

**BROOKSHIRE-KATY DRAINAGE DISTRICT**

**WALLER COUNTY**

**BROOKSHIRE, TEXAS**

**AUDIT REPORT**

**SEPTEMBER 30, 2020**

**BROOKSHIRE-KATY DRAINAGE DISTRICT  
BROOKSHIRE, TEXAS  
SEPTEMBER 30, 2020**

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**INPEPENDENT AUDITOR'S REPORT**

**Board of Supervisors  
Brookshire-Katy Drainage District  
Waller County  
Brookshire, Texas**

**February 26, 2021**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Brookshire-Katy Drainage District as of September 30, 2020, and for the year then ended, as listed in the table of contents which collectively comprise the District's basic financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brookshire-Katy Drainage District as of September 30, 2020, and the changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 6 and Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-General Fund, on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers them to be essential part of the 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.

### Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brookshire-Katy Drainage District's basic financial statements. The supplementary information on pages 24 to 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information on pages 24 to 38 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 24 to 38 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Brian L. Jarvis & Associates, PLLC*

Brian L Jarvis & Associates, PLLC  
Certified Public Accountants  
Katy, TX  
February 26, 2021

## **Brookshire – Katy Drainage District Management’s Discussion and Analysis**

### Using this Annual Report

This discussion and analysis of the Brookshire-Katy Drainage District’s financial results is presented to provide an overview of the District’s financial activities for the year ended September 30, 2020. It should be read in conjunction with the District’s audited financial statements.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, reclamation and drainage of its overflowed lands. The financial statements of special-purpose governments combine two types of financial statements into one statement.

### Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District’s government-wide financial statements include the Statement of Net Position and Statement of Activities, which are prepared using accounting principles that are similar to a commercial enterprise. The Statement of Net Assets reports all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District’s total assets and total liabilities is labeled as net position and this difference is similar to the total equity presented by a commercial enterprise.

The purpose of the Statement of Activities is to present the revenues and expenses of the District. Again, the items presented on the Statement of Activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

The statement of activities looks different from a commercial enterprise’s income statement, but it is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net assets, essentially the same thing.

These two statements report the District’s net assets and the annual changes in net assets. You can think of the District’s net assets (the difference between its assets and liabilities) as one aspect of measuring the District’s financial health (or financial position). Over time, increases or decreases in the District’s net assets are one indicator as to whether its financial health is improving or deteriorating. You also have to consider other factors, however, such as changes to its property tax base and the extent to which the services that the District’s provides are increasing or decreasing, to assess the overall health of the District.

### Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations. At this time, the District utilizes the General Fund and a Federal Grant Fund.

**Brookshire – Katy Drainage District  
Management’s Discussion and Analysis  
(Continued)**

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a short period of time, but do not include capital assets such as land and depreciable assets. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year. The difference between a fund’s total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to assist in financing the next fiscal year’s activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditure that were collected in cash or paid with cash, respectively, during the current period or shortly after the end of the fiscal year.

As the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis on page 10 of the financial statements that reconciles the total fund balances to the amount of net assets presented in the governmental activities column on the statement of net assets. Also, there is an analysis on page 12 of the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

The District’s overall financial position and operations for the past year is summarized as follows based on the information included in the government-wide financial statements.

**Summary of Net Assets**

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Current and other assets	\$ 5,813,359	\$ 5,478,524
Capital assets	<u>1,093,328</u>	<u>730,760</u>
Total assets	\$ <u>6,906,687</u>	\$ <u>6,209,284</u>
Contribution to pension plan in current fiscal year	\$ 29,109	\$ 24,315
Differences between projected & actual experience	13,143	49,979
Changes in Assumptions	6,126	9,864
Differences between projected & actual earnings on pension plan	<u>-</u>	<u>51,441</u>
Total Deferred Outflows	\$ <u>48,378</u>	\$ <u>135,599</u>
Long-term liabilities	\$ 185,471	\$ -
Other liabilities	<u>682,802</u>	<u>860,391</u>
Total liabilities	\$ <u>868,273</u>	\$ <u>860,391</u>
Deferred property tax revenues	\$ 2,421,364	\$ 1,966,605
Differences between projected & actual earnings on pension plan	<u>21,298</u>	<u>-</u>
Total Deferred Inflows	\$ <u>2,442,662</u>	\$ <u>1,966,605</u>

**Brookshire – Katy Drainage District  
Management’s Discussion and Analysis  
(Continued)**

Net assets:		
Invested in capital assets	1,093,328	730,760
Unrestricted	<u>2,550,802</u>	<u>2,787,127</u>
Total net assets	<u>\$ 3,644,130</u>	<u>\$ 3,517,887</u>

**Summary of Changes In Net Assets**

	<u>September 30, 2020</u>	<u>September 30, 2019</u>	<u>Net Change</u>
Revenues:			
Property taxes	\$ 1,969,937	\$ 1,655,750	\$ 314,187
Other revenues	<u>2,579,609</u>	<u>762,394</u>	<u>1,817,215</u>
Total revenues	4,549,546	2,418,144	2,131,402
Expenses:			
Operations	4,423,303	1,835,984	2,587,319
Operating transfers	<u>-</u>	<u>68,110</u>	<u>(68,110)</u>
Total expenses	4,423,303	1,904,094	2,519,209
Change in net assets	126,243	514,050	(387,807)
Net assets, beginning of year	<u>3,517,887</u>	<u>3,003,837</u>	<u>514,050</u>
Net assets, end of year	<u>\$ 3,644,130</u>	<u>\$ 3,517,887</u>	<u>\$ 126,243</u>

**Financial Analysis of the District’s Funds**

The District’s combined net assets as of the end of the fiscal year ended September 30, 2020 were \$ 3,644,130, an increase of \$ 126,243 from the prior year.

The District realized the following variances with its budget in its current year’s operations:

1. The variance for the federal grant revenue and grant expense was due to the inclusion of these items within the budget analysis. The District utilized the Certificates of Deposit held at the Bank of Brenham and Industry State Bank to offset the non-reimbursable grant expenses.
2. The favorable variance for the Salaries was due to the budget allowance to hire an additional employee at the District. The employee was not hired.
3. The favorable variance for the Lease Payment and Interest Expense is due to the accounting treatment of the lease payment. The lease payment was budgeted for, but the principal portion of the payment offset the lease payable account instead of being expensed.
4. The favorable variance for the miscellaneous revenues is reflected due to the conservative allowance when budgeting permit fee revenues. These fees vary by year and can be very unpredictable. The District also budgets tax revenue at 95% to remain conservative in the case that all tax payments are not received.

