

**LOWER BRUSHY CREEK
WATER CONTROL AND
IMPROVEMENT DISTRICT**

**Financial Statements
and Supplemental Information
as of and for the Year Ended
September 30, 2017 and
Independent Auditors' Report**

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF WILLIAMSON

I, Edmond S. Komandosky
(Name of Duly Authorized District Representative)

of the Lower Brushy Creek Water Control and Improvement District

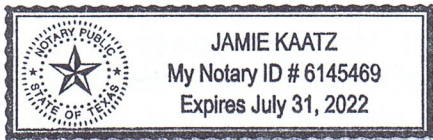
hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 25th day of February, 2019, its annual audit report for the fiscal year ended September 30, 2017, and that copies of the annual audit report have been filed in the District's office, c/o USDA – NRCS, located at 505 West University Avenue, Suite C, Georgetown, Texas, 78626.

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: February 25, 2019. By: Edmond S. Komandosky
(Signature of District Representative)

Edmond S. Komandosky, Board President
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 25th day of February, 2019.



Jamie Kaatz
(Signature of Notary)

(SEAL)

Jamie Kaatz
(Printed Name of Notary)

My Commission Expires On: 7-31-2022
Notary Public in and for the State of Texas.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lower Brushy Creek Water Control and Improvement District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Lower Brushy Creek Water Control and Improvement District (the "District"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the District as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management of the District has omitted the budgetary comparison schedule for the General Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The auditors' opinion on the basic financial statements is not affected by the omission of the budgetary comparison schedule for the General Fund.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information required by the Texas Commission on Environmental Quality (the "TCEQ") listed in the table of contents and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information required by the TCEQ listed in the table of contents and the schedule of expenditures of federal awards and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information required by the TCEQ listed in the table of contents and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke & Ritter LLP

Austin, Texas
February 21, 2019

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS SEPTEMBER 30, 2017

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Lower Brushy Creek Water Control and Improvement District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2017. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

Financial Highlights

- The assets of the District at September 30, 2017 were \$4,299,814, and exceeded liabilities by \$4,138,602 (*net position*).
- Total net position increased \$1,623,459 for the year ended September 30, 2017.
- The General Fund had a deficit fund balance of \$23,064 at September 30, 2017, a decrease of \$4,814 from the prior year.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
 - *Statement of Net Position and Governmental Fund Balance Sheet*
 - *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*
 - *Notes to Basic Financial Statements*

Other supplementary information is also included.

The *Basic Financial Statements* are designed to provide readers with an overview of the District's finances, in a manner similar to the private sector business.

The *Statement of Net Position and Governmental Fund Balance Sheet* presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. The statement of net position can be found on page 9 of the report which includes a column (titled "General Fund") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* represents information showing how the District's net position changed during the most recent fiscal year which includes a column (titled "General Fund") that derives the change in fund balance resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods and some expenses are resulting from cash flows from prior periods. The increase or decrease in net position may serve as an indicator of the effect of the District's current year operations on its financial position. The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* can be found on page 10 of this report.

Other supplementary information schedules required by the Texas Commission on Environmental Quality are presented immediately following the *Notes to Basic Financial Statements*.

The Federal Awards Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of the grants.

