BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

ANNUAL FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED AUGUST 31, 2023

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

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Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

INDEPENDENT AUDITORS' REPORT

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

Opinions
We have audited the accompanying financial statements of the business-type activities of Brown County Water Improvement District #1, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise Brown County Water Improvement District #1's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Brown County Water Improvement District #1, as of August 31, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brown County Water Improvement District #1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Brown County Water Improvement District #1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Brown County Water Improvement District #1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brown County Water Improvement District #1's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of District's share of net pension liability on pages 3 through 5 and 21 through 24 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Management is responsible for the other information included in the annual report. The other information comprises the required TSI (Texas Supplementary Information) schedules but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023, on our consideration of Brown County Water Improvement District #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brown County Water Improvement District #1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brown County Water Improvement District #1's internal control over financial reporting and compliance.

Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
October 6, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Brown County Water Improvement District #1's (the District's) annual financial report presents an analysis of the District's financial performance during the fiscal year ended August 31, 2023. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2023

- The District's net position increased by $1,750,654 or 8.0% from the previous year.
- Operating revenues increased $429,288 or 7.5% from the previous year.
- Operating expenses increased $162,307 or 3.4% from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles generally accepted in the United States of America. The Statement of Net Position includes information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amount of investments in resources (assets) and the obligations to the District's creditors (liabilities). The Statement of Activities identifies the District's revenues and expenses for the fiscal year ended August 31, 2023. This statement provides information on the District's operations and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, financing activities and investments. From the Statement of Cash Flows, the reader can obtain information on the sources and uses of cash and the changes in the cash and cash equivalent's balance.

FINANCIAL ANALYSIS OF THE DISTRICT

The statements of net position and activities provide an indication of the District's financial condition and also indicate that the financial condition of the District improved during the last fiscal year, with an increase to net position of $1,750,654.

Table 1
Consolidated Statements of Net Position

	2023	2022	Dollar Change	Percent Change
Current assets	$ 12,342,860	$ 11,167,412	$ 1,175,448	11%
Noncurrent assets	18,267,333	18,701,270	(433,937)	-2%
Total Assets	30,610,193	29,868,682	741,511	2%
Deferred Outflows of Resources	18,340	649	17,691	2726%
Current liabilities	1,402,632	1,298,687	103,945	8%
Noncurrent liabilities	5,608,449	6,711,683	(1,103,234)	-16%
Total Liabilities	7,011,081	8,010,370	(999,289)	-12%
Deferred Inflows of Resources	52,504	44,667	7,837	18%
Net Position				
Net investment in capital assets	12,086,370	11,391,557	694,813	6%
Restricted	694,635	662,078	32,557	5%
Unrestricted	10,783,943	9,760,659	1,023,284	10%
Total Net Position	$ 23,564,948	$ 21,814,294	$ 1,750,654	8%

As the above table indicates, total current assets increased by $1,175,448 during the fiscal year ended August 31, 2023. This increase is due primarily to increases in cash and accounts receivable. Noncurrent assets decreased 2% due to current year depreciation. Total current liabilities increased due to the timing of payables. Noncurrent liabilities decreased due to the paying down of long-term debt.

Table 2
Condensed Statement of Activities

	2023	2022	Dollar Change	Percent Change
Operating revenue	$ 6,185,865	$ 5,756,577	$ 429,288	7%
Operating expense	4,908,181	4,745,874	162,307	3%
Operating income	1,277,684	1,010,703	266,981	26%
Other revenue	683,293	1,022,532	(339,239)	-33%
Other expense	210,323	220,340	(10,017)	-5%
Change in net position	1,750,654	1,812,895	(62,241)	-3%
Beginning Net Position	21,814,294	20,001,399	1,812,895	9%
Ending Net Position	$ 23,564,948	$ 21,814,294	$ 1,750,654	8%

The statement of activity identifies the various revenue and expense items which affect the change in net position. As the information in Table 2 indicates, operating revenues increased $429,288 due to fluctuations in water sales. Total operating expenses increased $162,307, a 3.4% increase from the previous year. Net position increased $1,750,654 from the previous year.

Budgetary Highlights

The budget for 2023 was approximately $4,010,000. The District did not amend its budget during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District had invested $18,236,370, net of accumulated depreciation, in a broad range of capital assets, including infrastructure, buildings, and machinery and equipment. (See Table 3). This amount represents a net decrease of $435,187 or 2.3% from the previous year.

Table 3
District's Capital Assets

	2023	2022	Dollar Change	Percent Change
Real Estate and Reservoirs	2,104,368	2,104,368		
Construction in progress	394,791		394,791	100%
Infrastructure	39,173,491	39,173,491		
Buildings	483,940	483,940		
Machinery and equipment	1,545,611	1,545,611		
Total at historical cost	43,702,201	43,307,410	394,791	1%
Accumulated depreciation	25,465,831	24,635,853	829,978	3%
Net Capital Assets	18,236,370	18,671,557	(435,187)	-2%

Debt

At the end of the year, the District had $4,990,000 in long-term liabilities and $1,160,000 in the current portion of long-term debt. (See Table 4). For a breakdown of the debt requirements, refer to Note 6 of the basic financial statements.

Table 4
Long-Term Debt

	2023	2022	Dollar Change	Percent Change
Utility Revenue Bond, Series 2006	6,150,000	7,280,000	(1,130,000)	-16%
Total Long-Term Debt	6,150,000	7,280,000	(1,130,000)	-16%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Operating expenses are budgeted at $4,468,050 for 2024, which is an increase of $455,720 from 2023 actual budgetary basis amounts. If these estimates are realized, the District's budgetary net position is expected to increase $557,000 by the close of 2024.