**Brookshire – Katy Drainage District  
Management’s Discussion and Analysis  
(Continued)**

Capital Asset and Debt Administration

Capital assets held by the District at the end of the current and previous fiscal year are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Land	\$ 50,362	\$ 50,362	\$ -
Buildings	123,127	128,323	(5,196)
Equipment & Other	<u>919,839</u>	<u>552,075</u>	<u>367,764</u>
Total	<u>\$ 1,093,328</u>	<u>\$ 730,760</u>	<u>\$ 362,568</u>

During the current year, changes to capital assets were as follows:

Additions, net of retirements:	
Other (including construction in progress)	\$ 432,474
Decreases:	
Depreciation, net of retirements	<u>69,906</u>
Net change to capital assets	<u>\$ 362,568</u>



**Brookshire-Katy Drainage District**  
**Statement of Net Position**  
**As of September 30, 2020**

	<b>2020</b>
<b>Assets</b>	
Cash	\$ 1,669,955
Property Taxes Receivable - Net of Allowance for Uncollectible	2,445,427
Prepaid Expenses	20,562
Grant Receivable	427,262
Short-term Investments	1,250,153
Capital Assets - Net of Accumulated Depreciation:	
Land	50,362
Depreciable Capital Assets	1,042,966
<b>Total Assets</b>	<b>\$ 6,906,687</b>
 <b>Deferred Outflows of Resources</b>	
Contributions to Pension Plan in Current Fiscal Year	\$ 29,109
Differences Between Expected & Actual Experience	13,143
Changes of Assumptions	6,126
<b>Total Deferred Outflows of Resources</b>	<b>\$ 48,378</b>
 <b>Liabilities</b>	
Short-Term Liabilities Due in Less Than One Year	
Accounts Payable	\$ 637,046
Lease Payable	42,895
Unearned Revenues	2,421,364
Accrued Liabilities	2,861
Long-Term Liabilities Due in Less Than One Year	
Lease Payable	93,341
Net Pension Liabilities	92,130
<b>Total Liabilities</b>	<b>\$ 3,289,637</b>
 <b>Deferred Inflows of Resources</b>	
Net Difference Between Projected and Actual Earnings	\$ 21,298
<b>Total Deferred Inflows of Resources</b>	<b>\$ 21,298</b>
 <b>Net Position</b>	
Invested in Capital Assets	\$ 1,093,328
Unrestricted	2,550,802
<b>Total Net Position</b>	<b>\$ 3,644,130</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**Brookshire-Katy Drainage District**  
**Statement of Activities**  
**For the Year Ended September 30, 2020**

	<b>2020</b>
<b>Revenues</b>	
Property Taxes - Net of Allowance for Estimated Uncollectible Taxes	\$ 1,969,937
Federal Grant	2,348,180
Penalties and Interest	14,061
Gain on Disposal of Asset	12,000
Interest on Investment	37,912
Miscellaneous Revenues	167,456
<b>Total Revenues</b>	<b>4,549,546</b>
<b>Expenses</b>	
Appraisal District & Tax Assessor	56,539
Salaries - Including Benefits	692,839
Office & Miscellaneous	19,476
Travel & Conferences	12,379
Insurance	13,096
Utilities	18,371
Vehicle & Equipment Expense	74,719
General Operating & Plant Maintenance	9,900
Construction & Maintenance of Drainage Facilities	15,528
Legal & Professional Fees	333,824
Bad Debt (Recovery)	(223)
Depreciation	107,612
Interest Expense	6,563
Grant Expense	3,062,680
<b>Total Expenditures</b>	<b>4,423,303</b>
<b>Net Change In Fund Balances/ Net Assets</b>	<b>126,243</b>
<b>Beginning of Year</b>	<b>3,517,887</b>
<b>End of Year</b>	<b>\$ 3,644,130</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**Brookshire-Katy Drainage District**  
**Balance Sheet**  
**Governmental Funds**  
**As of September 30, 2020**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Federal Grant Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash	\$ 1,384,881	\$	\$ 285,074	\$ 1,669,955
Property Taxes - Net of Allowance for Uncollectibles	2,445,427			2,445,427
Prepaid Expenses	20,562			20,562
Grant Receivable			427,262	427,262
Short-term Investments	1,250,153			1,250,153
<b>Total Assets</b>	<u>\$ 5,101,023</u>	<u>\$ -</u>	<u>\$ 712,336</u>	<u>\$ 5,813,359</u>
<b>Liabilities</b>				
Unearned Revenues	\$ 2,421,364	\$	\$	\$ 2,421,364
Accrued Liabilities	2,861			2,861
Accounts Payable	46,279		590,767	637,046
<b>Total Liabilities</b>	<u>2,470,504</u>	<u>-</u>	<u>590,767</u>	<u>3,061,271</u>
<b>Fund Balances</b>				
Unreserved	2,630,519		121,569	2,752,088
<b>Total Fund Balances</b>	<u>2,630,519</u>	<u>-</u>	<u>121,569</u>	<u>2,752,088</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,101,023</u>	<u>\$ -</u>	<u>\$ 712,336</u>	<u>\$ 5,813,359</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**Brookshire-Katy Drainage District**  
**Reconciliation of the Balance Sheet (Governmental Funds)**  
**to the Statement of Net Position**  
**As of September 30, 2020**

		<u>Reconciliation to Statement of Net Position</u>
<b>Fund Balances-Total Governmental Funds</b>	\$	2,752,088
Capital Assets Used in Governmental Activities Not Reported in the Funds:		
Capital Assets at Historical Cost	1,985,998	
Accumulated Depreciation	<u>(892,670)</u>	
		1,093,328
Net Pension Liability		(92,130)
Contributions to Pension Plan in Current Year		29,109
Lease Payable		(136,236)
Differences Between Expected and Actual Experience		13,143
Differences Between Projected and Actual Earnings on Pension Plan		(21,298)
Changes of Assumptions		6,126
<b>Net Position of Governmental Activities</b>	\$	<u><u>3,644,130</u></u>

**Brookshire-Katy Drainage District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2020**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Federal Grant Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property Taxes - Net of Allowance for Estimated Uncollectible Taxes	\$ 1,969,937	\$	\$	\$ 1,969,937
Federal Grant			2,348,180	2,348,180
Penalties and Interest	14,061			14,061
Interest on Investment	37,912			37,912
Miscellaneous Revenues	167,456			167,456
	<u>2,189,366</u>	<u>-</u>	<u>2,348,180</u>	<u>4,537,546</u>
<b>Total Revenues</b>				
<b>General Expenditures</b>				
Appraisal District & Tax Assessor	56,539			56,539
Salaries - Including Benefits	692,839			692,839
Office & Miscellaneous	19,476			19,476
Travel & Conferences	12,379			12,379
Insurance	13,096			13,096
Utilities	18,371			18,371
Vehicle & Equipment Expense	74,719			74,719
General Operating & Plant Maintenance	9,900			9,900
Construction & Maintenance of Drainage Facilities	15,528			15,528
Legal & Professional Fees	333,824			333,824
Capital Outlay	470,180			470,180
Bad Debt (Recovery)	(223)			(223)
Interest Expense	6,563			6,563
Grant Expense			3,062,680	3,062,680
	<u>1,723,191</u>	<u>-</u>	<u>3,062,680</u>	<u>4,785,871</u>
<b>Total Expenditures</b>				
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	466,175	-	(714,500)	(248,325)
<b>Other Financing Sources (Uses):</b>				
Interfund Transfers	(501,573)		501,573	-
Total Other Financing Sources (Uses)	(501,573)	-	501,573	-
	<u>(35,398)</u>	<u>-</u>	<u>(212,927)</u>	<u>(248,325)</u>
<b>Net Change In Fund Balances/ Net Assets</b>				
<b>Beginning of Year</b>	2,665,917		334,496	3,000,413
<b>End of Year</b>	\$ 2,630,519	\$ -	\$ 121,569	\$ 2,752,088