Statement of Net Position

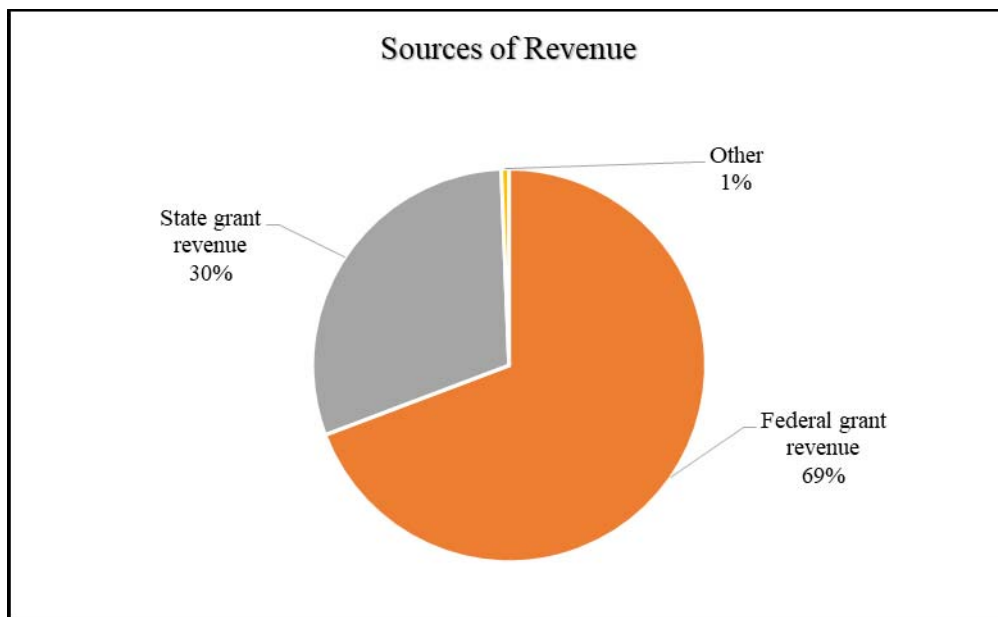
	Governmental Activities		
	2017	2016 (unaudited)	% Change
Current assets	\$ 138,148	\$ 5,633	2,352%
Capital assets	4,161,666	2,533,393	64%
Total assets	4,299,814	2,539,026	69%
Current liabilities	161,212	23,883	575%
Total liabilities	161,212	23,883	575%
Net investment in capital assets	4,161,666	2,533,393	64%
Unrestricted	(23,064)	(18,250)	(26%)
Total net position	\$ 4,138,602	\$ 2,515,143	65%

The District's total assets were \$4,299,814 as of September 30, 2017. Of this amount, \$4,161,666 was accounted for by capital assets, leaving unrestricted net assets as a deficit of \$23,064. The District had outstanding liabilities of \$161,212 as of September 30, 2017, which represent current liabilities.

The District's primary source of revenue is federal and state grant revenues. The Statement of Activities for the year ended September 30, 2017 is summarized as follows:

	Governmental Activities		
	2017	2016 (unaudited)	% Change
Revenues:			
Federal grant revenue	\$ 1,196,544	\$ 2,087	57,233%
State grant revenue	520,351	67,739	668%
Other	11,000	1,000	1,000%
Total revenues	1,727,895	70,826	2,340%
Expenses:			
Operating expenses	38,709	76,841	(50%)
Depreciation	65,727	62,545	5%
Total expenses	104,436	139,386	(25%)
Change in net position	1,623,459	(68,560)	2,468%
Beginning net position	2,515,143	2,583,703	(3%)
Total net position	\$ 4,138,602	\$ 2,515,143	65%

Operating revenues were \$1,727,895 for the fiscal year ended September 30, 2017, of which state and federal grants provided \$1,716,895. Total expenses were \$104,436 for the fiscal year ended September 30, 2017. Net position increased \$1,623,459 primarily due to additions to capital assets during the fiscal year.



Financial Analysis of Governmental Fund

	2017	2016 (unaudited)
Cash	\$ 10,832	\$ 2,422
Due from other governments	127,316	3,211
Total assets	\$ 138,148	\$ 5,633
Total liabilities	\$ 161,212	\$ 23,883
Unassigned fund balance	(23,064)	(18,250)
Total fund balance	(23,064)	(18,250)
Total liabilities and fund balance	\$ 138,148	\$ 5,633

The *General Fund* pays for daily operating expenditures. At September 30, 2017, the District's governmental fund reported a deficit fund balance of \$23,064, which is a decrease of \$4,814 from the prior year.