ADDITIONAL FINANCIAL INFORMATION

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

FINANCIAL STATEMENTS

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

STATEMENT OF NET POSITION
August 31, 2023

		Business-type Activities
ASSETS		
Current Assets		
Cash and cash equivalents	$	8,856,058
Cash and cash equivalents - restricted		707,768
Investments		1,754,000
Accounts receivable		717,292
Lease receivable - current		13,312
Inventory		198,784
Prepaid expenses		95,646
Total Current Assets		12,342,860
Noncurrent Assets		
Lease receivable - non-current		30,963
Property & equipment, net of accumulated depreciation		
Real estate and reservoirs		2,104,368
Construction-in-progress		394,791
Infrastructure, net		15,426,855
Buildings, net		5,464
Machinery & equipment, net		304,892
Total Noncurrent Assets		18,267,333
Total Assets		30,610,193
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension plan		18,340
LIABILITIES		
Current Liabilities		
Accounts payable		192,153
Accrued wages and benefits payable		37,346
Accrued interest payable		13,133
Current portion of long-term debt		1,160,000
Total Current Liabilities		1,402,632
Noncurrent Liabilities		
Accrued employee compensated absences		454,887
Net pension liability		163,562
Long term debt		4,990,000
Total Noncurrent Liabilities		5,608,449
Total Liabilities		7,011,081
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - leases		41,229
Deferred inflows of resources - pension plan		11,275
		52,504
NET POSITION		
Net investment in capital assets		12,086,370
Restricted		694,635
Unrestricted		10,783,943
Total Net Position	$	23,564,948

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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

STATEMENT OF ACTIVITIES
Year Ended August 31, 2023

	Business-type Activities
Operating revenues:	
Treated water sales	$ 4,400,602
Entities revenue for debt service	1,336,478
Untreated water - Vulcan	116,141
Irrigation water	208,261
Water connections & contracts	124,383
Total operating revenues	6,185,865
Operating expenses:	
Administrative expenses	669,300
Field operations expenses	852,360
Lake expenses	405,969
Treatment plant expenses	1,840,187
Other non-departmental expenses	292,341
Flat Rock Park operations	18,046
Depreciation	829,978
Total operating expenses	4,908,181
Operating income	1,277,684
Non-operating revenues (expenses)	
Interest income	332,854
Rental and lease income	288,712
Other miscellaneous revenues	61,727
Contract services	(21,700)
Bond issue fees and costs	(806)
Interest expense	(187,817)
Total non-operating revenue (expenses)	472,970
Change in net position	1,750,654
Net position - beginning of year	21,814,294
Net position - end of year	$ 23,564,948

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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

STATEMENT OF CASH FLOWS
Year Ended August 31, 2023

Cash flows from operating activities:		
Cash receipts from water sales	$	6,008,195
Cash payments to suppliers for goods and services		(1,874,857)
Cash payments to employees for services		(2,073,424)
Net cash provided by operating activities		2,059,914
Cash flows from noncapital and financing activities:		
Rental and lease income		288,712
Other miscellaneous revenues		61,727
Net cash provided by noncapital and financing activities		350,439
Cash flows from capital and related financing activities:		
Payments on long-term debt		(1,130,000)
Proceeds from capital grant		(21,700)
Bond interest expense		(187,817)
Bond fees and costs		(806)
Purchase of property & equipment		(394,791)
Net cash used in capital and related financing activities		(1,735,114)
Cash flows from investing activities:		
Maturity of investments net of purchases		830,100
Interest on investments		332,854
Net cash provided by investing activities		1,162,954
Net increase in cash		1,838,193
Cash, beginning of year		7,725,633
Restricted cash, end of year		707,768
Unrestricted cash, end of year	$	8,856,058
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$	1,277,684
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation/amortization		829,978
(Increase) Decrease in operating assets		
Accounts receivable		(177,670)
Lease receivable		(2,300)
Prepaid expense		(59)
Inventory		11,424
Deferrred outflows of resources		(17,691)
Increase in operating liabilities		
Accounts payable		71,835
Accrued payables		5,861
Accrued interest payable		(3,751)
Compensated absences		65,873
Net pension liability		(9,107)
Deferred inflows of resources		7,837
Net cash provided by operating activities	$	2,059,914
Supplementary Information		
Interest paid	$	191,568

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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Reporting Entity

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

Basis of Presentation

The District reports only one major fund:

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

Measurement Focus, Basis of Accounting

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Contractual Relationships

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

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

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Accounts Receivable

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

The District uses the direct write-off method of accounting for uncollectible accounts, which is a departure from generally accepted accounting principles. However, the District believes the difference is immaterial to the financial statements and does not mislead the users of the financial statements. The Board of Directors approves the charging off bad debts only after every avenue available for collection has been addressed. The District does not recognize an allowance for uncollectible accounts. Uncollectible accounts have not been significant in past fiscal years. This portion of accounts receivable was $693,391 on August 31, 2023.

Also included in accounts receivable is accrued interest receivable on District investments of $23,901 on August 31, 2023.

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

Inventory and Prepaid Expenses

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Property and Equipment

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

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

Employee Compensated Absences Balance

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

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

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

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

Pension – BCWID Retiree Plan

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

Net Position

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

Net investment in 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. The restricted net position on August 31, 2023, was $694,635, restricted for debt service. The District had restricted assets of cash for debt service of $707,768 along with related liabilities of accrued interest payable of $13,133.