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**Brookshire-Katy Drainage District**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances (Governmental Funds) to the Statement of Activities**  
**For the Year Ended September 30, 2020**

		<u>Reconciliation to Statement of Activities</u>
<b>Net Changes in Fund Balances-Total Governmental Funds</b>	\$	(248,325)
Capital Outlays Capitalized on Government-Wide Statement of Activities		
Assets Capitalized in Current Year	470,180	
Depreciation Expense	<u>(107,612)</u>	362,568
Gain on Disposal of Equipment		12,000
<b>Net Change in Fund Balances/ Net Assets</b>	\$	<u><u>126,243</u></u>

**BROOKSHIRE-KATY DRAINAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

NOTE 1 - CREATION OF DISTRICT

The Brookshire-Katy Drainage District was created in 1961 under the provisions of Section 59, Article XVI, Constitution of Texas by the Texas Legislature as a Conservation and Reclamation District in Waller County, Texas. This District was created for the purpose of the reclamation and drainage of its overflowed lands and other lands needing drainage. The management and control of the District is vested in a Board of five elected Supervisors. The Assessor and Collector of taxes of Waller County is the Assessor and Collector of taxes for the District. Taxes are levied and collected under the provisions of the General Laws applicable to fresh water districts. The District operates under Water Code Chapter 53 as a drainage district with operating authority of Chapter 53 and with the limitation that it cannot sell water or sewer services. When an election is required by the General Laws before taxes may be levied, the District must hold an election. In 1965 the Legislature gave the District the power to levy a tax rate no higher than 75 cents.

All activities on which the District exercises responsibility have been included in the District's financial statements, for the year ended September 30, 2020. The following criteria was considered by the District in its evaluation of District organization and activities:

Financial interdependency – The District is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the District.

Election of the government authority – The locally elected Board of Supervisors is exclusively responsible for all public decisions and accountable for the decisions it makes.

Designation of management – The Board of Supervisors appoints the District Superintendent. The Board of Supervisors also approves the hiring of all other employees. The activities under the review of the District Superintendent are within the scope of the reporting entity, and he is accountable to the Board of Supervisors for the activities being managed.

Ability to significantly influence operations – The Board of Supervisors has the statutory authority under the provisions of the Constitution of Texas as a Conservation and Reclamation District to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, signing contracts, and developing the projects to be completed and maintained.

Accountability of fiscal matters – The responsibility and accountability over all funds is vested in the Board of Supervisors.

Component Units – There are no component units which should be included in the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Standards Board issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

**BROOKSHIRE-KATY DRAINAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

(Continued)

Financial reporting information pertaining to the district's participation in the Texas County and District Retirement System ("TCDRS") is prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of TCDRS have been determined on the same basis as they are reported by TCDRS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing TCDRS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the district's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). A reconciliation between the fund and the government-wide financial data is presented in a statement following each government fund financial statement.

The government-wide financial statements (i.e., the statement of net assets and statement of activities) report information on all the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities. The government-wide statement of activities reports the components of the changes in net assets during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as reserved or unreserved. Fund balances are reserved to indicate that portion of the fund balance which is not available for expenditure or is legally segregated for a specific future use. The District's Board of Supervisors is responsible for forming and creating funds. The transactions of the District are accounted for in the following funds:

*General Fund* - To account for all revenues and expenditures not required to be accounted for in other funds.

*Federal Grant Fund* – To account for all revenues and expenditures related to federal grants received by the District.

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.



**BROOKSHIRE-KATY DRAINAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when the liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as interfund receivables or payables, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied.

Deferred Tax Revenues

The District defers the recognition of property taxes that are unreserved and outstanding for in excess of one year. These “deferred taxes” will be reported when collected or reserved as uncollectible in future years. It has been the District’s experience that the “availability” of taxes over one year old is not absolute.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or “infrastructure” assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Cost incurred for repairs and maintenance are expensed as incurred. All fixed assets and depreciation expense belong to the General Fund.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Infrastructure	5-12 Years
Furniture & Fixtures	7 Years
Equipment	12 Years
Tools	7 Years
Trucks & Trailers	5 Years
Building	50 Years
Improvements	10 Years

**BROOKSHIRE-KATY DRAINAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

(Continued)

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts as well as insurance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance cost, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

Budgets

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the Board of Supervisors prepares and adopts an operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The Board does not formally adopt a budget for the Federal Grant Fund as the federal grantor has already stipulated how the funds will be spent.
2. Budget amounts are as originally adopted, or as amended. Individual amendments were not material in relation to the original appropriations.
3. The Budget is based upon the estimated collection of taxes provided by the current tax levy. The Budget is a process of estimation by the Board of Supervisors to aid them in decisions throughout the year, and adhering to it is not mandatory.

NOTE 3 - CAPITAL ASSETS

On September 30, 2020, "Invested in Capital Assets" was \$1,093,328. Capital asset activity for the year then ended is summarized in Schedule E.

NOTE 4 - CASH AND CASH EQUIVALENTS

All cash is held in financial institutions with FDIC coverage. As of September 30, 2020, \$1,169,755 in cash was above the FDIC insurance threshold. \$1,134,682 of this amount was secured by a collateral agreement with a financial institution.

To fund the District's matching portion of the federal grant, the Board decided to transfer funds from the General Fund to the Federal Grant Fund in the amount of \$501,573.

**BROOKSHIRE-KATY DRAINAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

(Continued)

NOTE 5 - INVESTMENTS

The District's Investment Policy states the primary investment objectives are to maintain the safety and liquidity of investments. The District will design its investments to obtain an optimum rate of return and diversification within the constraints of safety and liquidity. Authorized investments include obligations from or guaranteed by the United States, certificates of deposit, and public funds investment pools.

Investments are made in certificates of deposit or in TexPool. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by Standard & Poors. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices.

Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

Investments stated at cost consisted of the following:

Cash in TexPool Fund	\$ 2,912
Certificates of Deposit	<u>1,247,241</u>
Total Investments	\$ 1,250,153

Of the certificates of deposit listed above, \$550 is not covered by FDIC insurance.

Fair Value Measurement

GASB 72 requires that certain assets and liabilities be reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The District has estimated fair value of its financial instruments by utilizing observable market data when available, or models that utilize observable market data to estimate fair value. In addition to market information, the District incorporates transaction specific details that, in management's judgment, market participants would utilize in fair value measurement.

The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities that can be accessed as of the reporting date.

Level 2 - Pricing inputs other than quoted prices included in Level 1, which are either directly or indirectly observable. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

**BROOKSHIRE-KATY DRAINAGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

(Continued)

Level 3 - Unobservable inputs for the asset or liability, whereby assumptions that market participants would use is based on the best information available. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value at September 30, 2020. There have been no changes in methodologies used.

*Certificates of Deposit:* Valued at cost plus earned interest at year end which approximates market value.

*External Investment Pool:* Valued at amortized cost which approximates market value.

