

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

ANNUAL FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED AUGUST 31, 2022

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, 2022, 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, 2022, 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 22 through 25 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 introductory and 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 September 23, 2022, 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.

Abilene, Texas
September 23, 2022

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, 2022. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2022

- The District's net position increased by \$1,812,895 or 9.1% from the previous year.
- Operating revenues increased \$791,742 or 15.9% from the previous year.
- Operating expenses increased \$702,198 or 17.4% 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, 2022. This statement provides information on the District's operations and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, financing activities and investments. From the Statement of Cash Flows, the reader can obtain information on the sources and uses of cash and the changes in the cash and cash equivalent's balance.

FINANCIAL ANALYSIS OF THE DISTRICT

The statements of net position and revenues, expenses and changes in net position provide an indication of the District's financial condition and also indicate that the financial condition of the District improved during the last fiscal year, with an increase to net position of \$1,812,895.

Table 1
Consolidated Statements of Net Position

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 11,167,412	\$ 9,919,924	\$ 1,247,488	13%
Noncurrent assets	<u>18,701,270</u>	<u>19,199,390</u>	<u>(498,120)</u>	-3%
Total Assets	<u>29,868,682</u>	<u>29,119,314</u>	<u>749,368</u>	3%
Deferred Outflows of Resources	649	8,415	<u>(7,766)</u>	-92%
Current liabilities	1,298,687	1,265,313	33,374	3%
Noncurrent liabilities	<u>6,711,683</u>	<u>7,857,122</u>	<u>(1,145,439)</u>	-15%
Total Liabilities	<u>8,010,370</u>	<u>9,122,435</u>	<u>(1,112,065)</u>	-12%
Deferred Inflows of Resources	44,667	3,895	40,772	1047%
Net Position				
Net investment in capital assets	11,391,557	10,819,390	572,167	5%
Restricted	662,078	642,465	19,613	3%
Unrestricted	<u>9,760,659</u>	<u>8,539,544</u>	<u>1,221,115</u>	14%
Total Net Position	<u>\$ 21,814,294</u>	<u>\$ 20,001,399</u>	<u>\$ 1,812,895</u>	9%

As the above table indicates total current assets increased by \$1,247,488 during the fiscal year ended August 31, 2022. This increase is due primarily to increases in investments and accounts receivable. Noncurrent assets decreased 3% 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

	<u>2022</u>	<u>2021</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenue	\$ 5,756,577	\$ 4,964,835	\$ 791,742	16%
Operating expense	<u>4,745,874</u>	<u>4,043,676</u>	<u>702,198</u>	17%
Operating income	1,010,703	921,159	89,544	10%
Other revenue	1,022,532	311,242	711,290	229%
Other expense	<u>220,340</u>	<u>249,477</u>	<u>(29,137)</u>	-12%
Change in net position	1,812,895	982,924	829,971	84%
Beginning Net Position	<u>20,001,399</u>	<u>19,018,475</u>	<u>982,924</u>	5%
Ending Net Position	<u>\$ 21,814,294</u>	<u>\$ 20,001,399</u>	<u>\$ 1,812,895</u>	9%

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 \$791,742 due to fluctuations in water sales. Total operating expenses increased \$702,198, a 17.4% increase from the previous year. Net position increased \$1,812,895 from the previous year.

Budgetary Highlights

The budget for 2022 was approximately \$3,716,000. The District amended its budget during the year for increases and decreases between functional areas. Final budget increased \$412,000 from the adopted budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had invested \$18,671,557, 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 \$527,833 or 2.7% from the previous year.

Table 3
District's Capital Assets

	2022	2021	Dollar Change	Percent Change
Real Estate and Reservoirs	2,104,368	2,104,368		
Infrastructure	39,173,491	38,998,606	174,885	0%
Buildings	483,940	483,940		
Machinery and equipment	1,545,611	1,478,622	66,989	5%
Total at historical cost	43,307,410	43,065,536	241,874	1%
Accumulated depreciation	24,635,853	23,866,146	769,707	3%
Net Capital Assets	<u>18,671,557</u>	<u>19,199,390</u>	<u>(527,833)</u>	-3%

Debt

At the end of the year, the District had \$6,150,000 in long-term liabilities and \$1,130,000 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

	2022	2021	Dollar Change	Percent Change
Utility Revenue Bond, Series 2006	7,280,000	8,380,000	(1,100,000)	-13%
Total Long-Term Debt	<u>7,280,000</u>	<u>8,380,000</u>	<u>(1,100,000)</u>	-13%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Operating expenses are budgeted at \$4,007,500 for 2023, which is an increase of \$153,736 from 2022 actual budgetary basis amounts. If these estimates are realized, the District's budgetary net position is expected to increase \$502,000 by the close of 2023.