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".

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Budgets and Budgetary Accounting

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

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

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

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

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

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

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

Finance-Related Legal and Contractual Provisions

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

Violations	Action Taken
None reported	Not applicable

Deficit Fund Balance or Fund Net Position of Individual Funds

There were no deficit fund balances or fund net positions on August 31, 2023.

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, 2023, 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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

overlapping three-year terms. Members pay contributions to the Fund for purposes of obtaining coverage against risks associated with worker's compensation, liability, or property. The District participates in each of the Fund's programs. The Fund operates as a risk-sharing pool by assuming the risks related to the contributions paid by each member regardless of whether the group continues to be a participating member of the Association. With the exception of any deductibles or retrospective rated coverage, the members fully transfer their risks to the Fund. The BCWID retains a small risk on an annual deductible amount on each type of insurance coverage. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

Cash and Cash Equivalents		
Unrestricted		
Cash on hand	$	275
Cash in bank		3,099,983
Certificates of deposit, maturity 3 month or less		5,755,800
Total unrestricted		8,856,058
Restricted		
Interest & Sinking cash in bank		707,768
Total Restricted		707,768
Total Cash and Cash Equivalents	$	9,563,826
Investments		
Certificates of deposit, maturity greater than 3 months	$	1,754,000
Weighted average maturity		162 days

At year-end, the cash and investments on deposit at the depository bank had a carrying amount of $11,317,826 and a bank balance of $11,574,478. The bank balance was properly secured by applicable FDIC coverage and pledged securities on August 31, 2023, and at all times throughout the fiscal year.

Investments

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

NOTE 3: DEPOSITS AND INVESTMENTS - continued

funds may be invested; and the maximum allowable stated maturity of any individual investment owed by the entity.

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

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

Investment Accounting Policy

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

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

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

Analysis of Specific Deposit and Investment Risk

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

Custodial Credit Risk, which is the risk that deposits are exposed to if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. On August 31, 2023, the District was not exposed to custodial credit risk.

Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's policy is to diversify its investments by security type, maturity scheduling and financial institution to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. On August 31, 2023, the District was not exposed to concentration of credit risk.

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

NOTE 3: DEPOSITS AND INVESTMENTS - continued

Foreign Currency Risk is the risk that exchange rates will adversely affect the fair value of an investment. As of August 31, 2023, the District was not exposed to foreign currency risk.

NOTE 4: PROPERTY AND EQUIPMENT

A summary of changes in fixed assets is as follows:

	Balance at Aug 31, 2022	Increases	Decreases	Balance at Aug 31, 2023
Business-type Activities:				
Non-Depreciable Assets:				
Real Estate and Reservoirs	$ 2,104,368	$	$	$ 2,104,368
Construction in progress		394,791		394,791
Total non-depreciable assets	2,104,368	394,791		2,499,159
Depreciable Assets:				
Infrastructure	39,173,491			39,173,491
Buildings	483,940			483,940
Machinery and equipment	1,545,611			1,545,611
Total depreciable assets	41,203,042			41,203,042
Less accumulated depreciation				
Infrastructure	22,999,741	746,895		23,746,636
Buildings	472,516	5,960		478,476
Machinery and equipment	1,163,596	77,123		1,240,719
Total accumulated depreciation	24,635,853	829,978		25,465,831
Total Business-type Activities, net:	$ 18,671,557	$ (435,187)	$	$ 18,236,370

Depreciation expense for the year ended August 31, 2023, was $829,978. Additions to capital assets included construction in progress costs for the water treatment plant.

NOTE 5: LEASE RECEIVABLE PER GASB 87

On August 31, 2023, the District is reporting leases receivable of $44,275 which represents the present value of the future minimum lease payments receivable from individuals and entities for land leases. The District is also reporting a deferred inflow of resources of $41,229 which represents the unamortized deferred inflow of resources on August 31, 2023. The District recognized $17,373 in lease revenue in 2023.

NOTE 6: LONG-TERM DEBT

In October 2004, the District applied 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.

NOTE 6: LONG-TERM DEBT - continued

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.

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 enough money to pay the required debt service payments as they become due. The City of Brownwood is liable for payment of all of the principal and interest on the bonds. However, the other contracting parties pay a portion of the debt service charge based on the percentage of treated water sold to those entities over the last five years.

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

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

The bond principal is payable on February 1 of each year beginning in 2009. Interest on the bonds is payable semiannually on each February 1 and August 1, beginning on February 1, 2007. The bond interest rates vary from 2.150% up to 2.950%. Once all bonds are issued, the maturity terms of the bonds range from February 1, 2009, through February 1, 2028. The bonds and interest are payable to the paying agent, Regions Bank, Houston, Texas. The balance of the long-term debt on August 31, 2023, was $6,150,000.

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, 2023.

	Beginning Balances	Additions	Deletions	Ending Balances	Due Within One Year
Brown County Water Improvement District Revenue Bonds Series 2006	$ 7,280,000	$	$ 1,130,000	$ 6,150,000	$ 1,160,000
Net Pension Liability	172,669	30,495	39,602	163,562	
Total Debt	$ 7,452,669	$ 30,495	$ 1,169,602	$ 6,313,562	$ 1,160,000

Total interest expense for the year ended August 31, 2023, was $187,817.

