember based on the amount needed to fully fund one year of retiree paymens. Because of this, no schedule of actuarially determined contributions is presented.

<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2015</u>
(11,771)	55,011	-
<u>(58,990)</u>	<u>(78,553)</u>	<u>(78,553)</u>
<u>(70,761)</u>	<u>(23,542)</u>	<u>(78,553)</u>
<u>509,598</u>	<u>533,140</u>	<u>611,693</u>
<u>438,837</u>	<u>509,598</u>	<u>533,140</u>
74,500	45,800	-
428	466	914
<u>(58,990)</u>	<u>(78,553)</u>	<u>(78,553)</u>
<u>15,938</u>	<u>(32,287)</u>	<u>(77,639)</u>
<u>4,380</u>	<u>36,667</u>	<u>114,306</u>
<u>20,318</u>	<u>4,380</u>	<u>36,667</u>
<u>418,519</u>	<u>505,218</u>	<u>496,473</u>
4.63%	0.86%	6.88%
-	-	-
0.00%	0.00%	0.00%

TEXAS SUPPLEMENTARY INFORMATION

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-1. SERVICES AND RATES - UNAUDITED

Year Ended August 31, 2021

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

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

2. **Retail Rates Based on 5/8" Meter:** Not Applicable to this District

3. **Retail Service Providers:** Not Applicable to this District

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

Gallons pumped into system:	2,640,065
Gallons billed to customers:	<u>2,640,065</u>

5. **Standby Fees:** Does the District assess standby fees? Yes No

6. Anticipated sources of funds to be used for debt service payments in the District's following fiscal year:

a. Water revenues - debt service \$ 1,336,120

The District bills the five entities that purchase treated water their pro-rata share of applicable debt service payments based on the annual water usage.

7. **Location of District:**

County in which the District is located: Brown

Is the District located entirely in one county? Yes No

However, the District does not encompass all of the county.

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

City(ies) in which the District is located: City of Brownwood City of Early

However, the District does not encompass all of either city.

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely Partly Not at all

ETJs in which the District is located: City of Brownwood City of Early

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

If Yes, by whom? Each member is elected by the general public in Brown County.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-3 TEMPORARY INVESTMENTS - UNAUDITED

Year Ended August 31, 2021

	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
Certificates of deposit					
Citizens National Bank	7/8/2021	0.10%	9/6/2021	\$ 654,500	\$ 97
Citizens National Bank	7/3/2021	0.10%	9/1/2021	300,000	48
Citizens National Bank	8/28/2021	0.10%	11/27/2021	706,100	6
Citizens National Bank	7/29/2021	0.10%	9/27/2021	490,500	44
Citizens National Bank	7/8/2021	0.10%	9/6/2021	502,800	74
Citizens National Bank	8/10/2021	0.10%	10/9/2021	449,000	26
Citizens National Bank	6/8/2021	0.07%	9/7/2021	268,500	43
Citizens National Bank	8/9/2021	0.10%	10/8/2021	781,500	47
Citizens National Bank	8/11/2021	0.10%	10/10/2021	402,300	22
Citizens National Bank	8/20/2021	0.12%	10/19/2021	716,000	26
Citizens National Bank	8/7/2021	0.10%	10/6/2021	500,500	33
Citizens National Bank	8/22/2021	0.12%	10/21/2021	500,500	15
Citizens National Bank	8/7/2021	0.10%	10/6/2021	519,300	34
				<u>\$ 6,791,500</u>	<u>\$ 515</u>

Temporary investments with a maturity less than three months are presented in the statement of net position as cash equivalents. All investments held at year end have a maturity of less than three months.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS
2006 SERIES TWDB BONDED DEBT (UNAUDITED)**

Year Ended August 31, 2021

Due During Fiscal Years Ending	ANNUAL REQUIREMENTS FOR 2006 SERIES		
	Principal Due	Interest Due	Total
2022	\$ 1,100,000	\$ 221,955	\$ 1,321,955
2023	1,130,000	191,568	1,321,568
2024	1,160,000	159,790	1,319,790
2025	1,195,000	126,820	1,321,820
2026	1,230,000	92,563	1,322,563
2027	1,265,000	56,693	1,321,693
2028	1,300,000	19,175	1,319,175
	<u>\$ 8,380,000</u>	<u>\$ 868,564</u>	<u>\$ 9,248,564</u>
Average Annual Debt Service		7.0 years	\$ 1,321,223