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, 2022

	<u>Business-type Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 7,046,671
Cash and cash equivalents - restricted	678,962
Investments	2,584,100
Accounts receivable	539,622
Lease receivable - current	12,262
Inventory	210,208
Prepaid expenses	95,587
Total Current Assets	<u>11,167,412</u>
Noncurrent Assets	
Lease receivable - non-current	29,713
Property & equipment, net of accumulated depreciation	
Real estate and reservoirs	2,104,368
Infrastructure, net	16,173,750
Buildings, net	11,424
Machinery & equipment, net	382,015
Total Noncurrent Assets	<u>18,701,270</u>
Total Assets	<u>29,868,682</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension plan	<u>649</u>
LIABILITIES	
Current Liabilities	
Accounts payable	120,318
Accrued wages and benefits payable	31,485
Accrued interest payable	16,884
Current portion of long-term debt	1,130,000
Total Current Liabilities	<u>1,298,687</u>
Noncurrent Liabilities	
Accrued employee compensated absences	389,014
Net pension liability	172,669
Long term debt	6,150,000
Total Noncurrent Liabilities	<u>6,711,683</u>
Total Liabilities	<u>8,010,370</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - leases	42,388
Deferred inflows of resources - pension plan	2,279
	<u>44,667</u>
NET POSITION	
Net investment in capital assets	11,391,557
Restricted	662,078
Unrestricted	9,760,659
	<u>21,814,294</u>
Total Net Position	<u>\$ 21,814,294</u>

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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

STATEMENT OF ACTIVITIES

Year Ended August 31, 2022

	<u>Business-type Activities</u>
Operating revenues:	
Treated water sales	\$ 4,016,657
Entities revenue for debt service	1,336,980
Untreated water - Vulcan	18,142
Irrigation water	262,716
Water connections & contracts	122,082
Total operating revenues	<u>5,756,577</u>
Operating expenses:	
Administrative expenses	598,050
Field operations expenses	866,549
Lake expenses	367,187
Treatment plant expenses	1,606,186
Other non-departmental expenses	454,009
Flat Rock Park operations	27,685
Depreciation	826,208
Total operating expenses	<u>4,745,874</u>
Operating income	<u>1,010,703</u>
Non-operating revenues (expenses)	
Interest income	51,742
Rental and lease income	276,423
Gain on sale of capital assets	436,450
Other miscellaneous revenues	83,032
Federal source revenue	174,885
Bond issue fees and costs	(806)
Interest expense	(219,534)
Total non-operating revenue (expenses)	<u>802,192</u>
Change in net position	1,812,895
Net position - beginning of year	<u>20,001,399</u>
Net position - end of year	<u>\$ 21,814,294</u>

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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

STATEMENT OF CASH FLOWS

Year Ended August 31, 2022

Cash flows from operating activities:

Cash receipts from water sales	\$ 5,680,696
Cash payments to suppliers for goods and services	(2,098,296)
Cash payments to employees for services	(1,911,499)
Net cash provided by operating activities	<u>1,670,901</u>

Cash flows from noncapital and financing activities:

Rental and lease income	276,423
Other miscellaneous revenues	83,032
Net cash provided by noncapital and financing activities	<u>359,455</u>

Cash flows from capital and related financing activities:

Payments on long-term debt	(1,100,000)
Proceeds from capital grant	174,885
Bond interest expense	(219,534)
Bond fees and costs	(806)
Sale of property & equipment	445,490
Purchase of property & equipment	(307,415)
Net cash used in capital and related financing activities	<u>(1,007,380)</u>

Cash flows from investing activities:

Purchase of investments	(2,584,100)
Interest on investments	51,742
Net cash used by investing activities	<u>(2,532,358)</u>

Net decrease in cash

(1,509,382)

Cash, beginning of year

9,235,015

Restricted cash, end of year

678,962

Unrestricted cash, end of year

\$ 7,046,671

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 1,010,703
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization	826,208
(Increase) Decrease in operating assets	
Accounts receivable	(75,881)
Lease receivable	(41,975)
Prepaid expense	(11,629)
Inventory	(72,998)
Deferred outflows of resources	7,766
Increase in operating liabilities	
Accounts payable	(450)
Accrued payables	6,245
Accrued interest payable	(2,421)
Compensated absences	65,902
Net pension liability	(81,341)
Deferred inflows of resources	40,772
Net cash provided by operating activities	\$ <u>1,670,901</u>

Supplementary Information

Interest paid	\$ <u>221,955</u>
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The accompanying notes are an integral part of the financial statements.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Reporting Entity

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

Basis of Presentation

The District reports only one major fund:

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

Measurement Focus, Basis of Accounting

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

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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Contractual Relationships

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

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

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Accounts Receivable

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

The District uses the direct write-off method of accounting for uncollectible accounts, which is a departure from generally accepted accounting principles. However, the District believes the difference is immaterial to the financial statements and does not mislead the users of the financial statements. The Board of Directors approves the charging off bad debts only after every avenue available for collection has been addressed. The District does not recognize an allowance for uncollectible accounts. Uncollectible accounts have not been significant in past fiscal years. This portion of accounts receivable was \$525,798 on August 31, 2022.