NOTE 6: LONG-TERM DEBT - continued

The debt matures as follows:

	Principal	Interest	Total
2024	$ 1,160,000	$ 159,790	$ 1,319,790
2025	1,195,000	126,820	1,321,820
2026	1,230,000	92,563	1,322,563
2027	1,265,000	56,692	1,321,692
2028	1,300,000	19,175	1,319,175
	$ 6,150,000	$ 455,040	$ 6,605,040

NOTE 7: DEFERRED OUTFLOW AND INFLOW OF RESOURCES

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, *deferred outflows of resources* and *deferred inflows of resources*, represent acquisitions of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) or an outflow of resources (expenditures) until that time. On August 31, 2023, there was deferred outflows of resources amounting to $18,340 and deferred inflows of resources amounting to $11,275 related to the BCWID Retiree Plan. Additional disclosures are discussed in Note 8 Employee Retirement Plans - BCWID Retiree Plan. There was an additional deferred inflow of resources amounting to $41,229 related to leases receivable see Note 5.

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 8-31-2023	$1,387,745
Total covered payroll	$1,125,994
Annual contributions, based on percentage of gross payroll	$79,927
Percentage of annual contribution to gross payroll	7.10%

NOTE 8: EMPLOYEE RETIREMENT PLANS - continued

BCWID Retiree Plan

Previous to adopting the defined contribution plan, the BCWID had three retirees receiving monthly benefits from the defined benefit plan that was terminated effective August 31, 2011. To continue to provide the same benefits due to these retirees, the remaining assets from the defined benefit plan trust were transferred to a new group annuity contract for the BCWID Retiree Plan. Once those assets were used, the District began funding the annual amount necessary for the retirees' benefits each September. In September 2022 the District contributed $30,100 to fund the 2022-2023 payments due to the Retirees.

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

On August 31, 2023, the District reported a net pension liability of $163,562. The net pension liability was measured as of August 31, 2023, and the total pension liability was determined by an actuarial valuation as of August 31, 2023. 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 $30,043.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 8/31/22	$ 175,805	$ 3,136	$ 172,669
Changes for the year:			
Pension plan investment income		395	(395)
Employer contributions		30,100	(30,100)
Difference between expected and actual experience	21,388		21,388
Benefit payments	(30,043)	(30,043)	
Net changes	(8,655)	452	(9,107)
Balance at 8/31/23	$ 167,150	$ 3,588	$ 163,562

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

The deferred outflow of resources created as August 31, 2016, continued to be amortized by $7,766 during the current year. For the year ended August 31, 2023, the District recognized net pension expense of $819 less the pension plan investment income of $395 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:

NOTE 8: EMPLOYEE RETIREMENT PLANS - continued

Year Ended August 31:	Pension Expense Amount
2024	793
2025	793
2026	793
2027	793
2028	793
Thereafter	3,100

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, 2023, the total amounts contributed to 457 Plan were:

Total covered payroll	1,387,745	
Employee contributions, based on percentage of gross payroll designated by each employee	80,175	5.78%
District matching contribution	136,477	9.83%
Total contributions to 457 deferred compensation plan	219,028	15.61%

NOTE 9: BUDGET VARIANCES

The District had no departmental negative budget variances, although there were line items within each department that exceeded the budget. All expenses were authorized and approved by the Board prior to being incurred. Revenue exceeded budget for the year, and the variance in change in net position was positive.

NOTE 10: NEW GASB STATEMENTS

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

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

NOTE 10: NEW GASB STATEMENTS – continued

interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for years beginning after June 15, 2022. The District determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In October 2021, the GASB issued Statement No. 98 *The Annual Comprehensive Financial Report.* This Statement establishes the term *annual comprehensive financial report* and its acronym ACFT. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The District determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In April 2022, the GASB issued Statement No. 99 *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective as follows: related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges are effective upon issuance; related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022; and related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2022, the GASB issued Statement No. 100 *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2022, the GASB issued Statement No. 101 *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

REQUIRED SUPPLEMENTARY INFORMATION

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

BUDGETARY COMPARISON SCHEDULE - PROPRIETARY FUND
Year Ended August 31, 2023

	Budgeted Amounts	
	Original	Final
Operating revenues:		
Treated water sales:		
City of Brownwood	$ 1,625,250	$ 1,625,250
Brookesmith Water Supply	1,078,800	1,078,800
City of Bangs	120,800	120,800
City of Early	214,550	214,550
Zephyr Water Supply	262,100	262,100
Entities revenues for debt service - not budgeted:		
City of Brownwood		
Brookesmith Water Supply		
City of Bangs		
City of Early		
Zephyr Water Supply		
Untreated water sales - Vulcan	1,650	1,650
Irrigation water	75,000	75,000
Water connections and contracts	110,000	110,000
Total operating revenues	3,488,150	3,488,150
Operating expenses:		
Administration Expenses:		
Salaries	306,100	306,100
Employee compensated absenses		
Retirement	172,500	172,500
Social security	23,400	23,400
Group insurance	51,600	51,600
Workmen's compensation	500	500
Unemployment - TWC	4,000	4,000
Supplies	14,500	14,500
Communications	2,100	2,100
Insurance	17,000	17,000
Travel expenses	1,500	1,500
Publications	2,000	2,000
Utilities	8,000	8,000
Legal & consultation fees	30,000	30,000
Director fees	10,500	10,500
Education, fees, and dues	12,000	12,000
Maintenance - buildings & grounds	3,000	3,000
Replacements - buildings & grounds	2,500	2,500
Maintenance - equipment	1,000	1,000
Replacements - equipment	3,500	3,500
Audit	15,000	15,000
Total Administration Expense	680,700	680,700

