BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

Brown County Water Improvement District #1
Annual Financial Report
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For the Year Ended August 31, 2020

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BURL D. LOWERY, C.P.A.
JOYCE CORNELIUS, C.P.A.

BURL D. LOWERY
CERTIFIED PUBLIC ACCOUNTANT
Member A.I.C.P.A. & T.S.C.P.A.
Post Office Box 626
311 Center
Brownwood, Texas 76804

Telephone 325-646-8838
Fax 325-643-2157

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Brown County Water Improvement District #1 (BCWID), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the BCWID'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Brown County Water Improvement District #1, as of August 31, 2020 and the respective changes in financial position and cash flows thereof for the year then ended in accordance 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 Schedule of Net Pension Liability identified as Required Supplementary Information in the table of contents 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brown County Water Improvement District #1's basic financial statements. The Other Supplementary Information and the Texas Supplementary Information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information and the Texas Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In my opinion, based on my audit, the procedures performed as described above, the Other Supplementary Information and the Texas Supplementary Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* I have also issued my report dated November 9, 2020, on my consideration of the BCWID's internal control over financial reporting and on my tests of its compliance with certain provisions, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing on 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 the BCWID's internal control over financial reporting and compliance.

Burl D. Lowery
Certified Public Accountant

Brownwood, Texas
November 9, 2020

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
REQUIRED SUPPLEMENTARY INFORMATION

This section of Brown County Water Improvement District #1's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was $19,018,475 at August 31, 2020 and $17,623,749 at August 31, 2019.
- During the year ended August 31, 2020, the District's operating revenues from the sales of water and entities revenues for debt service were $1,116,399 more than the $3,908,516 of operating expenses.
- The total operating expenses of the District were $211,110 more than last year. No new departments were added this year.
- The overall change in net position for the year ended August 31, 2020 was $1,394,726 as compared to $1,145,647 for the year ended August 31, 2019. The increase in the change in net position is because of increased treated water sales and irrigation sales.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts-*management's discussion and analysis* (this section) and the *basic financial statements*. The basic financial statements include fund financial statements.

- The *fund financial statements* focus on the general operations of the District in a proprietary fund format.

- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*. The District's operating fund is a proprietary fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Fund Financial Statements

The fund financial statements are designed to present financial information of the District at a detailed level.

The District has only one fund:

- *Proprietary funds*-Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds provide both long-term and short-term financial information. The District has one Proprietary Fund – Enterprise Fund. All of the District's basic services are included here and consisted of sales of water to five entities, irrigation water sales, commercial leases, and lake dock and spaces permits.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's net positions were $19,018,475 at August 31, 2020 and $17,623,749 at August 31, 2019. The components of the District's net positions were as follows:

	8-31-2020	8-31-2019	Percent Change
Net Investment in Capital Assets	$10,504,231	$10,208,867	2.89%
Restricted net position for debt service	625,023	610,489	2.38%
Unrestricted net position	7,889,221	6,804,393	15.94%
Net Position	$19,018,475	$17,623,749	

The unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The District's operating revenues were $5,024,915 for 2020 and $4,622,113 for 2019. The most significant portion of revenues in 2020 was from the sale of treated water to five entities within and around the District amounting to 66% of the total operating revenues. In addition, those five entities paid $1,336,064 (27% of the total operating revenues) for their pro-rata share of the current year debt service requirements. The amounts paid by each participating entity were determined by a five-year average of water usage of each entity. The remaining 7% of operating revenues comes from the sale of irrigation water and various 2-inch water connections and contracts.

The total operating expenses were $3,908,516 in 2020 and $3,697,406 in 2019. Non-operating expenses (bond issue costs and bond interest expense) were $277,336 in 2020 and $304,021 in 2019. Comparative ratios of expenses are as follows:

	8-31-2020	8-31-2019
Salaries and benefits	42.73%	41.40%
Utilities and telephones	8.39%	8.08%
Repairs and maintenance costs	4.58%	4.61%
Supplies	10.39%	10.93%
Depreciation	20.40%	23.01%
Professional fees	.83%	1.70%
Insurance	2.33%	2.26%
Bonded debt expenses	6.63%	7.60%

Net operating income for the year ended August 31, 2020 was $1,116,399 compared to $924,707 as of August 31, 2019, an increase of $191,692 from the prior year. The changes to the net operating income were as follows:

	Increase (Decrease)	Percentage Change to Prior Year
Treated water sales	$268,853	8.76%
Entities revenues for debt service	(1,686)	(.13%)
Irrigation water sales	$128,838	126.43%
Water connections and contracts	$6.797	6.02%
Total change in operating revenues	$402,802	
Administration expenses	$28,846	5.20%
Field Operations expenses	$53,746	7.89%
Lake Patrol expenses	$36,525	13.88%
Treatment Plant expenses	$121,553	9.94%
Other non-departmental expense	37,278	69.87%
Depreciation	(66,838)	(7.26%)
Total change in operation expenses	$211,110	

Non-operating revenues in 2020 amounted to $555,663. Rental and lease income was 47% of that total. The rental and lease income consists of rentals of docks and spaces on Lake Brownwood and lots, land, grassland, and a rent house owned by the District. Gain on sale of capital assets in 2020 was $183,347 (33%) and consisted of the sale of lots at the Peninsula Subdivision, a .399 acre tract of land, a 6.12 acre tract of land, and a surplus boat, trailer, and 2 motors. Interest earned on investments accounted for 13% of the non-operating revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Operating revenues from business-type activities totaled $5,024,915. Treated water rates decreased from a rate of $1.6647 in 2019 to a rate of $1.6646 in 2020. Untreated water rates decreased from a rate of $1.0011 in 2019 to a rate of $0.9746 in 2020.

Enterprise Fund Budgetary Highlights

The District formulates and approves a flexible budget to control expenses but the budget is affected by the demand for water. The revenues budgeted are based on water rates set by the Board. The water rates are determined by a five-year running average of total gallons of water sold. Actual operating revenues, not including the entity payments for debt service, were more than the estimated operating revenues by $66,363 during the fiscal year. Actual budgeted operating expenses were $136,650 less than the final budgeted operating expenses, which amounts to 4.40% of the final budget.

Amendments to the original budget amounted to the following increases (decreases). The final favorable (unfavorable) budget variances were as follows:

	Final Budget Increase (Decrease) Over Original Budget	Percent of Change Over(Under) Original Budget	Favorable (Unfavorable) Budget Variances
Departments:			
Administration	($15,000)	(2.52%)	$ 29,866
Field Operations	-0-	-0-	23,649
Lake	-0-	-0-	37,929
Treatment Plant	69,300	5.48%	(14,422)
Non-departmental	-0-	-0-	71,483
Flat Rock Park Operations	-0-	-0-	(16,018)

A Budgetary Comparison Statement is presented in the other supplementary information of this audit report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2020 the District had invested $19,954,231 in a broad range of capital assets, including real estate and reservoirs, construction in progress, infrastructure, buildings, and machinery and equipment. This amount represents a net decrease (including additions and deductions) of $749,636 or 3.62% over last year. Depreciation for 2020 was $854,063.

The District's fiscal year 2020 included the purchases of two new 2020 pickups and a 2020 Boat Right boat, trailer, and motor.

Long Term Debt

At August 31, 2020, the District had long-term debt of $9,450,000 in revenue bonds. During 2019-2020, the District paid $1,045,000 in bond principal. Next year's bond principal payment is scheduled to be $1,070,000. The District's long-term liability for accrued compensated balances for employees vacation, holiday, and compensatory time totaled $298,023. The portion of that total that is estimated to be paid in 2021 is $74,506.