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-6. CHANGES IN LONG-TERM LOANS (UNAUDITED)
Year Ended August 31, 2021

	<u>TWDB</u> <u>Series 2006</u>
Interest Rate	2.15% - 2.95%
Dates Interest Payable	2/1; 8/1
Maturity Dates	2/1/2028
Beginning Loans Outstanding	\$ 9,450,000
Loan Proceeds Received During Fiscal Year	
Loans Retired During Fiscal Year	<u>1,070,000</u>
Ending Bonds Outstanding	\$ <u><u>8,380,000</u></u>
Interest Paid During Fiscal Year	\$ 18,137
Paying Agents Name and City	Regions Bank Houston, TX
Amount authorized by Board of Directors	\$ 20,490,000
Amount issued	\$ 20,490,000
Debt Service Fund cash and temporary investments balances as of August 31, 2021	\$ 661,770
Average annual debt service payment (principal and interest) for remaining term of all debt	\$ 1,321,223

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-7a. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - ENTERPRISE FUND - UNAUDITED
Five Years Ended August 31, 2017, 2018, 2019, 2020 and 2021

	AMOUNTS				
	2021	2020	2019	2018	2017
Operating revenues:					
Treated water sales:					
City of Brownwood	\$ 1,523,719	\$ 1,612,623	\$ 1,544,818	\$ 1,648,545	\$ 1,364,916
Brookesmith Water Supply	1,198,982	1,117,909	962,618	1,020,777	941,747
City of Bangs	148,025	129,299	112,970	106,983	99,574
City of Early	207,037	201,279	203,643	259,440	187,770
Zephyr Water Supply	312,257	277,247	245,455	215,817	197,164
Debt service revenues:					
City of Brownwood	674,340	689,810	709,275	725,866	754,858
Brookesmith Water Supply	419,942	404,427	388,884	371,834	347,449
City of Bangs	50,639	52,641	55,784	59,054	58,622
City of Early	87,917	93,658	97,522	102,395	103,458
Zephyr Water Supply	103,282	95,528	86,285	79,373	74,013
Irrigation water	117,722	230,745	101,907	208,537	111,329
Water connections and contracts	120,973	119,749	112,952	110,177	127,351
Total operating revenues	<u>4,964,835</u>	<u>5,024,915</u>	<u>4,622,113</u>	<u>4,908,798</u>	<u>4,368,251</u>
Operating expenses:					
Administrative expenses	615,596	584,040	555,194	484,102	598,709
Field operations expenses	769,828	735,128	681,382	669,947	621,921
Lake expenses	414,020	299,764	263,239	337,493	331,927
Treatment plant expenses	1,299,465	1,344,886	1,223,333	1,296,433	1,211,800
Other non-departmental expenses	117,042	90,635	53,357	114,588	75,010
Flat Rock Park operations	21,230				
Depreciation	806,495	854,063	920,901	926,979	1,043,956
Total operating expenses	<u>4,043,676</u>	<u>3,908,516</u>	<u>3,697,406</u>	<u>3,829,542</u>	<u>3,883,323</u>
Operating Income (Loss)	<u>921,159</u>	<u>1,116,399</u>	<u>924,707</u>	<u>1,079,256</u>	<u>484,928</u>
Non-Operating Revenues/(Expenses):					
Interest income	8,006	72,314	114,216	72,662	30,454
Rental and lease income	269,108	259,051	252,839	255,985	251,566
Loss on sale of capital assets	(500)	183,347	210,063	75,997	1,250
Other miscellaneous revenues	34,628	40,951	38,299	26,447	38,013
Bond issue fees and costs	(806)	(806)	(806)	(806)	(806)
Interest expense	<u>(248,671)</u>	<u>(276,530)</u>	<u>(303,215)</u>	<u>(328,958)</u>	<u>(353,626)</u>
Net Income	<u>\$ 982,924</u>	<u>\$ 1,394,726</u>	<u>\$ 1,236,103</u>	<u>\$ 1,180,583</u>	<u>\$ 451,779</u>