Also included in accounts receivable is accrued interest receivable on District investments of \$13,824 on August 31, 2022.

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.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

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, 2022, was \$662,078, restricted for debt service. The District had restricted assets of cash for debt service of \$678,962 along with related liabilities of accrued interest payable of \$16,884.

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".

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

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:

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

Deficit Fund Balance or Fund Net Position of Individual Funds

There were no deficit fund balances or fund net positions on August 31, 2022.

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, 2022, 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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

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		2,366,396
Certificates of deposit, maturity 3 month or less		<u>4,680,000</u>
Total unrestricted		<u><u>7,046,671</u></u>

Restricted

Interest & Sinking cash in bank		<u>678,962</u>
Total Restricted		<u><u>678,962</u></u>

Total Cash and Cash Equivalents	\$	<u><u>7,725,633</u></u>
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Investments

Certificates of deposit, maturity greater than 3 months	\$	<u><u>2,584,100</u></u>
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Weighted average maturity 139 days

At year-end, the cash and investments on deposit at the depository bank had a carrying amount of \$10,309,733 and a bank balance of \$10,453,169. The bank balance was properly secured by applicable FDIC coverage and pledged securities on August 31, 2022, 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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

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

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

Custodial Credit Risk, which is the risk that deposits are exposed to if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. On August 31, 2022, 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, 2022, 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.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

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, 2022, 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, 2021	Increases	Decreases	Balance at Aug 31, 2022
Business-type Activities:				
Non-Depreciable Assets:				
Real Estate and Reservoirs	\$ 2,104,368	\$	\$	\$ 2,104,368
Total non-depreciable assets	<u>2,104,368</u>	<u></u>	<u></u>	<u>2,104,368</u>
Depreciable Assets:				
Infrastructure	38,998,606	174,885		39,173,491
Buildings	483,940			483,940
Machinery and equipment	1,478,622	132,530	65,541	1,545,611
Total depreciable assets	<u>40,961,168</u>	<u>307,415</u>	<u>65,541</u>	<u>41,203,042</u>
Less accumulated depreciation				
Infrastructure	22,251,900	747,841		22,999,741
Buildings	466,555	5,961		472,516
Machinery and equipment	1,147,691	72,407	56,502	1,163,596
Total accumulated depreciation	<u>23,866,146</u>	<u>826,209</u>	<u>56,502</u>	<u>24,635,853</u>
Total Business-type Activities, net:	\$ <u>19,199,390</u>	\$ <u>(518,794)</u>	\$ <u>9,039</u>	\$ <u>18,671,557</u>

Depreciation expense for the year ended August 31, 2022, was \$826,208.

Additions to capital assets included three pickups, a tractor, and improvements to the water treatment plant.

NOTE 5: LEASE RECEIVABLE PER GASB 87

On August 31, 2022, the District is reporting leases receivable of \$41,975 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 \$42,388 which represents the unamortized deferred inflow of resources on August 31, 2022. The District recognized \$11,932 in lease revenue in 2022.

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.

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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 6: LONG-TERM DEBT - continued

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 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, 2022, was \$7,280,000.

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, 2022.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Brown County Water Improvement					
District Revenue Bonds					
Series 2006	\$ 8,380,000	\$	\$ 1,100,000	\$ 7,280,000	\$ 1,130,000
Net Pension Liability	226,747	39,707	93,785	172,669	
Total Debt	<u>\$ 8,606,747</u>	<u>\$ 39,707</u>	<u>\$ 1,193,785</u>	<u>\$ 7,452,669</u>	<u>\$ 1,130,000</u>

Total interest expense for the year ended August 31, 2022, was \$219,534.