BCWID RETIREE PLAN

The BCWID Retiree Plan is a group annuity contract that provides pension benefits to three retirees that were receiving monthly benefits from the defined benefit plan from prior years. When the old defined benefit plan was terminated in 2011, the BCWID Retiree Plan was established to continue providing the three retirees (at that time) with their pension benefits. In September 2019 the BCWID funded $10,000 for the annual amount necessary to pay the two remaining retirees their pension benefits. The pension liability at August 31, 2020 was $267,398, a net increase of $22,865 for the fiscal year. The present value of the pension liability decreased $6,174 after payments totaling $39,427 were paid to the two retirees. As of August 31, 2020, the District has two retiree participants in this plan. The deferred inflow of resources continues to be amortized at a rate of $1,858 per year. The deferred outflow of resources continues to be amortized at a rate of $7,766 per year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The rate for treated water for 2020-2021 was set by the Board at $1.7209 per 1,000 gallons, an increase of $0.0563 per 1,000 gallons. The untreated water rate for 2020-2021 was set at $1.0006 per 1,000 gallons, an increase of $0.026 per 1,000 gallons. Treated and untreated water sales are estimated at $3,168,500 for 2020-2021. Irrigation water sales and 2-inch water connections are estimated at $175,000 for 2020-2021. Commercial leases, docks and spaces, lot, land, and grass leases were budgeted at $239,000. Miscellaneous sales and interest earned on investments were budgeted at $25,000. Total budgeted revenues for the year ended August 31, 2021 is $3,607,500.

- In addition to the treated water sales, each of the five entities that purchase treated water from the BCWID will also pay the District a debt service charge equal to the annual amount of debt service payments required by the bonded debt. Debt service requirements for the year ended August 31, 2021 is $1,320,983.

- The budgeted expenses for the District totaled $3,353,550 for 2020-2021. The overall budget for expenses for 2020-2021 is $99,700 more than the final budgeted expenses for 2019-2020.

These indicators were taken into account when adopting the operating fund budget for year ended August 31, 2021. Unrestricted net position available for appropriation in the enterprise fund is $7,889,221at August 31, 2020. If these estimates are realized, the District's unrestricted net position is expected to increase by 3% by the close of the 2021 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the General Manager or the Board of Directors at the District Administration Office located at 501 East Baker, Brownwood, Texas.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1
MANAGEMENT DISCUSSION AND ANALYSIS - TABLES
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's net position was $19,018,475 at August 31, 2020 and $17,623,749 at August 31, 2019

Table 1
Brown County Water Improvement District #1's Net Position

	Business-type Activities	
ASSETS	2020	2019
Current Assets:		
Cash and Investments;		
Cash and cash equivalents	$7,831,543	$3,675,899
Investments	$0	$3,036,450
Total Cash and Investments	$7,831,543	$6,712,349
Accounts Receivable, net	$508,594	$538,000
Inventories	$130,138	$130,003
Prepaid Insurance	$84,838	$73,248
Total Current Assets	$8,555,113	$7,453,600
Restricted Assets:		
Cash and investments - debt service	$646,639	$634,320
Total Restricted Assets	$646,639	$634,320
Capital Assets:		
Real estate and Reservoirs	$2,104,368	$2,104,368
Infrastructure	$38,998,606	$38,998,606
Buildings	$483,940	$483,940
Machinery & equipment	$1,471,523	$1,437,835
Less accumulated depreciation	($23,104,206)	($22,320,882)
Net Capital Assets	$19,954,231	$20,703,867
Total Assets	$29,155,983	$28,791,787
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension plan	$16,181	$23,947
Total Assets and Deferred Outflows of Resources	$29,172,164	$28,815,734
LIABILITIES		
Current Liabilities:		
Accounts payable	$97,065	$123,311
Accrued wages payable	$15,248	$9,834
Accrued compensated balances - current	$74,506	$72,320
Payable from restricted assets:		
Accrued interest payable	$21,616	$23,831
Revenue bonds payable - current	$1,070,000	$1,045,000
Total Current Liabilities	$1,278,435	$1,274,296
Long-Term Liabilities:		
Revenue bonds payable	$8,380,000	$9,450,000
Accrued compensated balances	$223,517	$216,959
Net pension liability	$267,398	$244,533
Total Long-term Liabilities	$8,870,915	$9,911,492
Total Liabilities	$10,149,350	$11,185,788
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension plan	$4,339	$6,197
NET POSITION		
Net Investment in capital assets	$10,504,231	$10,208,867
Restricted net positon for debt service	$625,023	$610,489
Unrestricted net position	$7,889,221	$6,804,393
Total Net Position	$19,018,475	$17,623,749
Total Liabilities, Deferred Inflows of Resources, and Net Position	$29,172,164	$28,815,734

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1
MANAGEMENT DISCUSSION AND ANALYSIS - TABLES

Table 2
Brown County Water Improvement District #1's Revenues, Expenses, and Changes in Fund Net Position

	Business-type Activities	
	2020	2019
Operating Revenues:		
Treated water sales	$3,338,357	$3,069,504
Entities revenues for debt service	$1,336,064	$1,337,750
Untreated water sales	$0	$0
Irrigation water sales	$230,745	$101,907
Water connections and contracts	$119,749	$112,952
Total Operating Revenues	$5,024,915	$4,622,113
Operating Expenses:		
Administration expenses	$584,040	$555,194
Field operations expenses	$735,128	$681,382
Lake expenses	$299,764	$263,239
Treatment plant expenses	$1,344,886	$1,223,333
Other non-departmental expenses	$90,635	$53,357
Depreciation	$854,063	$920,901
Total Operating Expenses	$3,908,516	$3,697,406
Operating Income (Loss)	$1,116,399	$924,707
Non-operating Revenues (Expenses):		
Interest and dividends on investments	$72,314	$114,216
Rental and lease income	$259,051	$252,839
Gain (loss) on sale of capital assets	$183,347	$210,063
Other miscellaneous revenues	$40,951	$38,299
Bond issue fees and costs	($806)	($806)
Bond interest expense	($276,530)	($303,215)
Total Non-operating Revenues (Expenses)	$278,327	$311,396
Change in net position before Special Items	$1,394,726	$1,236,103
Special Items	$0	($90,456)
Change in net position	$1,394,726	$1,145,647
Net Position at beginning of year	$17,623,749	$16,478,102
Prior period adjustments	$0	$0
Net Position at beginning of year, restated	$17,623,749	$16,478,102
Net Positon at end of year	$19,018,475	$17,623,749

Table 3
Brown County Water Improvement District #1's Capital Assets

	Business-type Activities	
	2020	2019
Capital Assets:		
Real estate and reservoirs	$2,104,368	$2,104,368
Construction in progress	$0	$0
Infrastructure	$38,998,606	$38,998,606
Buildings	$483,940	$483,940
Machinery & equipment	$1,471,523	$1,437,835
Less accumulated depreciation	($23,104,206)	($22,320,882)
Net Capital Assets	$19,954,231	$20,703,867

Table 4
Brown County Water Improvement District #1's Long-term Debt

	Business-type Activities	
	2020	2019
Revenue Bonds Payable, Series 2006	$9,450,000	$10,495,000
Accrued compensated balances	$298,023	$289,279
Net pension liability	$267,398	$244,533
	$10,015,421	$11,028,812
Less revenue bonds payable, due in one year	($1,070,000)	($1,045,000)
Less current portion of accrued compensated balances	($74,506)	($72,320)
Long-Term Liabilities	$8,870,915	$9,911,492