PERCENT OF FUND TOTAL REVENUE

2021	2020	2019	2018	2017
30.7%	32.1%	33.4%	33.6%	31.2%
24.1%	22.3%	20.9%	20.8%	21.6%
3.0%	2.6%	2.4%	2.2%	2.3%
4.2%	4.0%	4.4%	5.3%	4.3%
6.3%	5.5%	5.3%	4.4%	4.5%
13.6%	13.7%	15.4%	14.8%	17.3%
8.4%	8.0%	8.4%	7.6%	8.0%
1.0%	1.0%	1.2%	1.2%	1.3%
1.8%	1.9%	2.1%	2.1%	2.4%
2.1%	1.9%	1.9%	1.6%	1.7%
2.4%	4.6%	2.2%	4.2%	2.5%
2.4%	2.4%	2.4%	2.2%	2.9%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
12.4%	11.6%	12.0%	9.9%	13.7%
15.5%	14.6%	14.7%	13.6%	14.2%
8.3%	6.0%	5.7%	6.9%	7.6%
26.2%	26.8%	26.5%	26.4%	27.7%
2.4%	1.8%	1.2%	2.3%	1.7%
0.4%				
16.2%	17.0%	19.9%	18.9%	23.9%
<u>81.5%</u>	<u>77.8%</u>	<u>79.9%</u>	<u>78.0%</u>	<u>88.9%</u>
<u>18.5%</u>	<u>22.2%</u>	<u>20.1%</u>	<u>22.0%</u>	<u>11.1%</u>
0.2%	1.4%	2.5%	1.5%	0.7%
5.4%	5.2%	5.5%	5.2%	5.8%
	3.6%	4.5%	1.5%	
0.7%	0.8%	0.8%	0.5%	0.9%
<u>-5.0%</u>	<u>-5.5%</u>	<u>-6.6%</u>	<u>-6.7%</u>	<u>-8.1%</u>
<u>19.7%</u>	<u>27.8%</u>	<u>33.4%</u>	<u>30.7%</u>	<u>18.5%</u>

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS - UNAUDITED

Year Ended August 31, 2021

Complete District Mailing Address: P. O. Box 118 Brownwood, TX 76804

District Business Telephone Number: (325) 643-2609

District Business Fax Number: (325) 646-3031

District Website: www.bcwid.org

Submission Date of the most recent District Registration Form:

(TWC Sections 36.054 and 49.054): None

Limit on Fees of Office that a Director may receive during a fiscal year: No limit imposed

(Set by Board Resolution (TWC Section 49.060))

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid 8/31/2021	Expense Reimburse- ments 8/31/2021	Title at Year End
Board Members:				
John W. Hays Brownwood, TX	(Elected) 11/4/2020	\$ 1,350	\$	Director
Bert V. Massey Brownwood, TX	(Elected) 5/5/2018	1,650		President
Jimmy C. Jones Brownwood, TX	(Elected) 5/5/2020	2,800		Secretary
Ted Simpson Early, TX	(Elected) 5/5/2018	1,500		Director
James E. McMillian, Jr.	(Elected) 5/5/2020	1,800		Vice President
Key Administrative Personnel:				
John Allen	5/5/1988			General Manager
Consultants:				
Bart Johnson Jr.		12,000		Attorney
Merritt, McLane & Hamby, P.C.		15,000		Auditor

OTHER INFORMATION REQUIRED BY GAO

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Brown County Water Improvement District #1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Brown County Water Improvement District #1, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Brown County Water Improvement District #1's basic financial statements, and have issued our report thereon dated September 24, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brown County Water Improvement District #1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brown County Water Improvement District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of Brown County Water Improvement District #1's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brown County Water Improvement District #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
September 24, 2021

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED AUGUST 31, 2021

I. Summary of Auditor's Report

- A. The type of report issued on the financial statements of Brown County Water Improvement District #1 was an unqualified opinion.
- B. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- C. No instances on noncompliance material to the financial statements of Brown County Water Improvement District #1 were disclosed during the audit.

II Findings Required to be Reported in Accordance with *Government Auditing Standards*

None

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED AUGUST 31, 2021

Findings/Noncompliance

None