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

NOTE 6: LONG-TERM DEBT - continued

The debt matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,130,000	\$ 191,568	\$ 1,321,568
2024	1,160,000	159,790	1,319,790
2025	1,195,000	126,820	1,321,820
2026	1,230,000	92,563	1,322,563
2027	1,265,000	56,692	1,321,692
2028	<u>1,300,000</u>	<u>19,175</u>	<u>1,319,175</u>
	<u>\$ 7,280,000</u>	<u>\$ 646,608</u>	<u>\$ 7,926,608</u>

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, 2022, there was deferred outflows of resources amounting to \$649 and deferred inflows of resources amounting to \$2,279 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 \$42,388 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 8-31-2022	\$1,344,872
Total covered payroll	\$1,319,027
Annual contributions, based on percentage of gross payroll	\$120,060
Percentage of annual contribution to gross payroll	9.10%

NOTE 8: EMPLOYEE RETIREMENT PLANS - continued

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

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 2021 the District contributed \$39,500 to fund the 2021-2022 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, 2022, the District reported a net pension liability of \$172,669. The net pension liability was measured as of August 31, 2021, and the total pension liability was determined by an actuarial valuation as of August 31, 2021. 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 \$37,863.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 8/31/21	\$ 228,039	\$ 1,292	\$ 226,747
Changes for the year:			
Pension plan investment income		207	(207)
Employer contributions		39,500	(39,500)
Difference between expected and actual experience	(14,371)		(14,371)
Benefit payments	(37,863)	(37,863)	
Net changes	(52,234)	1,844	(54,078)
Balance at 8/31/22	\$ 175,805	\$ 3,136	\$ 172,669

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, 2022, the District recognized net pension expense of \$5,706 less the pension plan investment income of \$207 credited to the plan.

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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31:	Pension Expense Amount
2023	(176)
2024	(202)
2025	(202)
2026	(202)
2027	(202)
Thereafter	(202)

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, 2022, the total amounts contributed to 457 Plan were:

Total covered payroll	1,319,027	
Employee contributions, based on percentage of gross payroll designated by each employee	98,968	7.50%
District matching contribution	120,060	9.10%
Total contributions to 457 deferred compensation plan	219,028	16.60%

NOTE 9: BUDGET VARIANCES

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

NOTE 10: NEW GASB STATEMENTS

In June 2017, the GASB issued Statement No. 87 *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. GASB No. 95 postponed the effective date 18 months. The District implemented this Statement in the current year. See Note 5 for disclosures related to leases receivable.

In May 2019, the GASB issued Statement No. 91 *Conduit debt obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary

NOTE 10: NEW GASB STATEMENTS – continued

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021, due to GASB No. 95. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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

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

In March 2020, the GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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

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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

In June 2020, the GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements Nos. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The District 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, 2022

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
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	<u>3,488,150</u>	<u>3,488,150</u>
Operating expenses:		
Administration Expenses:		
Salaries	284,500	284,500
Employee compensated absences		
Retirement	170,000	170,000
Social security	21,800	21,800
Group insurance	50,100	50,100
Workmen's compensation	500	500
Unemployment - TWC	3,500	3,500
Supplies	14,000	14,000
Communications	2,100	2,100
Insurance	15,800	15,800
Travel expenses	1,200	1,200
Publications	2,000	2,000
Utilities	7,000	7,000
Legal & consultation fees	30,000	30,000
Director fees	10,500	10,500
Education, fees, and dues	12,000	12,000
Maintenance - buildings & grounds	7,000	7,000
Replacements - buildings & grounds	2,500	2,500
Maintenance - equipment	1,000	1,000
Replacements - equipment	500	500
Election costs	6,500	6,500
Audit	15,000	15,000
Bad debt		
Total Administration Expense	<u>657,500</u>	<u>657,500</u>

		Actual Amounts		
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	
\$ 1,904,782		\$ 1,904,782	\$ 279,532	
1,370,224		1,370,224	291,424	
179,284		179,284	58,484	
251,488		251,488	36,938	
310,879		310,879	48,779	
657,928	(674,340)	(16,412)	(16,412)	
436,658	(419,942)	16,716	16,716	
49,334	(50,639)	(1,305)	(1,305)	
86,904	(87,917)	(1,013)	(1,013)	
106,156	(103,282)	2,874	2,874	
18,142		18,142	16,492	
262,716		262,716	187,716	
122,082		122,082	12,082	
<u>5,756,577</u>	<u>(1,336,120)</u>	<u>4,420,457</u>	<u>932,307</u>	
285,993		285,993	(1,493)	
3,596	(3,596)			
118,964		118,964	51,036	
21,689		21,689	111	
45,256		45,256	4,844	
443		443	57	
532		532	2,968	
15,010		15,010	(1,010)	
1,890		1,890	210	
16,330		16,330	(530)	
1,329		1,329	(129)	
			2,000	
6,706		6,706	294	
30,801		30,801	(801)	
8,400		8,400	2,100	
11,596		11,596	404	
3,244		3,244	3,756	
			2,500	
80		80	920	
3,597		3,597	(3,097)	
7,269		7,269	(769)	
15,000		15,000		
325		325	(325)	
<u>598,050</u>	<u>(3,596)</u>	<u>594,454</u>	<u>63,046</u>	