BASIC FINANCIAL STATEMENTS

Brown County Water Improvement District #1
Statement of Net Position
Proprietary Fund
August 31, 2020

Schedule A

	Business-Type Activities - Enterprise Fund
ASSETS	
Current Assets:	
Cash and investments:	
Cash and cash equivalents	$7,831,543
Investments	$0
Total Cash and investments	$7,831,543
Accounts receivable, net	$508,594
Inventories	$130,138
Prepaid insurance	$84,838
Total Current Assets	$8,555,113
Restricted Assets:	
Cash and investments - debt service	$646,639
Total Restricted Assets	$646,639
Capital Assets:	
Real estate and reservoirs	$2,104,368
Infrastructure	$38,998,606
Buildings	$483,940
Machinery and equipment	$1,471,523
Allowance for depreciation	($23,104,206)
Net Capital Assets	$19,954,231
Total Assets	$29,155,983
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension plan	$16,181
Total Assets and Deferred Outflows of Resources	$29,172,164
LIABILITIES	
Current Liabilities:	
Accounts payable	$97,065
Accrued wages and benefits payable	$15,248
Accrued employee compensated balances	$74,506
Payable from restricted assets:	
Accrued interest payable	$21,616
Revenue bonds payable - current	$1,070,000
Total Current Liabilities	$1,278,435
Long-Term Liabilities:	
Revenue bonds payable	$8,380,000
Accrued employee compensated balances	$223,517
Net pension liability	$267,398
Total Long-Term Liabilities	$8,870,915
Total Liabilities	$10,149,350
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension plan	$4,339
NET POSITION	
Net investment in capital assets	$10,504,231
Restricted net position for debt service	$625,023
Unrestricted net position	$7,889,221
Total Net Position	$19,018,475
Total Liabilities, Deferred Inflows of Resources, and Net Position	$29,172,164

The Notes to the Financial Statements are an integral part of this statement.

Brown County Water Improvement District #1
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended August 31, 2020

Schedule B

	Business-type Activities - Enterprise Fund
Operating Revenues:	
Treated water sales:	
City of Brownwood	$1,612,623
Brookesmith Water Supply	$1,117,909
City of Bangs	$129,299
City of Early	$201,279
Zephyr Water Supply	$277,247
Entities revenues for debt service:	
City of Brownwood	$689,810
Brookesmith Water Supply	$404,427
City of Bangs	$52,641
City of Early	$93,658
Zephyr Water Supply	$95,528
Untreated water sales:	
City of Early	$0
Thunderbird Bay	$0
Brownwood Country Club	$0
Texas Highway Department	$0
Irrigation water	$230,745
Water connections and contracts	$119,749
Total Operating Revenues	$5,024,915
Operating Expenses:	
Administration expenses	$584,040
Field operations expenses	$735,128
Lake expenses	$299,764
Treatment plant expenses	$1,344,886
Other Non-departmental expenses	$90,635
Depreciation	$854,063
Total Operating Expenses	$3,908,516
Operating Income (Loss)	$1,116,399
Non-operating Revenues (Expenses):	
Interest on temporary investments	$72,314
Rental and lease income	$259,051
Gain (loss) on sale of capital assets	$183,347
Other miscellaneous revenues	$40,951
Bond issue fees and costs	($806)
Interest expense	($276,530)
Total Non-operating Revenues (Expenses)	$278,327
Change in net position before special items	$1,394,726
Special Items:	
Test water well drilling costs	$0
Change in net position	$1,394,726
Net position at beginning of year	$17,623,749
Prior period adjustments	$0
Net position at beginning of year, restated	$17,623,749
Net position at end of year	$19,018,475

The Notes to the Financial Statements are an integral part of this statement.

Brown County Water Improvement District #1
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended August 31, 2020

Schedule C

	Business-type Activities - Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers and users	$5,015,865
Cash payments for goods and services	($1,280,143)
Cash payments for employees services and benefits	($1,746,675)
Prior period adjustments	$0
Net cash provided (used) by operating activities	$1,989,047
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Rental and lease income	$259,051
Other miscellaneous revenues	$40,951
Test water well drilling costs - special items	$0
Net cash provided (used) by noncapital financing activites	$300,002
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	($104,427)
Proceeds from sale of capital assets	$183,347
(Increase) decrease in restricted cash - debt service	($12,319)
Bonds paid	($1,045,000)
Bonds interest expense	($278,745)
Bond issue costs	($806)
Net cash provided (used) by capital and related financing activities	($1,257,950)
CASH FLOWS FROM INVESTING ACTIVITIES	
(Purchases) redemptions of investments	$3,036,450
Interest earnings on investments	$88,095
Net cash provided (used) by investing activities	$3,124,545
Net increase (decrease) in cash	$4,155,644
Cash and Cash Equivalents at beginning of year	$3,675,899
Cash and Cash Equivalents at end of year	$7,831,543

The Notes to the Financial Statements are an integral part of this statement.

Brown County Water Improvement District #1
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended August 31, 2020

Schedule C
(continued)

Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	$1,116,399
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	$854,063
Amortization of deferred resources	$5,908
(Increase) decrease in accounts receivable	($9,050)
(Increase) decrease in other receivables	$22,675
(Increase) decrease in inventories	($135)
(Increase) decrease in prepaid insurance	($11,590)
(Increase) decrease in deferred resources outflows	$0
Increase (decrease) in accounts payable	($26,246)
Increase (decrease) in accrued wages and benefits payable	$5,414
Increase (decrease) in accrued compensated balances	$8,744
Increase (decrease) in net pension liability	$22,865
Increase (decrease) in deferred resources inflows	$0
Net cash provided (used) by operating activities	$1,989,047

Supplemental Schedule of Noncash Flows and Financing Activities

The Maintenance and Operating Fund of the Brown County Water Improvement District #1 had no noncash acquisition activities during the year ended August 31, 2020

Disclosure of Accounting Policy

For purposes of the Statements of Cash Flows, the Brown County Water Improvement District #1 considers cash and temporary investments maturing in less than three months as cash and cash equivalents.

The Notes to the Financial Statements are an integral part of this statement.

Note 1 – Description of the District

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 financial statements of the Brown County Water Improvement District #1 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the District's accounting policies are described below.

A. Basis of Presentation

The District's basic financial statements consist of enterprise fund financial statements for its maintenance and operating fund. The enterprise fund financial statements include enterprise fund (1) statement of net position, (2) statement of revenues, expenses, and changes in net position, and (3) statement of cash flows.

Fund Financial Statements:

Fund financial statements are designed to present financial information of the District at this more detailed level. The District has only one fund.

PROPRIETARY FUNDS

Proprietary funds reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District's proprietary fund is an enterprise fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The District's maintenance and operating fund is a major enterprise fund. There are no nonmajor funds.

B. Measurement Focus

Fund Financial Statements – The District's proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of fund net position. The statement of changes in revenues, expenses, and changes in fund net position presents revenues and expenses in net total position. The statement of cash flows provided information about how the District finances and meets the cash flow needs of its proprietary activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of related cash flows. The District's Maintenance and Operating Fund financial statements are prepared on the accrual basis of accounting.

D. 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.

E. Cash and Cash Equivalents

For purposes of the Maintenance and Operating Fund statement of cash flows, the District considers cash on hand, demand deposits, and temporary investments as cash and cash equivalents. Temporary investments (consisting of certificates of deposit) are those investments with an original maturity date of three months or less. Temporary investments are stated at cost, which approximates fair value.

F. Investments

The District's investment policy allows investments in all investment opportunities allowed under the Public Investment Act Chapter 2256. The District investments consist of only certificates of deposit and are stated at cost, which is the fair value.