	Actual Amounts			
	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
$	1,992,556	$	$ 1,992,556	$ 367,306
	1,475,244		1,475,244	396,444
	251,544		251,544	130,744
	315,608		315,608	101,058
	365,650		365,650	103,550
	650,731	(650,731)		
	441,038	(441,038)		
	50,519	(50,519)		
	84,866	(84,866)		
	109,324	(109,324)		
	116,141		116,141	114,491
	208,261		208,261	133,261
	124,383		124,383	14,383
	6,185,865	(1,336,478)	4,849,387	1,361,237
	306,060		306,060	40
	29,874	(29,874)		
	148,775		148,775	23,725
	23,026		23,026	374
	47,052		47,052	4,548
	665		665	(165)
	214		214	3,786
	19,427		19,427	(4,927)
	2,329		2,329	(229)
	17,630		17,630	(630)
				1,500
				2,000
	6,906		6,906	1,094
	28,282		28,282	1,718
	8,100		8,100	2,400
	11,048		11,048	952
	2,903		2,903	97
				2,500
	104		104	896
	1,155		1,155	2,345
	15,750		15,750	(750)
	669,300	(29,874)	639,426	41,274

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

BUDGETARY COMPARISON SCHEDULE - PROPRIETARY FUND - Continued
Year Ended August 31, 2023

	Budgeted Amounts	
	Original	Final
Field Operations Expense:		
Salaries	529,000	529,000
Employee compensated absenses		
Social security	40,500	40,500
Group insurance	136,500	136,500
Workmen's compensation	9,400	9,400
Supplies	3,000	3,000
Fuel	23,000	23,000
Uniforms	2,600	2,600
Communications	4,200	4,200
Insurance	26,200	26,200
Travel expenses	2,500	2,500
Utilities	50,000	50,000
Education, fees, and dues	2,000	2,000
Maintenance - buildings & grounds	3,500	3,500
Maintenance - laterals & service lines	12,000	12,000
Maintenance - meters	2,000	2,000
Maintenance - pumps, motors, meters	9,000	9,000
Replacements - buildings & laterals	12,000	12,000
Maintenance - machinery, tools, equipment	15,000	15,000
Replacements - equipment/motor vehicles	5,000	5,000
Total Field Operations Expense	887,400	887,400
Lake Expenses:		
Salaries	216,500	216,500
Employee compensated absenses		
Social security	16,600	16,600
Group insurance	68,000	68,000
Workmen's compensation	3,000	3,000
Supplies	8,000	8,000
Fuel	16,000	16,000
Ammo	6,000	6,000
Uniforms	4,000	4,000
Signs & buoys	10,000	10,000
Communications	5,000	5,000
Insurance	19,500	19,500
Travel expenses	3,000	3,000
Utilities	7,500	7,500
Education, fees, and dues	6,000	6,000
Maintenance - buildings & grounds	20,000	20,000
Maintenance - equipment	13,000	13,000
Replacements - equipment	10,000	10,000
Total Lake Expenses	432,100	432,100
Treatment Plant Expenses:		
Salaries	373,100	373,100
Employee compensated absenses		
Social security	28,500	28,500
Group insurance	116,500	116,500

Actual Amounts			
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
525,863		525,863	3,137
(3,246)	3,246		
39,402		39,402	1,098
121,550		121,550	14,950
9,436		9,436	(36)
2,809		2,809	191
21,047		21,047	1,953
2,217		2,217	383
4,095		4,095	105
27,466		27,466	(1,266)
216		216	2,284
62,441		62,441	(12,441)
413		413	1,587
5,500		5,500	(2,000)
(1,352)		(1,352)	13,352
3,570		3,570	(1,570)
			9,000
13,915		13,915	(1,915)
14,152		14,152	848
2,866		2,866	2,134
852,360	3,246	855,606	31,794
203,465		203,465	13,035
2,064	(2,064)		
15,060		15,060	1,540
51,562		51,562	16,438
3,199		3,199	(199)
6,069		6,069	1,931
11,898		11,898	4,102
5,506		5,506	494
2,157		2,157	1,843
9,632		9,632	368
5,160		5,160	(160)
19,985		19,985	(485)
752		752	2,248
8,804		8,804	(1,304)
3,619		3,619	2,381
27,086		27,086	(7,086)
16,974		16,974	(3,974)
12,977		12,977	(2,977)
405,969	(2,064)	403,905	28,195
428,441		428,441	(55,341)
37,181	(37,181)		
32,592		32,592	(4,092)
108,339		108,339	8,161

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

BUDGETARY COMPARISON SCHEDULE - PROPRIETARY FUND - Continued
Year Ended August 31, 2023