The fair values of the District's investments were valued based on the inputs at September 30, 2020 and are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ 1,247,241	-	-	\$ 1,247,241
External Investment Pool	<u>2,912</u>	<u>-</u>	<u>-</u>	<u>2,912</u>
Total Investments	\$ 1,250,153	-	-	\$ 1,250,153

**NOTE 6 – PROPERTY TAX**

Key dates in the property tax calendar are as follows:

- A. Levy date – October 1
- B. Due date – October 1
- C. Collection dates – October 1 through January 31
- D. Lien date – February 1

The Assessor – Collector of Taxes of Waller County is the Assessor – Collector of Taxes for the District. All records of property ownership, property levies, payment, collection, and delinquencies are maintained by Waller County. Taxes are levied and collected under the provisions of the General Laws applicable to fresh water districts, and when an election is required by the General Laws before taxes may be levied, the District must hold an election. The total amount of taxes levied by the District for all purposes shall never in any one year exceed thirty-five cents on the one-hundred dollar valuation of taxable property within the District. The current year property tax description is as follows:

- A. Tax rate per \$100 of assessed valuation - \$ .0732
- B. Adjusted taxable valuation - \$3,262,513,822
- C. Amount of tax levy - \$2,385,669

**BROOKSHIRE-KATY DRAINAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

(Continued)

NOTE 7 – PENSION PLAN

Plan Description

Brookshire-Katy Drainage District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 554 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS. Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The employer has chosen a fixed rate plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of the employee members. Under the TCDRS Act, the regular 6.75% contribution rate of the employer is a fixed percent. The employees fixed rate was 6.00% contribution rate payable by the employee members as adopted by the governing body of the employer. This regular contribution rate of the employer is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception or when benefit increases were adopted, was limited by the TCDRS Act to what the actuary determined could be adequately financed by the commitment of the employer to contribute the same amount as the employees. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

If a plan has adverse experience, the TCDRS Act has provisions in which allow the employer to contribute a fixed supplemental contribution rate determined by System's actuary above the regular rate for 25 years or to reduce benefits earned in the future.

Pension Liabilities, Pension Expenses, and Deferred Out Flows of Resources and Deferred Inflows

At September 30, 2020, the district recorded a liability of \$92,130 for the net pension liability. The net pension liability for the plan in total was measured as of December 31, 2019 and determined by an actuarial valuation as of that date. For the period ended September 30, 2020, the district recognized a pension expense of \$52,446.

**BROOKSHIRE-KATY DRAINAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

(Continued)

As of December 31, 2019, there were nine active employees, three inactive employees receiving benefits, and one inactive employee entitled to, but not receiving benefits.

At September 30, 2020, we reported deferred outflows of resources and deferred inflows of resources from the following sources related to TCDRS pension benefits:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Balance of Deferred Outflow and Inflows Due to:		
Differences between expected and actual experience	\$ 13,143	\$ -
Changes of assumption	6,126	-
Net difference between projected and actual earnings on pension plan investments	-	21,298
Employer contributions after the plan year-end	<u>29,109</u>	<u>-</u>
Total	<u>\$ 48,378</u>	<u>\$ 21,298</u>

A reduction to the net pension liability was recognized in the amount of \$29,109 for the contributions made subsequent to the measurement date. Other amounts reported as collective deferred (inflows)/ outflows of resources to be recognized in pension expenses:

Period Ending December 31:

2020	\$ 14,988
2021	(1,173)
2022	1,575
Thereafter	<u>(17,419)</u>
	<u>\$ (2,029)</u>

Actuarial Assumptions

Actuarial valuations of TCDRS involves estimates of the reported amount and assumptions about probability of occurrences of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amount determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted for the four years ending December 31, 2016.

Significant actuarial assumptions and other inputs used to measure the total pension liability:

Measurement Date	December 31, 2019
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**BROOKSHIRE-KATY DRAINAGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

(Continued)

Valuation Date	December 31, 2019
Expected Return on Investment	8.0% net of administrative and investment expenses
Inflation	2.75%
Total Payroll Growth	4.9%
Future Salary Increases	4.9%, depending on age and service and including inflation.
Mortality Assumption Activities:	130% of the RP-2014 Healthy Annuitant Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Non-Disabled Retirees Beneficiaries and Survivors:	130% of the RP-2014 Healthy Annuitant Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled Retirees:	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Actuarial Methods and Assumptions:	There were no changes in actuarial assumptions or methods for December 31, 2019 valuation.
Discount Rate	The discount rate used to measure the total pension liability was 8.1% as of December 31, 2019, and is consistent with long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 20 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**BROOKSHIRE-KATY DRAINAGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

(Continued)

Discount Rate Sensitivity

The sensitivity of the district's net pension liability to changes in the discount rate is presented below. The district's net pension liability calculated using the discount rate of 8.1% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.1%) or 1.0% higher (9.1%) than current rate.

Discounted Rate	1% Decrease <u>(7.10%)</u>	Current Rate <u>(8.10%)</u>	1% Increase <u>(9.10%)</u>
Proportionate share of the net Pension Liability (Asset)	\$ 198,424	\$ 92,130	\$ (1,058)

**Actuarial Valuation Information**

Actuarial Valuation Date	12/31/17	12/31/18	12/31/19
Actuarial Cost Method	entry age	entry age	entry age
Amortization Method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization Period	16.6	16.5	14.8
Asset Valuation Method	SAFA: 5yr smoothed value ESF: fund value	SAFA: 5yr smoothed value ESF: fund value	SAFA: 5yr smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return (1)	8.00%	8.10%	8.10%
Projected Salary Increases (1)	4.9%	4.9%	4.9%
Inflation	3.0%	2.75%	2.75%
Cost-of-living Adjustment	0%	0%	0%

(1) Includes inflation at the stated rate.



**BROOKSHIRE-KATY DRAINAGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

(Continued)

NOTE 8 - Risk Management

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster. During 2020, the District contracted with the Texas Water Conservation Association for liability, property, and crime damage. Coverages provided by the company are as follows:

Public Official Errors and Omissions Liability (per occurrence)	\$ 10,000,000
Business Auto Coverage Liability Combined	10,000,000
Commercial General Liability	10,000,000
Commercial Property (Per occurrence)	1,339,012
Workers Compensation	Statutory
Employee Dishonesty (Per occurrence) – contracted with CNA surety	100,000

The District has had no significant reduction in insurance coverage from prior years. The District has had no settlements exceed insurance coverage for the past seven years.

Pending Litigation

As of September 30, 2020, the District has no pending lawsuits that could materially impact the financial statements.

NOTE 9 - Lease Payable

In December 2018, the District acquired an excavator financed with a lease agreement for a period of 5 years at an interest rate of 4.55% and annual payments of \$49,924. The excavator was purchased for \$240,318 and its annual depreciation is included in depreciation expense. The annual lease payment is made from the General Fund. Below is a schedule of the payments due for each period ending September 30:

2021	\$ 49,924
2022	49,924
2023	49,924
2024	<u>1</u>
	<u>\$ 149,773</u>

NOTE 10 – Subsequent Events

On January 25, 2021, the District signed a pledged securities agreement with a financial institution which secured the remaining unsecured portion of the District’s cash amount above the FDIC limit.

Management has evaluated subsequent events through February 26, 2021, the date which the consolidated financial statements were available to be issued and has determined that no other subsequent events require recognition or disclosure in these consolidated financial statements.