Capital Assets Activity

At September 30, 2017, the District had the following capital assets in operation:

	2017	2016 (unaudited)
Earthen dams	\$ 5,596,806	\$ 4,642,365
Construction in progress	739,559	-
Subtotal	6,336,365	4,642,365
Accumulated depreciation	(2,174,699)	(2,108,972)
Total	\$ 4,161,666	\$ 2,533,393

The District is in process of rehabilitating additional dams. More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

The adopted budget for 2018 projects no change in the fund balance of the General Fund. Budgeted revenue and expenditures are \$1,686,500.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at c/o USDA – NRCS, 505 West University Avenue, Suite C, Georgetown, Texas 78626.

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2017**

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS (NOTE 2)</u>	<u>STATEMENT OF NET POSITION</u>
ASSETS:			
Cash	\$ 10,832	\$ -	\$ 10,832
Due from other governments	127,316	-	127,316
Capital assets (net of accumulated depreciation):			
Earthen dams	-	3,422,107	3,422,107
Construction in progress	-	739,559	739,559
Total assets	<u>\$ 138,148</u>	<u>4,161,666</u>	<u>4,299,814</u>
LIABILITIES:			
Current liabilities-			
Accounts payable	<u>\$ 161,212</u>	-	<u>161,212</u>
Total liabilities	<u>161,212</u>	-	<u>161,212</u>
FUND BALANCE/NET POSITION:			
Fund balance-			
Unassigned	<u>(23,064)</u>	<u>23,064</u>	<u>-</u>
Total fund balance	<u>(23,064)</u>	<u>23,064</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 138,148</u>		
Net position:			
Net investment in capital assets		4,161,666	4,161,666
Unrestricted		<u>(23,064)</u>	<u>(23,064)</u>
Total net position		<u>\$ 4,138,602</u>	<u>\$ 4,138,602</u>

The notes to the financial statements are an integral part of this statement.

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE YEAR ENDED SEPTEMBER 30, 2017

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
REVENUES:			
Federal grant revenue	\$ 1,196,544	\$ -	\$ 1,196,544
State grant revenue	520,351	-	520,351
Other	11,000	-	11,000
Total revenues	1,727,895	-	1,727,895
EXPENDITURES/EXPENSES:			
Current:			
Maintenance and repairs	23,262	-	23,262
Professional fees	1,910	-	1,910
Engineering fees	10,200	-	10,200
Administrative	396	-	396
Insurance	962	-	962
Directors' fees	1,000	-	1,000
Other	979	-	979
Capital outlay	1,694,000	(1,694,000)	-
Depreciation	-	65,727	65,727
Total expenditures / expenses	1,732,709	(1,628,273)	104,436
NET CHANGE IN FUND BALANCE	(4,814)	4,814	-
CHANGE IN NET POSITION	-	1,623,459	1,623,459
FUND BALANCE/NET POSITION:			
Beginning of year	(18,250)	2,533,393	2,515,143
End of year	\$ (23,064)	\$ 4,161,666	\$ 4,138,602

The notes to the financial statements are an integral part of this statement.

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brushy Creek Water Control and Improvement District No. 1 of Williamson and Milam Counties was created November 1, 1956 by the State Board of Engineers (predecessor to the Texas Water Rights Commission) and operated pursuant to Chapters 49 and 51 of the Texas Water Code. In a November 2001 election, the voters of the district approved a proposal to split the district into two entities: Brushy Creek Water Control and Improvement District No. 1A of Williamson and Milam Counties and Brushy Creek Water Control and Improvement District No. 1B of Williamson and Milam Counties. The assets of the former district were allocated among the new entities. The Board of Directors of Brushy Creek Water Control and Improvement District No. 1B of Williamson and Milam Counties held its first meeting on February 4, 2002. On September 7, 2010, the Texas Commission on Environmental Quality approved a request by Brushy Creek Water Control and Improvement District No. 1B of Williamson and Milam Counties to change its name to Lower Brushy Creek Water Control and Improvement District (the “District”).

The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”) which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”), since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units which are included in the District’s reporting entity.