	Budgeted Amounts	
	Original	Final
Workmen's compensation	6,800	6,800
Supplies	5,000	5,000
Fuel	2,800	2,800
Uniforms	2,000	2,000
Lab supplies	25,000	35,000
Chemicals	285,000	595,000
Communications	3,000	3,000
Insurance & bonds	30,000	30,000
Travel expenses	1,200	1,200
Utilities	275,000	310,000
Contractual equipment maintenance	60,000	60,000
Education, fees, and dues	8,500	8,500
Maintenance - buildings & grounds	30,000	30,000
Replacements - buildings & grounds	25,000	25,000
Maintenance - valves	5,000	5,000
Maintenance - meters	10,000	10,000
Maintenance - motors & pumps	10,000	10,000
Maintenance - equipment	25,000	25,000
Replacements - equipment	36,000	36,000
Total Treatment Plant Expenses	1,363,400	1,718,400
Other non-departmental expenses	50,000	50,000
Flat Rock Park operations		
Depreciation		
Total operating expenses	3,413,600	3,768,600
Operating income (loss)	74,550	(280,450)
Non-Operating Revenues(Expenses):		
Rental and lease income:		
Commercial stalls and concessions	15,000	15,000
Docks and spaces	220,000	220,000
Lake residence, lot, land, and grass leases	12,000	12,000
Total rental and lease income	247,000	247,000
Sale of assets	10,000	10,000
Interest income	10,000	10,000
Other miscellaneous revenues		
Contracted services		
Bond issue fees and costs		
Interest expense		
Total non-operating revenue(expense)	267,000	267,000
Total change in net position	341,550	(13,450)
Net position - beginning of year	21,814,294	21,814,294
Net position - end of year	$ 22,155,844	$ 21,800,844

Actual Amounts			
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
7,292		7,292	(492)
5,496		5,496	(496)
4,566		4,566	(1,766)
30		30	1,970
28,075		28,075	6,925
638,299		638,299	(43,299)
3,843		3,843	(843)
33,455		33,455	(3,455)
612		612	588
293,691		293,691	16,309
63,809		63,809	(3,809)
8,565		8,565	(65)
15,999		15,999	14,001
14,169		14,169	10,831
9,657		9,657	(4,657)
1,250		1,250	8,750
18,124		18,124	(8,124)
23,877		23,877	1,123
62,825		62,825	(26,825)
1,840,187	(37,181)	1,803,006	(84,606)
292,341		292,341	(242,341)
18,046		18,046	(18,046)
829,978	(829,978)		
4,908,181	(895,851)	4,012,330	(243,730)
1,277,684	(440,627)	837,057	1,117,507
23,475		23,475	8,475
247,864		247,864	27,864
17,373		17,373	5,373
288,712		288,712	41,712
			(10,000)
332,854		332,854	322,854
61,727		61,727	61,727
(21,700)		(21,700)	(21,700)
(806)	806		
(187,817)	187,817		
472,970	188,623	661,593	394,593
1,750,654	(252,004)	1,498,650	1,512,100
21,814,294		21,814,294	
$ 23,564,948	$ (252,004)	$ 23,312,944	$ 1,512,100

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

SCHEDULE OF DISRICT'S SHARE OF NET PENSION LIABILITY
Year Ended August 31, 2023

		Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020
Total Pension Liability					
Difference between expected and actual experience	$	21,388	(14,371)	(2,435)	33,253
Benefit payments		(30,043)	(37,863)	(39,427)	(39,427)
Net change in total pension liability		(8,655)	(52,234)	(41,862)	(6,174)
Total pension liability beginning of year		175,805	228,039	269,901	276,075
Total pension liability end of year	$	167,150	175,805	228,039	269,901
Plan Fiduciary Net Position					
Employer contributions	$	30,100	39,500	37,263	10,000
Pension plan investment income		395	207	953	388
Benefit payments - 2 retirees		(30,043)	(37,863)	(39,427)	(39,427)
Net change in plan fiduciary net position		452	1,844	(1,211)	(29,039)
Plan fiduciary net position, beginning of year		3,136	1,292	2,503	31,542
Plan fiduciary net position, end of year	$	3,588	3,136	1,292	2,503
Net Pension Liability, end of year	$	163,562	172,669	226,747	267,398
Plan fiduciary net position as a percentage of total pension liability		2.15%	1.78%	0.57%	0.93%
District's covered employee payroll - none active	$	-	-	-	-
Net pension liability as a percentage of covered employee payroll		0.00%	0.00%	0.00%	0.00%

Notes to Schedule

Pension plan assets are held in a group annuity contract of the BCWID Retiree Plan.
The measurement date of the net pension liability was August 31, 2023.

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

Contributions are not 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 paymens. Because of this, no schedule of actuarily determined contributions is presented.

Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
19,928	(74,492)	(11,771)	55,011	-
(39,427)	(68,771)	(58,990)	(78,553)	(78,553)
(19,499)	(143,263)	(70,761)	(23,542)	(78,553)
295,574	438,837	509,598	533,140	611,693
276,075	295,574	438,837	509,598	533,140
39,500	78,500	74,500	45,800	-
834	588	428	466	914
(39,427)	(68,771)	(58,990)	(78,553)	(78,553)
907	10,317	15,938	(32,287)	(77,639)
30,635	20,318	4,380	36,667	114,306
31,542	30,635	20,318	4,380	36,667
244,533	264,939	418,519	505,218	496,473
11.43%	10.36%	4.63%	0.86%	6.88%
-	-	-	-	-
0.00%	0.00%	0.00%	0.00%	0.00%

TEXAS SUPPLEMENTARY INFORMATION

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-1. SERVICES AND RATES - UNAUDITED
Year Ended August 31, 2023

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

[ ] Retail Water	[X] Wholesale Water	[ ] Drainage
[ ] Retail Wastewater	[ ] Wholesale Wastewater	[X] 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 during the Fiscal Year** (rounded to the nearest thousand):

Gallons pumped into system:	4,613,458
Gallons billed to customers:	4,660,628

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

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

a. Water revenues - debt service $ 1,336,980

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

7. **Location of District:**

County in which the District is located: Brown

Is the District located entirely in one county? Yes [X] No [ ]
However, the District does not encompass all of the county.