**BROOKSHIRE-KATY DRAINAGE DISTRICT**  
**SUPPLEMENTAL INFORMATION**  
**SEPTEMBER 30, 2020**

**BROOKSHIRE-KATY DRAINAGE DISTRICT**  
**BROOKSHIRE, TEXAS**  
**SEPTEMBER 30, 2020**

Summary of Required Supplemental Information

Supplementary Information required by Governmental Accounting Standards Board

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Supplementary Information Required by Texas Commission on Environmental Quality

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**Brookshire-Katy Drainage District**  
**Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended September 30, 2020**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>Revenues</b>				
Property Taxes - Net of Allowance for Estimated Uncollectible Taxes	\$ 1,833,838	\$ 1,833,838	\$ 1,969,937	\$ 136,099
Federal Grant	-	-	2,348,180	2,348,180
Penalties and Interest	-	-	14,061	14,061
Interest on Investments	1,595	1,595	37,912	36,317
Miscellaneous Revenues	50,000	50,000	167,456	117,456
<b>Total Revenues</b>	<b>1,885,433</b>	<b>1,885,433</b>	<b>4,537,546</b>	<b>2,652,113</b>
<b>Expenditures</b>				
Appraisal District & Tax Assessor	42,957	42,957	56,539	(13,582)
Salaries - Including Benefits	760,125	758,775	692,839	65,936
Office & Miscellaneous	44,025	34,175	19,476	14,699
Travel & Conferences	23,000	14,600	12,379	2,221
Insurance	12,100	17,700	13,096	4,604
Utilities	15,000	21,000	18,371	2,629
Vehicle & Equipment Expense	116,200	84,950	74,719	10,231
General Operating & Plant Maintenance	12,000	15,000	9,900	5,100
Construction & Maintenance of Drainage Facilities	68,250	24,400	15,528	8,872
Legal & Professional Fees	298,200	342,700	333,824	8,876
Capital Outlay	443,652	479,252	470,180	9,072
Bad Debt (Recovery)	-	-	(223)	223
Lease Payment and Interest Expense	49,924	49,924	6,563	43,361
Grant Expense	-	-	3,062,680	(3,062,680)
<b>Total Expenditures</b>	<b>1,885,433</b>	<b>1,885,433</b>	<b>4,785,871</b>	<b>(2,900,438)</b>
Excess of Revenues Over (Under) Expenditures	-	-	(248,325)	(248,325)
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	-	-	(248,325)	(248,325)
Fund Balances September 30, 2019	3,000,413	3,000,413	3,000,413	
Fund Balances September 30, 2020	\$ 3,000,413	\$ 3,000,413	\$ 2,752,088	

**Brookshire-Katy Drainage District  
Schedule of Services and Rates  
For the Year Ended September 30, 2020  
Schedule A**

1. **Services Provided by the District:**

- Drainage
- Flood Control

2. **Retail Rates Based on 5/8" Meter:**

- Retail Rates Not Applicable

3. **Retail Service Provider:**

- Retail Service Provider Not Applicable

4. **Total Water Consumption (In Thousands) During The Fiscal Year:**

- Total Water Consumption (In Thousands) During The Fiscal Year Not Applicable

5. **Standby Fees:**

- Standby Fees Not Applicable

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

- Anticipated sources of funds to be used for debt service payments in the district's following fiscal year not applicable.

7. **Location of District:**

County in which district is located. Waller

Is the District located entirely within one county?

- Yes
- No

Is the District located within a city?

- Entirely
- Partly
- Not at all

City in which district is located. Brookshire & Katy

Is the District located within a city's extra territorial jurisdiction (ETJ)?

- Entirely
- Partly
- Not at all

ETJ's in which district is located. Pattison Houston

Is the general membership of the Board appointed by an office outside the district?

- Yes
- No

**Brookshire-Katy Drainage District  
Schedule of General Fund Expenditures  
For the Year Ended September 30, 2020  
Schedule B**

Personnel Expenditures (INCLUDING BENEFITS)	\$	676,039
Professional Fees:		
Auditing and Other Fees		26,966
Legal		34,088
Engineering		272,770
Contracted Services:		
Appraisal District		41,322
Tax Collector		15,217
Utilities		18,371
Repairs and Maintenance		100,147
Administrative Expenditures:		
Directors' Fees		16,800
Office Supplies		2,448
Insurance		13,096
Other Administrative		17,027
Capital Outlay:		
Acquisition of Fixed Assets		470,180
Other Expenditures		18,720
<b>TOTAL EXPENDITURES</b>	<b>\$</b>	<b>1,723,191</b>

Number of persons employed by the District :                    9 Full - Time                    5 Part - Time

**Brookshire-Katy Drainage District**  
**Schedule of Temporary Investments**  
**As of the Year Ended September 30, 2020**  
**Schedule C**

Investment	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund	5669	Varies	N/A	\$ 1,335,125	\$ -
Payroll Fund	5677	Varies	N/A	49,556	-
TexPool Investment	3705	Varies	N/A	2,912	-
Austin County St. Bk.	9021	2.000%	4/18/2021	248,278	-
First National Bank of Bellville	0105	1.700%	2/20/2021	249,580	-
Fayetteville Bank	3022	1.700%	2/15/2021	248,859	-
Citizens State Bank	1614	1.10%	8/21/2021	250,550	-
Amegy Bank Of Texas	2280	N/A	N/A	285,073	-
Bank of Shiner	5269	1.70%	2/3/2021	249,975	-
<b>Total - All Investments</b>				<b>\$ 2,919,908</b>	<b>\$ -</b>

**Brookshire-Katy Drainage Distric  
Analysis of Taxes Levied and Receivable  
For the Year Ended September 30, 2020  
Schedule D**

	Maintenance Taxes
Delinquent Taxes Receivable, Beginning of Year	\$ 1,990,951
2020 Tax Levy	2,385,669
Total To Be Accounted For	4,376,620
Tax Collections Per Waller County (Including Adjustments)	(1,909,541)
Preliminary Taxes Receivable at End of Year per Waller County	2,467,079
Adjustment for Estimated Uncollectible (2015 and Prior)	(21,652)
Taxes Receivable, End of Year	\$ 2,445,427

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Property Valuations:	\$ 3,262,513,822	\$ 2,637,098,159	\$ 2,075,246,471	\$ 1,983,352,861	\$ 1,765,413,750
Tax Rate Per \$100 Valuation:	0.073	0.073	0.072	0.061452	0.06501
Original Tax Levy:	\$ 2,385,669	\$ 1,931,330	\$ 1,604,910	\$ 1,208,583	\$ 1,181,775
Percent of Taxes Collected to Taxes Levied	0.00%	98.99%	99.65%	99.81%	99.31%

Tax rates for all overlapping jurisdictions. Include any taxing entities which overlap 10 % or more of the district.