G. Receivables

The Brown County Water Improvement District #1 recognizes receivables on the accrual basis of accounting. The receivables include:

Accounts Receivable – Customers and Users

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, docks permits, spaces permits, and commercial stalls on the lake.

The District uses the direct write-off method of accounting for uncollectible accounts. 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.

Accrued Interest Receivable

Accrued interest receivable represents accrued interest receivable on investments held by the District.

Account Receivable from Forfeited Funds in 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 $22,724 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.

H. Inventories and Prepaids

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.

I. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Bond agreements and other external parties require such segregations. Current liabilities payable from

these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets is shown as restricted net position.

J. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are reported at their fair market value as of the date received. The District's infrastructure consists of the lake and other reservoirs, water supply pipelines and canals, water treatment plants, and water storage tanks. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the District's historical records of necessary improvements and replacements.

To the extent the District's capitalization threshold of $5,000 is met, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives in the fund financial statements using a straight-line method.

The following estimated useful lives are used in computing the straight-line depreciation:

Description	Business-type Activities Estimated Lives
Buildings and improvements	20-50 years
Machinery and equipment	3-10 years
Infrastructure	15-35 years

K. Employee Compensated Balances

Employees accrue vacation leave at a rate per month based on the length of employment service. Employees may not accrue more than 30 days 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.

L. 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 positon 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.

M. 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.

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.

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.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for the sale of water to five entities, sale of irrigation water to various customers, and other water contracts and 2-inch connections.

Non-operating revenues and expenses are those revenues not directly related to the District's sale of water. These revenues include the rental and lease of various properties owned by the District and permits issued for docks in the lake and spaces around the lake. Interest earned on investments and miscellaneous revenues are classified as non-operating revenues. The gain (loss) on the sale of capital assets is also reported as non-operating revenues.

O. 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:

1. Prior to September 1, the General Manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing September 1. The operating budget includes proposed expenditures 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.

2. Prior to September 1, the Board of Directors legally adopts the budget at the department level.

3. The Board of Directors approves various changes to its budget throughout the year to reflect additional obligations incurred by the District during the fiscal year. Department supervisors may amend the budget for individual budget categories within their own department. The Board approves final budget amendments prior to year-end.

P. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. 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

At August 31, 2020, the District's operating cash and investments were as follows:

MAINTENANCE AND OPERATING FUND	Proprietary Fund – Statement of Net Position
Cash and Investments:	
Cash and Cash Equivalents:	
Cash on hand	$ 275
Cash in bank	2,051,268
Certificates of Deposit, Maturity in 3 months or less	5,780,000
Total Cash & Cash Equivalents	$ 7,831,543
Investments with maturities of more than 3 months:	
Certificates of Deposit	-0-
Total Cash and Investments – Current Assets	$7,831,543
Restricted Cash:	
Interest & Sinking cash in bank	$ 646,639
Total Restricted Cash	$ 646,639
Total Cash and Investments	$8,478,182

Currently, the District has all of its certificates of deposits invested in 60-day or 90-day maturities. Those certificates of deposit are considered to be cash and cash equivalents.

Deposits

The Citizens National Bank is the authorized official depository for the District's operating accounts and debt service account. Deposits are stated at cost, which approximates fair value.

Under state law, these deposits must be secured by federal deposit insurance and pledged securities owned by the fiscal agent bank. All securities serving as collateral are specifically pledged to the District and held in a custodial account at a third-party financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit at the depository bank. The District maintains copies of all safekeeping receipts of the securities that are pledged to the District by the depository bank. Those securities cannot be changed or released without the approval of the District.

At year-end, the cash and investments on deposit at the depository bank had a carrying amount of $8,478,182 and a bank balance of $8,521,273. The bank balance was properly secured by applicable FDIC coverage and pledged securities at August 31, 2020 and at all times throughout the fiscal year.

Custodial Credit Risk – Deposits: For deposits, custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District. The District was not exposed to custodial deposit risk at August 31, 2020.

Investments – Operating Funds

Custodial credit risk - Investments: For an investment, custodial credit risk is risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of its safekeeping custodian. The District is not exposed to custodial credit risk at August 31, 2020.

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. All of the District's investments for the operating and maintenance fund consist of certificates of deposit at the depository bank. Interest is paid on the certificates of deposit based on the rates determined in the depository contract. The District is not exposed to credit risk at August 31, 2020.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy allows investments in certificates of deposit with a maximum maturity of one year. Historically, the District has invested in certificates of deposit at the depository bank for terms ranging from thirty days to a maximum of one year. The interest rate for each certificate of deposit is determined by the depository contract stated rates. The interest rates are based on a sliding scale with larger amounts invested earning more than smaller amounts invested. The District was not exposed to interest rate risk at August 31, 2020.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investments in a single issuer. All of the District's investments for the operating and maintenance fund consist of certificates of deposit at the depository bank. Interest is paid on the certificates of deposit based on the rates determined in the depository contract.

Note 4 – Accounts Receivable

The accounts receivable of the Brown County Water Improvement District #1 at August 31, 2020 were as follows:

Accounts Receivable - customers:		
District Water Customers:		
City of Brownwood	$	206,139
Brookesmith Special Utility District		126,666
City of Bangs		16,837
City of Early		23,581
Zephyr Water Supply		32,564
Irrigation Customers		76,459
Other Customers Receivables (Credits)		2,456
Total Accounts Receivable – customers		484,702
Accrued interest receivable on investments		1,168
Accounts receivable – other		-0-
Account receivable – forfeiture account in Employee Pension Plan		22,724
Total Accounts Receivable	$	508,594

At this time, all accounts receivable are considered collectible within one year.

Note 5 – Capital Assets

	Balance 9-1-2019	Additions	Retirements	Balance 8-31-2020
Business-type Activities:				
Capital assets not being depreciated:				
Real Estate and Reservoirs	$ 2,104,368	$	$	$ 2,104,368
Construction in Progress	0	0	0	0
Total Capital Assets not being depreciated	$ 2,104,368	0	0	2,104,368
Capital Assets being depreciated:				
Infrastructure	38,998,606			38,998,606
Buildings	483,940			483,940
Machinery and equipment	1,437,835	104,427	70,739	1,471,523
Total capital assets being depreciated	40,920,381	104,427	70,739	40,954,069
Less allowance for deprec.				
Infrastructure	(20,736,059)	(784,031)		(21,520,090)
Buildings	(453,651)	(6,943)		(460,594)
Machinery and equipment	(1,131,170)	(63,089)	(70,739)	(1,123,522)
Total capital assets being depreciated, net	18,599,501	(749,636)	0	17,849,863
Business-type Capital Assets, net	$ 20,703,869	$ (749,636)	$ 0	$ 19,954,231

Depreciation expense for the year ended August 31, 2020 was $854,063.

Additions to the capital assets included two new 2020 pickups and a boat, trailer, and motor.

Note 6 – 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. 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 (Brookesmith 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 at August 31, 2020 was $9,450,000.

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, 2020.

Changes in long-term debt for the year ended August 31, 2020 are as follows:

	Beginning 9-1-2019	Issued	Retired	Ending 8-31-2020	Amount due in one year
Revenue bonds, Series 2006	$10,495,000	-0-	$1,045,000	$9,450,000	$1,070,000
Net pension liability	$244,533	62,292	39,427	267,398	0
Accrued compensated balances	$289,279	$25,403	16,659	$298,023	$ 74,506
Total Long-Term Debt	$11,028,812	$87,695	$1,101,086	$10,015,421	$1,144,506

Revenue Bonds Debt Service Requirements as of August 31, 2020 are as follows:

For Years Ending August 31,	Principal	Interest	Total
2021	$ 1,070,000	$ 250,982	$ 1,320,982
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
2026-2028	3,795,000	168,430	3,963,430
Totals	$ 90,450,000	$ 1,119,545	$ 10,569,545

Total interest cost incurred during the current fiscal year was $276,530. Bond issue costs amounted to $806.