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

City(ies) in which the District is located: City of Brownwood City of Early
However, the District does not encompass all of either city.

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

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

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

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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-2. ENTERPRISE FUND EXPENSES - UNAUDITED
Year Ended August 31, 2023

Personnel Expenses (including benefits)*	$	2,124,566
Professional Fees:		
Auditing		15,750
Legal		12,731
Engineering, consultants, surveys, and other		15,551
Utilities		371,842
Telephones, cell phones		15,427
Repairs and Maintenance		245,751
Supplies - chemicals, vehicle		
Supplies and postage		16,703
Chemicals and laboratory supplies		666,374
Motor vehicle and boat fuel		37,511
Other supplies - uniforms, signs, other		2,187
Directors fees		8,100
Administrative Expenses:		
Education, licenses, fees, dues, publications		23,645
Travel		1,580
Election costs		
Insurance		
Property, liability, bonds		98,536
Workers compensation		20,592
Depreciation		829,978
Capitalized assets		394,791
Bonded debt expenses		
Interest expense		187,817
Fees and costs		806
Other Expenses		423,057
TOTAL EXPENSES	$	5,513,295

* Number of persons employed by the District: 22 Full-time Part-time
(You may omit the note above if your district had no personnel expenditures. Independent contractors or consultants are not employees.)

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-3 TEMPORARY INVESTMENTS - UNAUDITED
Year Ended August 31, 2023

	Date Issued	Interest Rate	Maturity Date	Balance at End of Year
Certificates of deposit				
Citizens National Bank	8/30/2023	4.34%	11/29/2023	$ 683,000
Citizens National Bank	8/3/2023	4.28%	11/2/2023	300,000
Citizens National Bank	7/22/2023	4.25%	10/21/2023	718,000
Citizens National Bank	7/22/2023	4.50%	10/21/2023	526,000
Citizens National Bank	8/30/2023	4.34%	12/28/2023	525,000
Citizens National Bank	8/30/2023	4.34%	11/29/2023	530,000
Citizens National Bank	7/13/2023	4.25%	10/12/2023	520,000
Citizens National Bank	8/30/2023	4.34%	11/29/2023	698,000
Citizens National Bank	6/6/2023	4.22%	9/5/2023	462,000
Citizens National Bank	8/30/2023	4.59%	2/28/2024	420,000
Citizens National Bank	8/30/2023	4.59%	2/28/2024	809,000
Citizens National Bank	6/6/2023	4.22%	9/5/2023	415,800
Citizens National Bank	7/13/2023	4.25%	10/12/2023	742,000
Citizens National Bank	7/22/2023	4.25%	10/21/2023	161,000
				$ 7,509,800

Temporary investments with a maturity less than three months are presented in the statement of net position as cash equivalents. $1,754,000 of the investments held at year end have a maturity of more than three months.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS
2006 SERIES TWDB BONDED DEBT (UNAUDITED)
Year Ended August 31, 2023

Due During Fiscal Years Ending	ANNUAL REQUIREMENTS FOR 2006 SERIES		
	Principal Due	Interest Due	Total
2024	$ 1,160,000	$ 159,790	$ 1,319,790
2025	1,195,000	126,820	1,321,820
2026	1,230,000	92,563	1,322,563
2027	1,265,000	56,693	1,321,693
2028	1,300,000	19,174	1,319,174
	$ 6,150,000	$ 455,040	$ 6,605,040
Average Annual Debt Service		5 years	$ 1,321,008

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-6. CHANGES IN LONG-TERM LOANS (UNAUDITED)
Year Ended August 31, 2023

		TWDB Series 2006
Interest Rate		2.15% - 2.95%
Dates Interest Payable		2/1; 8/1
Maturity Dates		2/1/2028
Beginning Loans Outstanding	$	7,280,000
Loan Proceeds Received During Fiscal Year		
Loans Retired During Fiscal Year		1,130,000
Ending Bonds Outstanding	$	6,150,000
Interest Paid During Fiscal Year	$	191,568
Paying Agents Name and City		Regions Bank Houston, TX
Amount authorized by Board of Directors	$	20,490,000
Amount issued	$	20,490,000
Debt Service Fund cash and temporary investments balances as of August 31, 2023	$	707,768
Average annual debt service payment (principal and interest) for remaining term of all debt	$	1,321,008

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-7a. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - ENTERPRISE FUND - UNAUDITED