**Brookshire-Katy Drainage District**  
**Capital Asset Activity**  
**For the Year Ended September 30, 2020**  
**Schedule E**

	<u>Balances at Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances at End of Year</u>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 50,362	\$ -	\$ -	\$ 50,362
<b>Total Capital Assets Not Being Depreciated</b>	<b>50,362</b>	<b>-</b>	<b>-</b>	<b>50,362</b>
<b>Depreciable Capital Assets</b>				
Truck & Trailer	226,834	67,235	-	294,069
Tractor & Mowers	645,303	391,946	(35,418)	1,001,831
Heavy Equipment	320,726	-	-	320,726
Small Tools	10,000	-	-	10,000
Buildings	215,372	-	-	215,372
Improvements in Progress	18,000	-	-	18,000
Fences & Sidewalks	21,730	-	-	21,730
Furniture & Fixtures	41,303	10,999	(2,288)	50,014
Ownership Maps	3,894	-	-	3,894
<b>Total Depreciable Capital Assets</b>	<b>1,503,162</b>	<b>470,180</b>	<b>(37,706)</b>	<b>1,935,636</b>
<b>Less: Accumulated Depreciation for</b>				
Truck & Trailer	183,856	28,113	-	211,969
Tractor & Mowers	429,363	48,334	(35,418)	442,279
Heavy Equipment	64,617	22,422	-	87,039
Small Tools	10,000	-	-	10,000
Buildings	87,049	5,196	-	92,245
Fences & Sidewalks	5,905	1,055	-	6,960
Furniture & Fixtures	38,080	2,492	(2,288)	38,284
Ownership Maps	3,894	-	-	3,894
<b>Total Accumulated Depreciation</b>	<b>822,764</b>	<b>107,612</b>	<b>(37,706)</b>	<b>892,670</b>
<b>Total Depreciable Capital Assets - Net</b>	<b>680,398</b>	<b>362,568</b>	<b>-</b>	<b>1,042,966</b>
<b>Total Capital Assets - Net</b>	<b>\$ 730,760</b>	<b>\$ 362,568</b>	<b>\$ -</b>	<b>\$ 1,093,328</b>

**Changes to Capital Assets:**

Capital Outlay - Net of Retirements	\$ 432,474
Depreciation Expense - Net of Retirements	(69,906)
	<u>\$ 362,568</u>

**Brookshire-Katy Drainage District**  
**General Long-term Debt Service Requirements by Year**  
**For the Year Ended September 30, 2020**  
**Schedule F**

**Summary of Annual Debt Service for the Year Ended September 30:**

2021	\$	49,924
2022		49,924
2023		49,924
2024		<u>1</u>
<b>Total</b>	\$	<u><u>149,773</u></u>

**Brookshire-Katy Drainage District**  
**Analysis of Changes in General Long-Term Debt**  
**For the Year Ended September 30, 2020**  
**Schedule G**

<b>Balance of Long-Term Debt at September 30, 2019</b>	\$ 178,894
Capital Lease Addition	-
Reduction of Debt in Current Period	<u>(42,658)</u>
<b>Balance of Long-Term Debt at September 30, 2020</b>	<u><u>\$ 136,236</u></u>

**Brookshire-Katy Drainage District**  
**Comparative Schedule of Revenues and Expenditures - General Fund**  
**For Five Periods Ending**  
**Schedule H**

	Amounts					Percent of Fund Total Revenue				
	September 30, 2020	September 30, 2019	September 30, 2018	August 31, 2017	August 31, 2016	September 30, 2020	September 30, 2019	September 30, 2018	August 31, 2017	August 31, 2016
<b>General Fund</b>										
<b>Revenue</b>										
Property Taxes (Net of Uncollectible)	\$ 1,969,937	\$ 1,655,750	\$ 1,204,052	\$ 1,239,077	\$ 1,149,438	90.0%	88.3%	90.4%	94.3%	92.5%
Penalty and Interest	14,061	17,631	15,358	14,722	16,201	0.6%	0.9%	1.2%	1.1%	1.3%
Gain on Disposal of Equipment										
Interest on Investments	37,912	28,725	21,752	20,850	12,964	1.7%	1.5%	1.6%	1.6%	1.0%
Miscellaneous	167,456	173,763	90,534	39,925	64,153	7.7%	9.3%	6.8%	3.0%	5.2%
<b>Total Revenue</b>	<b>2,189,366</b>	<b>1,875,869</b>	<b>1,331,696</b>	<b>1,314,574</b>	<b>1,242,756</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Expenditures</b>										
Appraisal District & Tax Assessor	56,539	44,777	44,213	33,301	36,161	2.6%	2.4%	3.3%	2.5%	2.9%
Payroll	676,039	648,683	660,320	665,156	611,718	30.9%	34.6%	49.6%	50.6%	49.2%
Office & Conference	31,632	25,694	28,192	30,064	17,903	1.4%	1.4%	2.1%	2.3%	1.4%
Insurance	13,096	13,741	12,603	11,433	9,826	0.6%	0.7%	0.9%	0.9%	0.8%
Utilities	18,371	15,041	14,071	12,697	12,473	0.8%	0.8%	1.1%	1.0%	1.0%
Vehicle & Equipment	74,719	93,560	90,020	61,915	85,844	3.4%	5.0%	6.8%	4.7%	6.9%
General Operating & Plant Maintenance	9,900	13,639	49,358	41,582	35,549	0.5%	0.7%	3.7%	3.2%	2.9%
Construction & Maintenance of Drainage Facilities	15,528	9,133	108,131	42,002	11,377	0.7%	0.5%	8.1%	3.2%	0.9%
Legal & Professional Fees	333,824	175,862	411,647	199,137	121,357	15.2%	9.4%	30.9%	15.1%	9.8%
Directors Fees	16,800	11,000	13,900	9,200	12,600	0.8%	0.6%	1.0%	0.7%	1.0%
Interest Expense	6,563					0.3%				
Capital Outlay	470,180	281,086	12,332	35,218	150,937	21.5%	15.0%	0.9%	2.7%	12.1%
<b>Total Expenditures</b>	<b>1,723,191</b>	<b>1,332,216</b>	<b>1,444,787</b>	<b>1,141,705</b>	<b>1,105,745</b>	<b>78.7%</b>	<b>71.1%</b>	<b>108.4%</b>	<b>86.9%</b>	<b>88.9%</b>
<b>Excess Revenue Over (Under) Expenditures</b>	<b>\$ 466,175</b>	<b>\$ 543,653</b>	<b>(113,091)</b>	<b>\$ 172,869</b>	<b>\$ 137,011</b>	<b>21.3%</b>	<b>28.9%</b>	<b>-8.4%</b>	<b>13.1%</b>	<b>11.1%</b>

**Brookshire-Katy Drainage District  
Insurance Coverage  
For the Year Ended September 30, 2020  
Schedule I**

Types of Coverage	Amount of Coverage	Insurer Name	Type of Corporation Stock/Mutual	Policy Clause: Co-Insurance
Liability:				
Automotive Liability	\$ 10,000,000	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
Physical Damage	Actual Cash Value	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
Errors & Omissions	\$ 10,000,000	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
General Liability	\$ 10,000,000	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
Property Coverage All Risk Basis	\$ 1,339,012	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
Workers Compensation	Statutory	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
Public Employee Honesty	\$ 100,000 each director	Western Surety Co	Stock	None

**Brookshire-Katy Drainage District  
Board Members, Key Personnel and Consultants  
For the Year Ended September 30, 2020  
Schedule J**

Complete District Mailing Address: P. O. Box 608, Brookshire, Texas 77423-0608  
District Business Telephone Number: (281) 375-5430

Name and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Fees 09/30/20	Expenses Reimbursements 09/30/20	Title at Year End	Resident of District
<b>Board Members:</b>					
David Hunsucker 29100 Quail St. Katy, TX 77493	(Elected) 05/18-05/22	\$ 2,900	\$ 0	President	Yes
Pat Keeling 6706 Cedar Ln Katy, TX 77493	(Elected) 05/18-05/22	\$ 3,700	\$ 0	Vice-President	Yes
Ruth Ellis 7122 Falcon Brookshire, TX 77423	(Elected) 05/20-05/24	\$ 3,200	\$ 0	Secretary	Yes
Raymond Dollins P. O. Box 900 Katy, TX 77492-0900	(Elected) 05/18-11/20	\$ 3,400	\$ 0	Supervisor	Yes
Arnold England P.O. Box 292 Brookshire, TX 77493	(Elected) 05/20-05/24 (Appointed) 01/20-05/20	\$ 2,600	\$ 290	Supervisor	Yes
Brian Waggoner 35518 Pontiac Drive Brookshire, TX 77423	(Elected) 05/16-01/20	\$ 1,000	\$ 0	None	Yes
David Welch 27110 Skiers Crossing Dr. Katy, TX 77493	(Appointed) 11/20-05/22	\$	\$ 0	Supervisor	Yes

NOTE: No director is disqualified from serving on this board under the Texas Water Code.