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

BUDGETARY COMPARISON SCHEDULE - PROPRIETARY FUND - Continued

Year Ended August 31, 2022

	Budgeted Amounts	
	Original	Final
Field Operations Expense:		
Salaries	487,600	487,600
Employee compensated absences		
Social security	37,300	37,300
Group insurance	133,800	133,800
Workmen's compensation	8,800	8,800
Supplies	2,400	2,400
Fuel	18,000	18,000
Uniforms	2,600	2,600
Communications	3,700	3,700
Insurance	23,500	23,500
Travel expenses	2,500	2,500
Utilities	27,000	72,000
Education, fees, and dues	2,000	2,000
Maintenance - buildings & grounds	2,500	2,500
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	10,000	10,000
Maintenance - machinery, tools, equipment	20,000	32,000
Replacements - equipment/motor vehicles	30,000	30,000
Total Field Operations Expense	<u>834,700</u>	<u>891,700</u>
Lake Expenses:		
Salaries	194,200	194,200
Employee compensated absences		
Social security	14,850	14,850
Group insurance	66,100	66,100
Workmen's compensation	2,800	2,800
Supplies	6,000	6,000
Fuel	14,000	14,000
Ammo	4,000	4,000
Uniforms	3,500	3,500
Signs & bouys	16,000	16,000
Communications	5,000	5,000
Insurance	16,800	16,800
Travel expenses	1,500	1,500
Utilities	7,500	7,500
Education, fees, and dues	3,000	3,000
Maintenance - buildings & grounds	20,000	20,000
Maintenance - equipment	13,000	13,000
Replacements - equipment	10,300	10,300
Total Lake Expenses	<u>398,550</u>	<u>398,550</u>
Treatment Plant Expenses:		
Salaries	373,100	373,100
Employee compensated absences		
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)
496,305		496,305	(8,705)
11,347	(11,347)		
36,905		36,905	395
119,526		119,526	14,274
10,413		10,413	(1,613)
2,552		2,552	(152)
17,983		17,983	17
1,812		1,812	788
4,052		4,052	(352)
26,818		26,818	(3,318)
2,032		2,032	468
66,976		66,976	5,024
1,209		1,209	791
4,584		4,584	(2,084)
15,694		15,694	(3,694)
14,571		14,571	(12,571)
			9,000
2,586		2,586	7,414
31,184		31,184	816
			30,000
<u>866,549</u>	<u>(11,347)</u>	<u>855,202</u>	<u>36,498</u>

189,392		189,392	4,808
4,496	(4,496)		
14,134		14,134	716
55,686		55,686	10,414
3,323		3,323	(523)
3,511		3,511	2,489
11,788		11,788	2,212
2,727		2,727	1,273
2,979		2,979	521
4,137		4,137	11,863
4,869		4,869	131
17,651		17,651	(851)
717		717	783
7,360		7,360	140
1,757		1,757	1,243
23,225		23,225	(3,225)
7,482		7,482	5,518
11,953		11,953	(1,653)
<u>367,187</u>	<u>(4,496)</u>	<u>362,691</u>	<u>35,859</u>

373,182		373,182	(82)
46,463	(46,463)		
28,390		28,390	110
101,659		101,659	14,841

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

BUDGETARY COMPARISON SCHEDULE - PROPRIETARY FUND - Continued

Year Ended August 31, 2022

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
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	<u>1,363,400</u>	<u>1,718,400</u>
Other non-departmental expenses	50,000	50,000
Flat Rock Park operations		
Depreciation		
Total operating expenses	<u>3,304,150</u>	<u>3,716,150</u>
Operating income (loss)	<u>184,000</u>	<u>(228,000)</u>
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	<u>247,000</u>	<u>247,000</u>
Sale of assets	10,000	10,000
Interest income	10,000	10,000
Other miscellaneous revenues		
Federal source revenue		
Bond issue fees and costs		
Interest expense		
Total non-operating revenue(expense)	<u>267,000</u>	<u>267,000</u>
Total change in net position	451,000	39,000
Net position - beginning of year	<u>20,001,399</u>	<u>20,001,399</u>
Net position - end of year	<u>\$ 20,452,399</u>	<u>\$ 20,040,399</u>