Five Years Ended August 31, 2019, 2020, 2021, 2022 and 2023

	AMOUNTS				
	2023	2022	2021	2020	2019
Operating revenues:					
Treated water sales:					
City of Brownwood	$ 1,992,556	$ 1,904,782	$ 1,523,719	$ 1,612,623	$ 1,544,818
Brookesmith Water Supply	1,475,244	1,370,224	1,198,982	1,117,909	962,618
City of Bangs	251,544	179,284	148,025	129,299	112,970
City of Early	315,608	251,488	207,037	201,279	203,643
Zephyr Water Supply	365,650	310,879	312,257	277,247	245,455
Debt service revenues:					
City of Brownwood	650,731	657,928	674,340	689,810	709,275
Brookesmith Water Supply	441,038	436,658	419,942	404,427	388,884
City of Bangs	50,519	49,334	50,639	52,641	55,784
City of Early	84,866	86,904	87,917	93,658	97,522
Zephyr Water Supply	109,324	106,156	103,282	95,528	86,285
Untreated water sales	116,141	18,142			
Irrigation water	208,261	262,716	117,722	230,745	101,907
Water connections and contracts	124,383	122,082	120,973	119,749	112,952
Total operating revenues	6,185,865	5,756,577	4,964,835	5,024,915	4,622,113
Operating expenses:					
Administrative expenses	669,300	598,050	615,896	584,040	555,194
Field operations expenses	852,360	866,549	769,828	735,128	681,382
Lake expenses	405,969	367,187	414,020	299,764	263,239
Treatment plant expenses	1,840,187	1,606,186	1,299,465	1,344,886	1,223,333
Other non-departmental expenses	292,341	454,009	117,042	90,635	53,357
Flat Rock Park operations	18,046	27,685	21,230		
Depreciation	829,978	826,208	806,495	854,063	920,901
Total operating expenses	4,908,181	4,745,874	4,043,976	3,908,516	3,697,406
Operating Income (Loss)	1,277,684	1,010,703	920,859	1,116,399	924,707
Non-Operating Revenues/(Expenses):					
Interest income	332,854	51,742	8,006	72,314	114,216
Rental and lease income	288,712	276,423	269,108	259,051	252,839
Gain(loss) on sale of capital assets		436,450	(500)	183,347	210,063
Other miscellaneous revenues	61,727	83,032	34,628	40,951	38,299
Federal source revenue	(21,700)	174,885			
Bond issue fees and costs	(806)	(806)	(806)	(806)	(806)
Interest expense	(187,817)	(219,534)	(248,671)	(276,530)	(303,215)
Net Income	$ 1,750,654	$ 1,812,895	$ 982,624	$ 1,394,726	$ 1,236,103

PERCENT OF FUND TOTAL REVENUE				
2023	2022	2021	2020	2019
32.2%	33.1%	30.7%	32.1%	33.4%
23.8%	23.8%	24.0%	22.3%	20.9%
4.1%	3.1%	3.0%	2.6%	2.4%
5.1%	4.4%	4.2%	4.0%	4.4%
5.9%	5.4%	6.3%	5.5%	5.3%
10.5%	11.4%	13.6%	13.8%	15.4%
7.1%	7.6%	8.5%	8.0%	8.4%
0.8%	0.9%	1.0%	1.0%	1.2%
1.4%	1.5%	1.8%	1.9%	2.1%
1.8%	1.8%	2.1%	1.9%	1.9%
1.9%	0.3%			
3.4%	4.6%	2.4%	4.6%	2.2%
2.0%	2.1%	2.4%	2.4%	2.4%
100.0%	100.0%	100.0%	100.1%	100.0%
10.8%	10.4%	12.4%	11.6%	12.0%
13.8%	15.1%	15.5%	14.6%	14.7%
6.6%	6.4%	8.3%	6.0%	5.7%
29.7%	27.9%	26.2%	26.8%	26.5%
4.7%	7.9%	2.4%	1.8%	1.2%
0.3%	0.4%	0.4%		
13.4%	14.4%	16.2%	17.0%	19.9%
79.3%	82.5%	81.4%	77.8%	80.0%
20.7%	17.5%	18.6%	22.3%	20.0%
5.4%	1.0%	0.1%	1.4%	2.5%
4.6%	4.8%	5.4%	5.2%	5.5%
	7.6%		3.6%	4.5%
1.0%	1.4%	0.7%	0.8%	0.8%
-0.4%	3.0%			
-3.0%	-3.8%	-5.0%	-5.5%	-6.6%
28.3%	31.5%	19.8%	27.8%	26.7%

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS - UNAUDITED
Year Ended August 31, 2023

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

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

Submission Date of the most recent District Registration Form:
(TWC Sections 36.054 and 49.054): None

Limit on Fees of Office that a Director may receive during a fiscal year: No limit imposed
(Set by Board Resolution (TWC Section 49.060))

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid 8/31/2023	Expense Reimburse-ments 8/31/2023	Title at Year End
Board Members:				
John W. Hays Brownwood, TX	(Elected) 11/4/2020	$ 1,650	$	Director
Bert V. Massey Brownwood, TX	(Elected) 5/7/2022	1,350		President
Jimmy C. Jones Brownwood, TX	(Elected) 11/4/2020	1,800		Secretary
Brad Simpson Early, TX	(Elected) 5/7/2022	1,800		Director
James E. McMillian, Jr.	(Elected) 11/4/2020	1,500		Vice President
Previous Director		900		Director
Key Administrative Personnel:				
John Allen	5/5/1988			General Manager
Consultants:				
Bart Johnson Jr.		10,231		Attorney
Chris Munson		2,500		Attorney
Merritt, McLane & Hamby, PC		15,750		Auditor

OTHER INFORMATION REQUIRED BY GAO

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Brown County Water Improvement District #1, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise Brown County Water Improvement District #1's basic financial statements, and have issued our report thereon dated October 6, 2023.

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

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

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

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

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

Merritt, McLane & Hamby, P.C.
MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
October 6, 2023

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED AUGUST 31, 2023

I. Summary of Auditor's Report

A. The type of report issued on the financial statements of Brown County Water Improvement District #1 was an unmodified opinion.

B. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards.*

C. No instances on noncompliance material to the financial statements of Brown County Water Improvement District #1 were disclosed during the audit.

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

None

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2023

Findings/Noncompliance

None