**Key Administrative Personnel:**

Joy Shipman PO Box 608 Brookshire, TX 77423	Hired 01/20	\$ 62,237	\$ 240	Bookkeeper	No
Stan Kitzman PO Box 608 Brookshire, TX 77423	Hired 08/17	\$ 83,674	\$ 483	Superintendent	No
Bert D. Matthews, CPA 11777 Katy Freeway, Ste 341 Houston, TX 77079	06/03	\$ 26,960	N/A	Auditor	No
David Frishman PO Box 637 Katy, TX 77492	06/04	\$ 30,753	N/A	Attorney	No

**Brookshire-Katy Drainage District**  
**Long-Term Expected Rate of Return**  
**For the Year Ended September 30, 2020**  
**Schedule K**

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	Dow Jones U. S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	10.00%	5.40%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

**Brookshire-Katy Drainage District**  
**Schedule of Employer Pension Contributions**  
**For the Periods Indicated as of September 30, 2020**  
**Schedule L**

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	\$ 9,103	\$ 13,981	\$ (4,878)	\$ 310,680	4.5%
2011	8,117	8,117	0	295,170	2.7%
2012	9,481	9,481	0	306,819	3.1%
2013	12,149	12,149	0	342,230	3.5%
2014	14,592	32,522	(17,930)	332,386	9.8%
2015	19,904	19,904	0	432,696	4.6%
2016	20,639	20,639	0	474,459	4.4%
2017	30,767	30,767	0	485,293	6.3%
2018	29,486	29,486	0	436,830	6.8%
2019	33,100	33,100	0	468,171	7.1%



**Brookshire-Katy Drainage District**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**For the Periods Indicated as of September 30, 2020**  
**Schedule M**

	<b>Year Ended December 31</b>									
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Total Pension Liability</b>										
Service cost	\$ 37,677	\$ 36,077	\$ 36,036	31,643	\$ 25,352	\$ 24,029	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest on total pension liability	81,049	74,525	66,742	55,380	49,487	44,708	N/A	N/A	N/A	N/A
Effect of plan changes	0	0	0	18,340	(3,173)	0	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	0	0	11,944	0	8,093	0	N/A	N/A	N/A	N/A
Effects of economic/demographic (gains) or losses	(20,678)	14,702	17,558	55,959	15,897	24,618	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(52,917)</u>	<u>(40,044)</u>	<u>(32,576)</u>	<u>(32,576)</u>	<u>(32,576)</u>	<u>(42,064)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in total pension liability	45,131	85,260	99,704	128,746	63,080	51,291	N/A	N/A	N/A	N/A
Total pension liability, beginning	<u>988,876</u>	<u>903,616</u>	<u>803,912</u>	<u>675,166</u>	<u>612,086</u>	<u>560,795</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$ 1,034,007</u>	<u>\$ 988,876</u>	<u>\$ 903,616</u>	<u>803,912</u>	<u>\$ 675,166</u>	<u>\$ 612,086</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<b>Fiduciary Net Position</b>										
Employer contributions	\$ 33,100	\$ 29,486	\$ 30,767	20,639	\$ 19,904	\$ 32,522	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Member contributions	28,090	26,210	29,118	18,978	17,308	24,499	N/A	N/A	N/A	N/A
Investment income net of investment expenses	131,726	(14,755)	99,001	45,569	(5,648)	37,880	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(52,917)	(40,044)	(32,576)	(32,576)	(32,576)	(42,064)	N/A	N/A	N/A	N/A
Administrative expenses	(718)	(644)	(533)	(495)	(442)	(451)	N/A	N/A	N/A	N/A
Other	<u>414</u>	<u>546</u>	<u>362</u>	<u>7,681</u>	<u>4,027</u>	<u>3,166</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in Fiduciary net position	139,695	799	126,139	59,796	2,573	55,552	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	<u>802,182</u>	<u>801,383</u>	<u>675,244</u>	<u>615,448</u>	<u>612,875</u>	<u>557,323</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$ 941,877</u>	<u>\$ 802,182</u>	<u>\$ 801,383</u>	<u>675,244</u>	<u>\$ 615,448</u>	<u>\$ 612,875</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 92,130</u>	<u>\$ 186,694</u>	<u>\$ 102,233</u>	<u>128,668</u>	<u>\$ 59,718</u>	<u>\$ (789)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary net position as a % of total pension liability	91.09%	81.12%	88.69%	83.99%	91.16%	100.13%	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$ 468,171	\$ 436,830	\$ 485,293	474,459	\$ 432,696	\$ 332,386	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Net pension liability as a % of covered payroll	19.68%	42.74%	21.07%	27.12%	13.80%	-0.24%	N/A	N/A	N/A	N/A

**Brookshire-Katy Drainage District**  
**Schedule of Deferred Inflows and Outflows of Resources**  
**As of September 30, 2020**  
**Schedule N**

	<u>Original Amount</u>	<u>Date Established</u>	<u>Original Recognition Period</u>	<u>Amount Recognized in 12/31/2019</u>	<u>Balance of Deferred Inflows 12/31/2019</u>	<u>Balance of Deferred Outflows 12/31/2019</u>
Investment						
(gains) or losses	\$ 56,060	12/31/2015	5.0	\$ 11,212	\$ 0	\$ 0
	4,848	12/31/2016	5.0	970	0	969
	(43,229)	12/31/2017	5.0	(8,646)	17,291	0
	80,284	12/31/2018	5.0	16,057	0	48,170
	(66,433)	12/31/2019	5.0	(13,287)	53,146	0
Economic/ demographic						
(gains) or losses	15,897	12/31/2015	6.0	2,650	0	2,649
	55,959	12/31/2016	5.0	11,192	0	11,192
	17,558	12/31/2017	5.0	3,512	0	7,022
	14,702	12/31/2018	5.0	2,940	0	8,822
	(20,678)	12/31/2019	5.0	(4,136)	16,542	0
Assumption						
changes or inputs	8,093	12/31/2015	6.0	1,349	0	1,349
	0	12/31/2016	5.0	0	0	0
	11,944	12/31/2017	5.0	2,389	0	4,777
	0	12/31/2018	5.0	0	0	0
	0	12/31/2018	5.0	0	0	0
Employer contributions made subsequent to measurement date						29,109

**BROOKSHIRE-KATY DRAINAGE DISTRICT  
FEDERAL SINGLE AUDIT REPORTS  
YEAR ENDED SEPTEMBER 30, 2020  
(With Independent Auditor's Reports Theron)**

**BROOKSHIRE-KATY DRAINAGE DISTRICT**  
**BROOKSHIRE, TEXAS**  
**SEPTEMBER 30, 2020**

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 <i>Government Auditing Standards</i>	39
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	40
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**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**

February 26, 2021

Supervisors of the Board:

We have audited the Statement of Net Position, Statement of Activities, and the Fund financial statements of Brookshire-Katy Drainage District as of September 30, 2020, and for the year then ended, which collectively comprise the District’s basic financial statements.