Note 7 – Deferred Outflow and Inflows 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. At August 31, 2020, there was deferred outflows of resources amounting to $16,181 and deferred inflows of resources amounting to $4,339 related to the BCWID Retiree Plan. Additional disclosures are discussed in Note 8 Employee Retirement Plans – BCWID Retiree Plan.

Note 8 – 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 8-31-2020	$1,237,976	
Total covered payroll	$1,151,220	
Annual contributions, based on percentage of gross payroll	$81,796	7.11%

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 2019 the District contributed $10,000 to fund the 2019-2020 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.

At August 31, 2020, the District reported a net pension liability of $267,398. 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance at 8-31-2019	$276,075	$31,542	$244,533
Changes for the Year:			
Pension plan investment income		$388	($388)
Employer contributions		$10,000	($10,000)
Difference between expected and actual experience	$33,253		$33,253
Benefit payments	($39,427)	($39,427)	-0-
Net changes	($ 6,174)	($29,039)	$22,865
Balance at 8-31-2020	$269,901	$2,503	$267,398

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 is the average remaining lives of the two retirees as of August 31, 2019. 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, 2020, the District recognized net pension expense of $5,908 less the pension plan investment income of $388 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:

Year Ended August 31:	Pension Expense Amount
2021	$ 5,908
2022	$ 5,908
Thereafter	$ 26

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, 2020, the total amounts contributed to 457 Plan were:

Total covered payroll	$1,151,220	
Employee contributions, based on percentage of gross payroll designated by each employee	$75,308	6.54%
District matching contribution	$34,443	2.99%
Total contributions to 457 deferred compensation plan	$109,751	9.44%

Total District Retirement Expense

For the year ended August 31, 2020, the District recognized $126,239 for retirement expense. In addition, the District paid $1,000 for the actuarial calculation of present value of retiree benefits.

Note 9 – Budget Variances

The budget for the Enterprise Fund (Maintenance and Operating Fund) is a flexible budget adopted to control expenses but is affected by the demand for the water. There was an Unfavorable budget variance incurred in the total Treatment Plant budgeted departmental expense for the year-ended August 31, 2020. Within each of the departmental budgets, various line items had unfavorable variances. The detailed Budgetary Comparison Statement is presented in a separate schedule as other supplementary information.

Note 10 – Restricted Net Position

Restricted net position at August 31, 2020 amounted to $625,023, restricted for Debt Service. At August 31, 2020, the District had restricted assets of cash for debt service of $646,639 along with related liabilities of accrued interest payable of $21,616.

REQUIRED SUPPLEMENTARY INFORMATION

Brown County Water Improvement District #1
Schedule of Net Pension Liability
Fiscal Year Ended August 31, 2020

Required Supplementary Information

Schedule D

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Total Pension Liability						
Difference between expected and actual experience	$33,253	$19,928	($74,492)	($11,771)	$55,011	$0
Benefit payments	($39,427)	($39,427)	($68,771)	($58,990)	($78,553)	($78,553)
Net change in total pension liability	($6,174)	($19,499)	($143,263)	($70,761)	($23,542)	($78,553)
Total pension liability, August 31, 2019 - Pension value of benefits	$276,075	$295,574	$438,837	$509,598	$533,140	$611,693
Total pension liability, August 31, 2020 - present value of benefits (a)	$269,901	$276,075	$295,574	$438,837	$509,598	$533,140
Plan Fiduciary Net Position:						
Employer contributions	$10,000	$39,500	$78,500	$74,500	$45,800	$0
Pension plan investment income	$388	$834	$588	$428	$466	$914
Benefit payments - 2 retirees	($39,427)	($39,427)	($68,771)	($58,990)	($78,553)	($78,553)
Net change in plan fiduciary net position	($29,039)	$907	$10,317	$15,938	($32,287)	($77,639)
Plan fiduciary net position, August 31, 2019	$31,542	$30,635	$20,318	$4,380	$36,667	$114,306
Plan fiduciary net position, August 31, 2020 (b)	$2,503	$31,542	$30,635	$20,318	$4,380	$36,667
Net Pension Liability, August 31, 2020 (a-b)	$267,398	$244,533	$264,939	$418,519	$505,218	$496,473
Plan fiduciary net position as a percentage of total pension liability	0.93%	11.43%	10.36%	4.63%	0.86%	6.88%
District's covered employee payroll - no active employees	$0	$0	$0	$0	$0	$0
Net pension liability as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:
Pension plan assets are held in a group annuity contract for the BCWID Retiree Plan.
The measurement date of the net pension liability was August 31, 2020.

Brown County Water Improvement District #1
Schedule of Net Pension Liability
Fiscal Year Ended August 31, 2020

Required Supplementary Information

Schedule D

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Schedule of Contributions						
Actuarily determined contributions	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Contributions in relation to the actuarily determined contribution	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Contribution deficiency (excess)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Covered-employee payroll	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

Contributions are not actuarily 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 September based on the amount needed to fully fund one year of retiree benefit payments.

The present value of benefits was calculated using the RP-2000 Mortality table at 5.5%. The present value of benefits was calculated as of August 31, 2020.

OTHER SUPPLEMENTARY INFORMATION

Budgetary Comparison Statement
Proprietary Fund - Enterprise Fund
For the Fiscal Year Ended August 31, 2020

Schedule E

	Business Activity - Enterprise Fund Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
Operating Revenues:				
Treated water sales:				
City of Brownwood	$1,567,800	$1,567,800	$1,612,623	$44,823
Brookesmith Water Supply	$921,000	$921,000	$1,117,909	$196,909
City of Bangs	$119,500	$119,500	$129,299	$9,799
City of Early	$215,000	$215,000	$201,279	($13,721)
Zephyr Water Supply	$222,000	$222,000	$277,247	$55,247
Entities revenues for debt service - not budgeted:				
City of Brownwood	$0	$0	$0	$0
Brookesmith Water Supply	$0	$0	$0	$0
City of Bangs	$0	$0	$0	$0
City of Early	$0	$0	$0	$0
Zephyr Water Supply	$0	$0	$0	$0
Untreated water sales:				
Thunderbird Bay	$8,200	$8,200	$0	($8,200)
Irrigation water	$75,000	$75,000	$230,745	$155,745
Water connections and contracts	$100,000	$100,000	$119,749	$19,749
Total Operating Revenues	$3,228,500	$3,228,500	$3,688,851	$460,351
Operating Expenses:				
Administration Expenses:				
Salaries	$263,700	$263,700	$264,854	($1,154)
Employee compensated balances	$0	$0	$0	$0
Retirement	$131,200	$131,200	$126,239	$4,961
Social security	$20,200	$20,200	$20,069	$131
Group insurance	$43,500	$43,500	$41,441	$2,059
Workmen's compensation	$500	$500	$421	$79
Unemployment - TWC	$3,800	$3,800	$3,099	$701
Supplies	$15,500	$15,500	$14,843	$657
Communications	$2,400	$2,400	$1,751	$649
Insurance	$16,000	$16,000	$14,241	$1,759
Travel expenses	$1,200	$1,200	$0	$1,200
Publications	$2,000	$2,000	$0	$2,000
Utilities	$6,100	$6,100	$6,341	($241)
Legal & consultation fees	$30,000	$18,000	$15,560	$2,440
Director fees	$10,500	$10,500	$10,200	$300
Education, fees, and dues	$12,000	$12,000	$12,024	($24)
Maintenance - buildings & grounds	$7,200	$7,200	$1,026	$6,174
Replacements - buildings & grounds	$7,500	$4,500	$3,120	$1,380
Maintenance - equipment	$1,000	$1,000	$50	$950
Replacements - equipment	$2,000	$2,000	$890	$1,110
Election costs	$5,000	$5,000	$1,265	$3,735
Audit	$14,000	$14,000	$13,000	$1,000
Total Administration Expense	$595,300	$580,300	$550,434	$29,866

The Notes to the Financial Statements are an integral part of this statement.