Actual Amounts			
Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
7,976		7,976	(1,176)
4,998		4,998	2
3,159		3,159	(359)
1,710		1,710	290
35,141		35,141	(141)
511,316		511,316	83,684
3,438		3,438	(438)
30,427		30,427	(427)
			1,200
291,533		291,533	18,467
59,308		59,308	692
9,760		9,760	(1,260)
14,590		14,590	15,410
14,283		14,283	10,717
4,373		4,373	627
12,298		12,298	(2,298)
10,678		10,678	(678)
34,158		34,158	(9,158)
7,346		7,346	28,654
<u>1,606,186</u>	<u>(46,463)</u>	<u>1,559,723</u>	<u>158,677</u>
454,009		454,009	(404,009)
27,685		27,685	(27,685)
826,208	(826,208)		
<u>4,745,874</u>	<u>(892,110)</u>	<u>3,853,764</u>	<u>(137,614)</u>
<u>1,010,703</u>	<u>(444,010)</u>	<u>566,693</u>	<u>1,069,921</u>
21,250		21,250	6,250
243,240		243,240	23,240
11,933		11,933	(67)
<u>276,423</u>		<u>276,423</u>	<u>29,423</u>
436,450		436,450	426,450
51,742		51,742	41,742
83,032		83,032	83,032
174,885			
(806)	806		
<u>(219,534)</u>	<u>219,534</u>		
<u>802,192</u>	<u>220,340</u>	<u>847,647</u>	<u>580,647</u>
1,812,895	(223,670)	1,414,340	1,650,568
<u>20,001,399</u>		<u>20,001,399</u>	
<u>\$ 21,814,294</u>	<u>\$ (223,670)</u>	<u>\$ 21,415,739</u>	<u>\$ 1,650,568</u>

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY

Year Ended August 31, 2022

	<u>Fiscal Year</u> 2022	<u>Fiscal Year</u> 2021	<u>Fiscal Year</u> 2020	<u>Fiscal Year</u> 2019
<u>Total Pension Liability</u>				
Difference between expected and actual experience	\$ (14,371)	(2,435)	33,253	19,928
Benefit payments	<u>(37,863)</u>	<u>(39,427)</u>	<u>(39,427)</u>	<u>(39,427)</u>
Net change in total pension liability	(52,234)	(41,862)	(6,174)	(19,499)
Total pension liability beginning of year	228,039	269,901	276,075	295,574
Total pension liability end of year	<u>\$ 175,805</u>	<u>228,039</u>	<u>269,901</u>	<u>276,075</u>
<u>Plan Fiduciary Net Position</u>				
Employer contributions	\$ 39,500	37,263	10,000	39,500
Pension plan investment income	207	953	388	834
Benefit payments - 2 retirees	<u>(37,863)</u>	<u>(39,427)</u>	<u>(39,427)</u>	<u>(39,427)</u>
Net change in plan fiduciary net position	1,844	(1,211)	(29,039)	907
Plan fiduciary net position, beginning of year	1,292	2,503	31,542	30,635
Plan fiduciary net position, end of year	<u>\$ 3,136</u>	<u>1,292</u>	<u>2,503</u>	<u>31,542</u>
Net Pension Liability, end of year	<u>\$ 172,669</u>	<u>226,747</u>	<u>267,398</u>	<u>244,533</u>
Plan fiduciary net position as a percentage of total pension liability	1.78%	0.57%	0.93%	11.43%
District's covered employee payroll - none active	\$ -	-	-	-
Net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%

Notes to Schedule

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

GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

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

<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2015</u>
(74,492)	(11,771)	55,011	-
<u>(68,771)</u>	<u>(58,990)</u>	<u>(78,553)</u>	<u>(78,553)</u>
<u>(143,263)</u>	<u>(70,761)</u>	<u>(23,542)</u>	<u>(78,553)</u>
<u>438,837</u>	<u>509,598</u>	<u>533,140</u>	<u>611,693</u>
<u>295,574</u>	<u>438,837</u>	<u>509,598</u>	<u>533,140</u>
78,500	74,500	45,800	-
588	428	466	914
<u>(68,771)</u>	<u>(58,990)</u>	<u>(78,553)</u>	<u>(78,553)</u>
<u>10,317</u>	<u>15,938</u>	<u>(32,287)</u>	<u>(77,639)</u>
<u>20,318</u>	<u>4,380</u>	<u>36,667</u>	<u>114,306</u>
<u>30,635</u>	<u>20,318</u>	<u>4,380</u>	<u>36,667</u>
<u>264,939</u>	<u>418,519</u>	<u>505,218</u>	<u>496,473</u>
10.36%	4.63%	0.86%	6.88%
-	-	-	-
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, 2022

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

- | | | |
|--|---|--|
| <input type="checkbox"/> Retail Water | <input checked="" type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input checked="" type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
- 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:	3,766,530
Gallons billed to customers:	<u>3,766,530</u>

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

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

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

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 No

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

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

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

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

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

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

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

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

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-3 TEMPORARY INVESTMENTS - UNAUDITED