**Internal Control Over Financial Reporting**

In the planning and performing our audit of the General Purpose Financial Statements of Brookshire-Katy Drainage District (the District) as of and for the year ended September 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we consider Brookshire-Katy Drainage District’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’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 and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did identify a deficiency in internal control that we consider to be a material weakness, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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 District’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This communication is intended solely for the information and use of management, the Board of Supervisors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

In the course of the audit, we noted no additional items that we felt necessary to report to the Board of Supervisors.

*Brian L. Jarvis & Associates, PLLC*  
Brian L. Jarvis & Associates, PLLC  
Certified Public Accountants  
Katy, TX  
February 26, 2021

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Supervisors of the Board  
Brookshire-Katy Drainage District  
Waller County, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Brookshire-Katy Drainage District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Brookshire-Katy Drainage District’s major federal programs for the year ended September 30, 2020. Brookshire-Katy Drainage District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the Brookshire-Katy Drainage District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Brookshire-Katy Drainage District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Brookshire-Katy Drainage District’s compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Brookshire-Katy Drainage District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-01 and 2020-02. Our opinion on each major federal program is not modified with respect to these matters.

Brookshire-Katy Drainage District’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Brookshire-Katy Drainage District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Brookshire-Katy Drainage District is responsible for establishing and maintaining effective internal control over

compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Brookshire-Katy Drainage District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Brookshire-Katy Drainage District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-01 and 2020-02 that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the consolidated financial statements of Brookshire-Katy Drainage District as of and for the year ended September 30, 2020, and have issued our report thereon dated February 26, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Brian L. Jarvis & Associates, PLLC*  
Brian L. Jarvis & Associates, PLLC  
Certified Public Accountants  
Katy, TX  
February 26, 2021

**Brookshire-Katy Drainage District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed-through to Subrecipients</u>	<u>Federal Expenditure</u>
<b>U.S. Department of Agriculture:</b>			
Emergency Watershed Protection Program :			
NRCs Grant Award #NR187442XXXXC029	10.923	\$ 0	\$ 1,719,299
NRCs Grant Award #NR187442XXXXC016	10.923	0	628,881
Total Emergency Watershed Protection Program :		<u>0</u>	<u>2,348,180</u>
<b>Total U.S. Department of Agriculture</b>		<u>0</u>	<u>2,348,180</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 0</u>	<u>\$ 2,348,180</u>



**BROOKSHIRE-KATY DRAINAGE DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2020**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Brookshire-Katy Drainage District (the District) under programs of the federal government for the year ended September 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, the cost principles contained in Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Relationship to the District's Financial Statements**

Federal award revenues are presented in the District's Federal Grant Fund.

**Note 4 - Insurance Coverage During the year ended September 30, 2020**

The District maintained the following types of insurance:

- Public Official Errors and Omissions Liability (per occurrence) - \$10,000,000
- Business Auto Coverage Liability Combined - \$10,000,000
- Commercial General Liability - \$10,000,000
- Commercial Property (per occurrence) - \$1,339,012
- Workers compensation - Statutory
- Employee Dishonesty (per occurrence) - \$100,000

\* \* \* End of Notes \* \* \*

**Brookshire-Katy Drainage District  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2020**

**Section 1**

**Summary of Auditor's Results**

Financial Statements

- |  |            |
|--|------------|
| 1. Type of auditor's report issued:                          | Unmodified |
| 2. Internal control over financial reporting:                |            |
| a. Material weaknesses identified?                           | No         |
| b. Significant deficiencies identified?                      | No         |
| c. Noncompliance material to the financial statements noted? | No         |

Federal Awards

- |  |               |
|--|---------------|
| 1. Internal control over major federal programs:   |               |
| a. Material weaknesses identified?   | Yes           |
| b. Significant deficiencies identified?  | None reported |
| 2. Type of auditor's report issued on compliance for major federal programs:   | Unmodified    |
| 3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, 2 CFR 200.516 (a)? | Yes           |
| 4. Identification of major federal programs:   |               |

CFDA Number  
10.923

Name of Federal Program or Cluster  
Emergency Watershed Protection Program

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee?                                 | No        |

**Section 2**

Financial Statement Findings

None reported

**Section 3**

Federal Award Findings and Questioned Costs

**Finding #: 2020-01**

Grant Name: Emergency Watershed Protection Program

Grant Award Numbers: NR187442XXXXC029 & NR187442XXXXC016

**Brookshire-Katy Drainage District  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2020**

(Continued)

Context and Criteria: The grant agreements require quarterly reports to be submitted on the final day of the month following each quarter. The final quarterly report is due 90 days after completion of the grant.

Condition: One quarterly report was not submitted until 96 days after the due date. The final quarterly report was not submitted until 112 days after the due date.

Questioned Costs: \$0

Cause: The District relied on its 3<sup>rd</sup> party contract grant administrator to fulfill this requirement.

Effect: The District did not timely submit a report required under the grant agreements.

Recommendation: The District should implement processes to monitor the 3<sup>rd</sup> party grant administrator to ensure deadlines are met.

Views of responsible officials: In the realization that this report was not submitted by the District's grant administrator, the District spoke to the administrator regarding these reports and was made aware of some turnover within the grant administrator's department. Regarding the final quarterly report, it appears that the grant administrator was in communication with NRCS prior to the due date regarding this report, however it was not finalized in time. The District has implemented a process to track the reporting requirements to ensure future deadlines are not missed.

**Finding #: 2020-02**

Grant Name: Emergency Watershed Protection Program

Grant Award Number: NR187442XXXXC029

Context and Criteria: The grant agreement required as built drawings of the final construction signed by a licensed professional engineer be submitted within 30 days of construction completion.

Condition: As-built drawings were not submitted.

Questioned Costs: \$0

Cause: The as-built drawings should have been provided by the contractor awarded the bid. However, the contractor did not provide the as-built drawings to the District and the District relied on its 3<sup>rd</sup> party contract grant administrator to monitor this requirement.

Effect: As-built drawings were not submitted to the grantor.

Recommendation: The District should implement processes to monitor the 3<sup>rd</sup> party grant administrator to ensure deadlines are met.

Views of responsible officials: The District spoke to the grant administrator regarding submission of the as-built drawing for final construction. The District was made aware that the contractor was responsible for the submission of the drawings and they were never received. The grant administrator has decided to proceed with completing the drawings instead of relying on the contractor to provide them. The drawings for the next phase of the grant are being completed now to avoid this in the future.

**Brookshire-Katy Drainage District  
Summary Schedule of Prior Year Audit Findings  
Year Ended September 30, 2020**

None Reported