Brown County Water Improvement District #1
Budgetary Comparison Statement
Proprietary Fund - Enterprise Fund
For the Fiscal Year Ended August 31, 2020

Schedule E
Continued

	Business Activity - Enterprise Fund Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
Field Operations Expense:				
Salaries	$458,000	$458,000	$455,452	$2,548
Employee compensated balances	$0	$0		$0
Social security	$35,000	$35,000	$32,533	$2,467
Group insurance	$115,000	$115,000	$109,335	$5,665
Workmen's compensation	$8,100	$8,100	$9,887	($1,787)
Supplies	$2,000	$2,000	$2,313	($313)
Fuel	$18,000	$18,000	$11,144	$6,856
Uniforms	$2,600	$2,600	$1,775	$825
Communications	$3,800	$3,800	$3,680	$120
Insurance and bonds	$19,200	$19,200	$22,492	($3,292)
Travel	$2,000	$2,000	$0	$2,000
Utilities	$26,200	$26,200	$41,259	($15,059)
Education, fees, and licenses	$2,500	$2,500	$610	$1,890
Maintenance - buildings & grounds	$5,000	$5,000	$19	$4,981
Maintenance - laterals & service lines	$12,000	$12,000	$15,833	($3,833)
Maintenance - meters	$2,000	$2,000	$2,844	($844)
Maintenance - pumps, motors, meters	$9,000	$9,000	$6,324	$2,676
Replacements - machinery, tools, equipment	$25,000	$25,000	$14,461	$10,539
Replacements - equipment / motor vehicles	$33,000	$33,000	$24,790	$8,210
Total Field Operations Expenses	$778,400	$778,400	$754,751	$23,649

The Notes to the Financial Statements are an integral part of this statement.

Brown County Water Improvement District #1
Budgetary Comparison Statement
Proprietary Fund - Enterprise Fund
For the Fiscal Year Ended August 31, 2020

Schedule E
Continued

	Business Activity - Enterprise Fund Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
Lake Expenses:				
Salaries	$162,500	$162,500	$169,719	($7,219)
Employee compensated balances	$0	$0	$0	$0
Social security	$12,500	$12,500	$14,773	($2,273)
Group insurance	$43,000	$43,000	$40,930	$2,070
Workmen's compensation	$2,500	$2,500	$2,945	($445)
Supplies	$6,000	$6,000	$1,597	$4,403
Fuel	$14,000	$14,000	$7,063	$6,937
Bouys	$16,000	$16,000	$3,221	$12,779
Uniforms	$3,000	$3,000	$1,059	$1,941
Communications	$4,500	$4,500	$4,345	$155
Insurance and bonds	$14,500	$14,500	$14,515	($15)
Travel	$1,500	$1,500	$86	$1,414
Utilities	$8,000	$8,000	$6,889	$1,111
Education, fees, licenses, dues	$2,000	$2,000	$3,409	($1,409)
Maintenance - buildings & grounds	$20,500	$20,500	$14,230	$6,270
Maintenance - equipment, vehicles, boats	$13,000	$13,000	$4,554	$8,446
Replacements - machinery & tools	$41,700	$41,700	$37,936	$3,764
Total Lake Expenses	$365,200	$365,200	$327,271	$37,929

The Notes to the Financial Statements are an integral part of this statement.

Brown County Water Improvement District #1
Budgetary Comparison Statement
Proprietary Fund - Enterprise Fund
For the Fiscal Year Ended August 31, 2020

Schedule E
Continued

	Business Activity - Enterprise Fund Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
Treatment Plant Expenses:				
Salaries	$343,500	$343,500	$352,980	($9,480)
Employee compensated balances	$0	$0	$0	$0
Social security	$26,300	$26,300	$26,410	($110)
Group insurance	$100,200	$100,200	$93,183	$7,017
Workmen's compensation	$6,400	$6,400	$7,784	($1,384)
Supplies	$5,000	$5,000	$4,491	$509
Uniforms	$2,000	$2,000	$1,241	$759
Lab supplies	$27,000	$27,000	$23,186	$3,814
Chemicals	$280,000	$295,000	$360,410	($65,410)
Fuel	$3,250	$3,250	$1,887	$1,363
Communications	$3,800	$3,800	$3,419	$381
Insurance and bonds	$25,000	$25,000	$25,340	($340)
Travel expenses	$3,500	$3,500	$0	$3,500
Utilities	$276,200	$276,200	$269,605	$6,595
Contractual equipment maintenance	$47,000	$47,000	$48,578	($1,578)
Education, fees, licenses, dues	$8,500	$8,500	$5,911	$2,589
Maintenance - buildings & grounds	$18,000	$39,000	$41,163	($2,163)
Maintenance - valves	$4,000	$4,000	$1,159	$2,841
Maintenance - meters	$10,000	$10,000	$9,458	$542
Maintenance - motors & pumps	$15,000	$15,000	$10,770	$4,230
Replacements - buildings & grounds	$30,000	$63,300	$33,623	$29,677
Maintenance - machinery, tools, equipment	$20,000	$20,000	$25,049	($5,049)
Replacements - machinery, tools, equipment	$10,000	$10,000	$2,725	$7,275
Total Treatment Plant Expenses	$1,264,650	$1,333,950	$1,348,372	($14,422)

The Notes to the Financial Statements are an integral part of this statement.

Brown County Water Improvement District #1
Budgetary Comparison Statement
Proprietary Fund - Enterprise Fund
For the Fiscal Year Ended August 31, 2020

Schedule E
Continued

	Business Activity - Enterprise Fund Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
Other Non-departmental Expenses	$196,000	$196,000	$124,517	$71,483
Flat Rock Park Operations	$0	$0	$16,018	($16,018)
Depreciation	$0	$0	$0	$0
Total Operating Expenses	$3,199,550	$3,253,850	$3,121,363	$132,487
Operating Income (Loss)	$28,950	($25,350)	$567,488	$592,838
Non-operating Revenues (Expenses):				
Interest on temporary investments:				
Maintenance and operating funds	$25,000	$25,000	$72,314	$47,314
Rental and lease income:				
Commercial stalls and concessions	$14,000	$14,000	$21,250	$7,250
Docks and spaces	$200,000	$200,000	$221,970	$21,970
Lake residence, lot, land, and grass leases	$14,000	$14,000	$15,831	$1,831
Total rental and lease income	$228,000	$228,000	$259,051	$31,051
Other income - sale of assets	$0	$0	$183,347	$183,347
Other miscellaneous revenues	$10,000	$10,000	$40,951	$30,951
Total Non-operating Revenues (Expenses)	$263,000	$263,000	$555,663	$292,663
Change in budgeted net position, before special items	$291,950	$237,650	$1,123,151	$885,501
Special Items:				
Test water well drilling costs	$0	$0	$0	$0
Change in budgeted net position	$291,950	$237,650	$1,123,151	$885,501
Adjustments to reconcile to GAAP:				
Debt service revenue - not budgeted			$1,336,064	
Depreciation - not budgeted			($854,063)	
Capital Outlay - budgeted			$104,427	
Employee compensated balances - not budgeted			($8,744)	
Retiree plan contributions - not budgeted			($23,253)	
Retiree plan amortization of change in net present value			($5,908)	
Retiree plan interest earnings - not budgeted			$388	
Bond issue fees and costs - not budgeted			($806)	
Interest expense on bonds - not budgeted			($276,530)	
Change in net position			$1,394,726	
Net position at beginning of year			$17,623,749	
Prior period adjustment			$0	
Net position at beginning of year, restated			$17,623,749	
Net position at end of year			$19,018,475	

The Notes to the Financial Statements are an integral part of this statement.