Year Ended August 31, 2022

	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
Certificates of deposit				
Citizens National Bank	7/4/2022	1.80%	9/2/2022	\$ 657,500
Citizens National Bank	7/4/2022	1.80%	9/2/2022	300,000
Citizens National Bank	7/4/2022	1.80%	9/2/2022	504,000
Citizens National Bank	7/8/2022	1.90%	9/6/2022	452,000
Citizens National Bank	7/4/2022	1.80%	9/2/2022	404,600
Citizens National Bank	7/8/2022	1.90%	9/6/2022	403,600
Citizens National Bank	8/24/2022	2.84%	1/21/2023	709,000
Citizens National Bank	8/24/2022	2.84%	1/21/2023	496,000
Citizens National Bank	8/2/2022	2.54%	10/1/2022	503,000
Citizens National Bank	8/15/2022	2.59%	1/12/2023	503,000
Citizens National Bank	8/2/2022	2.54%	10/1/2022	673,800
Citizens National Bank	8/2/2022	2.54%	10/1/2022	781,500
Citizens National Bank	8/15/2022	2.59%	1/12/2023	720,000
Citizens National Bank	8/24/2022	2.84%	1/21/2023	<u>156,100</u>
				<u>\$ 7,264,100</u>

Temporary investments with a maturity less than three months are presented in the statement of net position as cash equivalents. \$2,584,100 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, 2022

Due During Fiscal Years Ending	ANNUAL REQUIREMENTS FOR 2006 SERIES		
	Principal Due	Interest Due	Total
2023	\$ 1,130,000	\$ 191,568	\$ 1,321,568
2024	1,160,000	159,790	1,319,790
2025	1,195,000	126,820	1,321,820
2026	1,230,000	92,563	1,322,563
2027	1,265,000	56,693	1,321,693
2028	1,300,000	19,174	1,319,174
	<u>\$ 7,280,000</u>	<u>\$ 646,608</u>	<u>\$ 7,926,608</u>
Average Annual Debt Service		6.0 years	\$ 1,321,101

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

TSI-6. CHANGES IN LONG-TERM LOANS (UNAUDITED)

Year Ended August 31, 2022

	<u>TWDB Series 2006</u>
Interest Rate	2.15% - 2.95%
Dates Interest Payable	2/1; 8/1
Maturity Dates	2/1/2028
Beginning Loans Outstanding	\$ 8,380,000
Loan Proceeds Received During Fiscal Year	
Loans Retired During Fiscal Year	<u>1,100,000</u>
Ending Bonds Outstanding	\$ <u><u>7,280,000</u></u>
Interest Paid During Fiscal Year	\$ 221,955
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, 2022	\$ 678,962
Average annual debt service payment (principal and interest) for remaining term of all debt	\$ 1,321,101

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

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

Five Years Ended August 31, 2018, 2019, 2020, 2021 and 2022

	AMOUNTS				
	2022	2021	2020	2019	2018
Operating revenues:					
Treated water sales:					
City of Brownwood	\$ 1,904,782	\$ 1,523,719	\$ 1,612,623	\$ 1,544,818	\$ 1,648,545
Brookesmith Water Supply	1,370,224	1,198,982	1,117,909	962,618	1,020,777
City of Bangs	179,284	148,025	129,299	112,970	106,983
City of Early	251,488	207,037	201,279	203,643	259,440
Zephyr Water Supply	310,879	312,257	277,247	245,455	215,817
Debt service revenues:					
City of Brownwood	657,928	674,340	689,810	709,275	725,866
Brookesmith Water Supply	436,658	419,942	404,427	388,884	371,834
City of Bangs	49,334	50,639	52,641	55,784	59,054
City of Early	86,904	87,917	93,658	97,522	102,395
Zephyr Water Supply	106,156	103,282	95,528	86,285	79,373
Untreated water sales	18,142				
Irrigation water	262,716	117,722	230,745	101,907	208,537
Water connections and contracts	122,082	120,973	119,749	112,952	110,177
Total operating revenues	<u>5,756,577</u>	<u>4,964,835</u>	<u>5,024,915</u>	<u>4,622,113</u>	<u>4,908,798</u>
Operating expenses:					
Administrative expenses	598,050	615,896	584,040	555,194	484,102
Field operations expenses	866,549	769,828	735,128	681,382	669,947
Lake expenses	367,187	414,020	299,764	263,239	337,493
Treatment plant expenses	1,606,186	1,299,465	1,344,886	1,223,333	1,296,433
Other non-departmental expenses	454,009	117,042	90,635	53,357	114,588
Flat Rock Park operations	27,685	21,230			
Depreciation	826,208	806,495	854,063	920,901	926,979
Total operating expenses	<u>4,745,874</u>	<u>4,043,976</u>	<u>3,908,516</u>	<u>3,697,406</u>	<u>3,829,542</u>
Operating Income (Loss)	<u>1,010,703</u>	<u>920,859</u>	<u>1,116,399</u>	<u>924,707</u>	<u>1,079,256</u>
Non-Operating Revenues/(Expenses):					
Interest income	51,742	8,006	72,314	114,216	72,662
Rental and lease income	276,423	269,108	259,051	252,839	255,985
Gain(loss) on sale of capital assets	436,450	(500)	183,347	210,063	75,997
Other miscellaneous revenues	83,032	34,628	40,951	38,299	26,447
Federal source revenue	174,885				
Bond issue fees and costs	(806)	(806)	(806)	(806)	(806)
Interest expense	<u>(219,534)</u>	<u>(248,671)</u>	<u>(276,530)</u>	<u>(303,215)</u>	<u>(328,958)</u>
Net Income	<u>\$ 1,812,895</u>	<u>\$ 982,624</u>	<u>\$ 1,394,726</u>	<u>\$ 1,236,103</u>	<u>\$ 1,180,583</u>