TEXAS SUPPLEMENTARY INFORMATION

Brown County Water Improvement District #1
Services and Rates
August 31, 2020

Schedule TSI-1

1. Services Provided by the District:

☐	Retail Water	☒	Wholesale Water	☐	Drainage
☐	Retail Wastewater	☐	Wholesale Wastewater	☒	Irrigation
☐	Parks/recreation	☐	Fire Protection	☐	Security
☐	Solid Waste/Garbage	☐	Flood Control	☐	Roads

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

☐ Other (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 (In Thousands) During the Fiscal Year:

Gallons pumped into system: 3,290,355

Gallons billed to customers: 3,290,355

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	$1,336,064
b.	Interest Revenues	$0
	TOTAL ANTICIPATED FUNDS TO BE USED	$1,336,064

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 District is located: **Brown**

Is the District located entirely within 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 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 ☐

ETJ in which District is located. City of Brownwood City of Early

Is the general membership of the Board 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
Enterprise Fund Expenditures
For the Year Ended August 31, 2020

Schedule TSI-2

Personnel Expenses (including benefits)		$1,788,535
Professional Fees:		
Auditing	$13,000	
Legal	$13,520	
Engineering, consultants, surveys, and other	$8,319	$34,839
Utilities		$338,070
Telephones, Cell Phones		$13,195
Repairs and Maintenance		$317,096
Supplies - chemicals, vehicle		
Supplies and postage	$23,481	
Chemicals and laboratory supplies	$383,597	
Motor vehicle and boats fuel	$20,093	
Other Supplies - uniforms, signs, other	$7,916	$435,087
Directors Fees		$10,200
Other Administrative Expenses:		
Education, licenses, fees, dues, publications	$10,828	
Travel	$86	
Water assessments	$7,626	
Election costs	$1,265	$19,805
Insurance:		
Property, liability, bonds	$76,588	
Workers compensation	$21,038	$97,626
Depreciation		$854,063
Bonded Debt Expenses:		
Interest expense	$276,530	
Fees and costs	$806	
Amortization of issue costs	$0	$277,336
Total Enterprise Fund Expenses		$4,185,852
Special Items:		
Test water well drilling		$0

Brown County Water Improvement District #1
Schedule of Temporary Investments
August 31, 2020

Schedule TSI-3

Date Issued		Interest Rate	Maturity Date	Balances 8/31/2020	Accrued Interest Receivable 8/31/2020
ENTERPRISE FUNDS					
	Maintenance and Operating Fund				
	Maturity less than three months:				
7/4/2020	Citizens National Bank - Cert.of Deposit	0.20%	9/2/2020	$705,000	$224
7/8/2020	Citizens National Bank - Cert.of Deposit	0.20%	9/6/2020	$300,000	$89
7/13/2020	Citizens National Bank - Cert.of Deposit	0.20%	9/11/2020	$502,000	$135
7/13/2020	Citizens National Bank - Cert.of Deposit	0.20%	9/11/2020	$653,500	$175
7/13/2020	Citizens National Bank - Cert.of Deposit	0.20%	10/12/2020	$780,200	$210
7/14/2020	Citizens National Bank - Cert.of Deposit	0.20%	10/13/2020	$448,000	$112
7/16/2020	Citizens National Bank - Cert.of Deposit	0.19%	10/15/2020	$401,800	$96
8/3/2020	Citizens National Bank - Cert.of Deposit	0.15%	10/2/2020	$489,000	$22
8/12/2020	Citizens National Bank - Cert.of Deposit	0.15%	10/11/2020	$500,000	$39
8/12/2020	Citizens National Bank - Cert.of Deposit	0.15%	10/11/2020	$267,000	$21
8/12/2020	Citizens National Bank - Cert.of Deposit	0.15%	10/11/2020	$518,700	$40
8/25/2020	Citizens National Bank - Cert.of Deposit	0.15%	10/11/2020	$215,000	$5
	Total maturity less than three months - cash equivalents			$5,780,200	$1,168
	Maturity greater than three months:				
	None				
	Total maturity greater than three months			$0	$0
	Total Maintenance and Operating Fund			$5,780,200	$1,168

Temporary investments with a maturity less than three months are presented in the statement of net position as cash equivalents.

The Notes to the Financial Statements are an integral part of this statement.

Brown County Water Improvement District #1
Long-Term Debt Service Requirements
Fiscal Year Ended August 31, 2020

TSI-5

Due During Fiscal Years Ending August 31,	Series 2006		Total Annual Requirements
	Principal Due 02/01	Interest Due 02/01,08/01	
2021	$1,070,000.00	$250,982.50	$1,320,982.50
2022	$1,100,000.00	$221,955.00	$1,321,955.00
2023	$1,130,000.00	$191,567.50	$1,321,567.50
2024	$1,160,000.00	$159,790.00	$1,319,790.00
2025	$1,195,000.00	$126,820.00	$1,321,820.00
2026	$1,230,000.00	$92,562.50	$1,322,562.50
2027	$1,265,000.00	$56,692.50	$1,321,692.50
2028	$1,300,000.00	$19,175.00	$1,319,175.00
	9,450,000.00	1,119,545.00	10,569,545.00
Average Annual Debt Service		8.0 years	$1,321,193

Brown County Water Improvement District #1
Change in Long-Term Bonded Debt
Fiscal Year Ended August 31, 2020

TSI-6

	Bond Issue Series 2006
Interest Rates	2.150% - 2.950%
Dates Interest Payable	2/1;8/1
Maturity Dates	2/1/2028
Beginning Bonds Outstanding	$10,495,000
Bonds Sold During the Fiscal Year	$0
Bonds Retired During the Fiscal Year	$1,045,000
Ending Bonds Outstanding	$9,450,000
Interest Paid During the Fiscal Year	
Paying Agent's Name and City: Series 2006 Regions Bank Houston, Texas	
Bond Authority:	Revenue Bonds
Amount Authorized by Board of Directors	$20,490,000
Amount Issued	$20,490,000
Remaining to be Issued	$0
Debt Service Fund cash and temporary investments balances as of August 31, 2020	$646,639
Average annual debt service payment (Principal and Interest) for remaining term of all debt: 8.0 years	$1,321,193

Brown County Water Improvement District #1
Comparative Schedule of Revenues and Expenses
Enterprise Fund (Maintenance & Operating)
Five Years Ended August 31, 2020