PERCENT OF FUND TOTAL REVENUE

2022	2021	2020	2019	2018
33.1%	30.7%	32.1%	33.4%	33.6%
23.8%	24.0%	22.3%	20.9%	20.8%
3.1%	3.0%	2.6%	2.4%	2.2%
4.4%	4.2%	4.0%	4.4%	5.3%
5.4%	6.3%	5.5%	5.3%	4.4%
11.4%	13.6%	13.8%	15.4%	14.8%
7.6%	8.5%	8.0%	8.4%	7.6%
0.9%	1.0%	1.0%	1.2%	1.2%
1.5%	1.8%	1.9%	2.1%	2.1%
1.8%	2.1%	1.9%	1.9%	1.6%
0.3%				
4.6%	2.4%	4.6%	2.2%	4.2%
2.1%	2.4%	2.4%	2.4%	2.2%
<u>100.0%</u>	<u>100.0%</u>	<u>100.1%</u>	<u>100.0%</u>	<u>100.0%</u>
10.4%	12.4%	11.6%	12.0%	9.9%
15.1%	15.5%	14.6%	14.7%	13.6%
6.4%	8.3%	6.0%	5.7%	6.9%
27.9%	26.2%	26.8%	26.5%	26.4%
7.9%	2.4%	1.8%	1.2%	2.3%
0.4%	0.4%			
14.4%	16.2%	17.0%	19.9%	18.9%
<u>82.5%</u>	<u>81.4%</u>	<u>77.8%</u>	<u>80.0%</u>	<u>78.0%</u>
<u>17.5%</u>	<u>18.6%</u>	<u>22.3%</u>	<u>20.0%</u>	<u>22.0%</u>
1.0%	0.1%	1.4%	2.5%	1.5%
4.8%	5.4%	5.2%	5.5%	5.2%
7.6%		3.6%	4.5%	1.6%
1.4%	0.7%	0.8%	0.8%	0.5%
3.0%				
<u>-3.8%</u>	<u>-5.0%</u>	<u>-5.5%</u>	<u>-6.6%</u>	<u>-6.7%</u>
<u>31.5%</u>	<u>19.8%</u>	<u>27.8%</u>	<u>26.7%</u>	<u>24.1%</u>

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

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

Year Ended August 31, 2022

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

District Business Telephone Number: (325) 643-2609

District Business Fax Number: (325) 646-3031

District Website: www.bcwid.org

Submission Date of the most recent District Registration Form:

(TWC Sections 36.054 and 49.054): None

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

(Set by Board Resolution (TWC Section 49.060))

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid 8/31/2021	Expense Reimburse- ments 8/31/2021	Title at Year End
Board Members:				
John W. Hays Brownwood, TX	(Elected) 11/4/2020	\$ 1,350	\$	Director
Bert V. Massey Brownwood, TX	(Elected) 5/7/2022	1,800		President
Jimmy C. Jones Brownwood, TX	(Elected) 11/4/2020	1,950		Secretary
Brad Simpson Early, TX	(Elected) 5/7/2022	600		Director
James E. McMillian, Jr.	(Elected) 11/4/2020	1,800		Vice President
Previous Director		900		Director
Key Administrative Personnel:				
John Allen	5/5/1988			General Manager
Consultants:				
Bart Johnson Jr.		15,250		Attorney
Merritt, McLane & Hamby, PC		15,000		Auditor

OTHER INFORMATION REQUIRED BY GAO

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Brown County Water Improvement District #1, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise Brown County Water Improvement District #1's basic financial statements, and have issued our report thereon dated September 23, 2022.

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.

Abilene, Texas
September 23, 2022

BROWN COUNTY WATER IMPROVEMENT DISTRICT #1

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED AUGUST 31, 2022

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, 2022

Findings/Noncompliance

None