	Amounts		
	2020	2019	2018
Operating Revenues:			
Treated water sales:			
City of Brownwood	$1,612,623	$1,544,818	$1,648,545
Brookesmith Water Supply	$1,117,909	$962,618	$1,020,777
City of Bangs	$129,299	$112,970	$106,983
City of Early	$201,279	$203,643	$259,440
Zephyr Water Supply	$277,247	$245,455	$215,817
Debt service revenues:			
City of Brownwood	$689,810	$709,275	$725,866
Brookesmith Water Supply	$404,427	$388,884	$371,834
City of Bangs	$52,641	$55,784	$59,054
City of Early	$93,658	$97,522	$102,395
Zephyr Water Supply	$95,528	$86,285	$79,373
Untreated water sales:			
City of Early	$0	$0	$0
Thunderbird Bay	$0	$0	$0
Irrigation water	$230,745	$101,907	$208,537
Water connections and contracts	$119,749	$112,952	$110,177
Total Operating Revenues	$5,024,915	$4,622,113	$4,908,798
Operating Expenses:			
Administration expenses	$584,040	$555,194	$484,102
Field operations expenses	$735,128	$681,382	$669,947
Lake expenses	$299,764	$263,239	$337,493
Treatment plant expenses	$1,344,886	$1,223,333	$1,296,433
Other Non-departmental expenses	$90,635	$53,357	$114,588
Depreciation	$854,063	$920,901	$926,979
Total Operating Expenses	$3,908,516	$3,697,406	$3,829,542
Operating Income (Loss)	$1,116,399	$924,707	$1,079,256
Non-Operating Revenues (Expenses):			
Interest and dividends on investments	$72,314	$114,216	$72,662
Rental and lease income	$259,051	$252,839	$255,985
Gain (loss) on sale of assets	$183,347	$210,063	$75,997
Other miscellaneous revenues	$40,951	$38,299	$26,447
Bond issue fees and costs	($806)	($806)	($806)
Interest Expense	($276,530)	($303,215)	($328,958)
Total Non-operating Revenues (Expenses)	$278,327	$311,396	$101,327
Change in net position before special items	1,394,726	1,236,103	1,180,583

Schedule TSI-7

Amounts		PERCENT OF FUND TOTAL REVENUES				
2017	2016	2020	2019	2018	2017	2016
$1,364,916	$1,345,002	32.09%	33.42%	33.58%	31.25%	31.10%
$941,747	$860,671	22.25%	20.83%	20.79%	21.56%	19.90%
$99,574	$106,510	2.57%	2.44%	2.18%	2.28%	2.46%
$187,770	$173,358	4.01%	4.41%	5.29%	4.30%	4.01%
$197,164	$220,742	5.52%	5.31%	4.40%	4.51%	5.10%
$754,858	$765,212	13.73%	15.35%	14.79%	17.28%	17.69%
$347,449	$335,835	8.05%	8.41%	7.57%	7.95%	7.76%
$58,622	$55,573	1.05%	1.21%	1.20%	1.34%	1.28%
$103,458	$107,014	1.86%	2.11%	7.90%	8.54%	8.74%
$74,013	$69,030	1.90%	1.87%	6.12%	6.11%	5.64%
$0	$0	0.00%	0.00%	0.00%	0.00%	0.00%
$0	$12,678	0.00%	0.00%	0.00%	0.00%	0.29%
$111,329	$144,330	4.59%	2.20%	4.25%	2.55%	3.34%
$127,351	$129,230	2.38%	2.44%	2.24%	2.92%	2.99%
$4,368,251	$4,325,185	100.00%	100.00%	110.32%	110.58%	110.31%
$598,709	$657,591	11.62%	12.01%	9.86%	13.71%	15.20%
$621,921	$688,019	14.63%	14.74%	13.65%	14.24%	15.91%
$331,927	$306,801	5.97%	5.70%	6.88%	7.60%	7.09%
$1,211,800	$1,223,936	26.76%	26.47%	26.41%	27.74%	28.30%
$75,010	$119,700	1.80%	1.15%	2.33%	1.72%	2.77%
$1,043,956	$1,261,981	17.00%	19.92%	18.88%	23.90%	29.18%
$3,883,323	$4,258,028	77.78%	79.99%	78.01%	88.90%	98.45%
$484,928	$67,157	22.22%	20.01%	32.30%	21.68%	11.87%
$30,454	$15,515	1.44%	2.47%	1.48%	0.70%	0.36%
$251,566	$235,133	5.16%	5.47%	5.21%	5.76%	5.44%
$1,250	$162,739	3.65%	4.54%	1.55%	0.03%	3.76%
$38,013	$27,720	0.81%	0.83%	0.54%	0.87%	0.64%
($806)	($1,106)	-0.02%	-0.02%	-0.02%	-0.02%	-0.03%
($353,626)	($374,617)	-5.50%	-6.56%	-6.70%	-8.10%	-8.66%
($33,149)	$65,384	5.54%	6.74%	2.06%	-0.76%	1.51%
451,779	132,541	27.76%	26.74%	34.37%	20.92%	13.38%

Brown County Water Improvement District #1
Board Members, Key Personnel, and Consultants
August 31, 2020

Schedule TSI-8

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

Physical Address: 501 East Baker Street, Brownwood, TX 76801

District Business Telephone Number: (325) 643-2609
District Business Fax Number: (325) 646-3031
District Email: www.bcwid.org

Names and Addresses	Term of Office (Elected or Appointed) or Date Hired	Fees Fiscal Year Ended 8/31/2020	Expense Reimbursements Fiscal Year Ended 8/31/2019	Title at Year End
Board Members:				
Dennis Graham 1805 16th Street Brownwood, TX 76801 Term Extended to	Elected 5/1/2016 5/1/2020 11/4/2020	$2,100	$0	President
Bert V. Massey 211 Quail Run Brownwood, TX 76801	Elected 5/1/2018	$2,100	$0	Vice-President
Jimmy C. Jones 104 Lake Drive Brownwood, TX 76801 Term Extended to	Elected 5/1/2016 5/1/2020 11/4/2020	$2,100	$0	Secretary
Ted Simpson 3495 CR 381 Early, TX 76802	Elected 5/1/2018 5/1/2022	$1,800	$0	
James E McMillian Jr 2520 Waco Street Brownwood, TX 76801 Term Extended to	Appointed 7/9/2019 5/1/2020 11/4/2020	$2,100	$0	

Due to Covid, terms expiring 5/1/2020 were extended to 11/4/2020

Key Administrative Personnel:				
John Allen	1/3/2018			General Manager
Consultants:				
Bart Johnson Jr.	11/8/2016			Attorney
Burl D. Lowery, CPA	8/25/1978			Auditor

COMPLIANCE AND INTERNAL CONTROLS SECTION

BURL D. LOWERY
CERTIFIED PUBLIC ACCOUNTANT
Member A.I.C.P.A. & T.S.C.P.A.
Post Office Box 626
311 Center
Brownwood, Texas 76804

BURL D. LOWERY, C.P.A.
JOYCE CORNELIUS, C.P.A.

Telephone 325-646-8838
Fax 325-643-2157

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
Brownwood, Texas

I 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 and the aggregate remaining fund information of the Brown County Water Improvement District #1 (BCWID), Brownwood, Texas, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the BCWID's basic financial statements, and have issued my report thereon dated November 9, 2020.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the BCWID's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BCWID's internal control. Accordingly, I do not express an opinion on the effectiveness of the BCWID'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 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 the BCWID's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

Burl D. Lowery
Certified Public Accountant

Brownwood, Texas
November 9, 2020

Brown County Water Improvement District #1
Schedule of Findings – Current Year
For the Year Ended August 31, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of auditor's report issued: Unmodified

2. Internal control over financial reporting:

   a. One or more material weaknesses identified? _____YES __X__ NO
   b. One or more significant deficiencies identified that are not considered to be material weaknesses? ____YES __X__NONE REPORTED

3. Noncompliance material to financial statements noted? ____YES __X__NO

SECTION II - FINANCIAL STATEMENT FINDINGS

None

Schedule of Findings – Prior Year

There were no prior year audit findings.