Government-Wide and Fund Financial Statements

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the “General Fund” column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net position and the statement of activities.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, if any, are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, if any.

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 when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Major revenue sources considered susceptible to accrual includes interest income.

The District reports the following major governmental fund-

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. The budget is proposed by the District's General Manager for the fiscal year commencing the following October 1, and is adopted on a basis consistent with generally accepted accounting principles. The District did not adopt a budget for the fiscal year ended September 30, 2017.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Investments - The District is entitled to invest any and all of its funds in obligations of, or guaranteed by, the United States of America or its agencies, certificates of deposit, and certain public fund investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District has not formally adopted an investment policy that limits the District's allowable investments, addresses the specific types of risk to which the District is exposed, and addresses the District's investment strategy.

Capital Assets - Capital assets, which include earthen dams and construction in progress, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: earthen dams - fifty years.

Fund Balance - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental fund. See Note 8 for additional information on those fund balance classifications. The District's General Fund had a deficit fund balance at September 30, 2017 of \$23,064. This deficit will be eliminated through the collection of grant revenues, which is expected in fiscal year 2018 and 2019 and property tax revenue, which is expected in fiscal year 2019.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncement

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2021.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net position are different because:

Governmental fund total fund balance	\$ (23,064)
Capital assets used in governmental activities are not current financial resources and are therefore not reported in the governmental fund balance sheet	<u>4,161,666</u>
Total net position	<u>\$ 4,138,602</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance	\$ (4,814)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense	
Capital outlay	1,694,000
Depreciation expense	<u>(65,727)</u>
Change in net position	<u>\$ 1,623,459</u>

3. CASH

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2017, such deposits were entirely covered by Federal Deposit Insurance Corporation insurance or secured by collateral pledged by the depository.

4. DUE FROM OTHER GOVERNMENTS

The District participates in federal and state programs from which it receives grants to partially or fully fund rehabilitation, maintenance and repair of earthen dams. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below at September 30, 2017.

Federal grants	\$ 82,755
State grants	<u>44,561</u>
Total	<u>\$ 127,316</u>

5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2017 was as follows:

	Balance September 30, 2016	Additions	Deletions/ Transfers	Balance September 30, 2017
Capital assets, not being depreciated-				
Construction in progress	\$ -	739,559	-	739,559
Total capital assets, not being depreciated	-	739,559	-	739,559
Capital assets, being depreciated-				
Earthen dams	4,642,365	954,441	-	5,596,806
Total capital assets, being depreciated	4,642,365	954,441	-	5,596,806
Less accumulated depreciation for-				
Earthen dams	(2,108,972)	(65,727)	-	(2,174,699)
Total accumulated depreciation	(2,108,972)	(65,727)	-	(2,174,699)
Total capital assets, being depreciated, net	2,533,393	888,714	-	3,422,107
Capital assets, net	<u>\$ 2,533,393</u>	<u>1,628,273</u>	<u>-</u>	<u>4,161,666</u>

6. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool (“TML Pool”) to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established claims reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

7. COMMITMENTS AND CONTINGENCIES

The District participates in federal and state financial assistance programs. Although the District's federal grant program has been audited in accordance with the provisions of the Uniform Guidance through September 30, 2017, this program and the state programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

At September 30, 2017, the District is committed under construction contracts with a remaining balance of \$1,032,208.

8. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 9.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

9. SUBSEQUENT EVENT

In November 2018, voters within the District approved an operations and maintenance tax at a maximum rate of \$0.02 per \$100 valuation of taxable property.

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

**INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY THE
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
YEAR ENDED SEPTEMBER 30, 2017**

SCHEDULE INCLUDED		
YES	NO	
<u>X</u>	<u> </u>	TSI-0 Notes Required by the Water District Accounting Manual
<u> </u>	<u>X</u>	TSI-1 Schedule of Services and Rates
<u>X</u>	<u> </u>	TSI-2 Schedule of General Fund Expenditures
<u> </u>	<u>X</u>	TSI-3 Schedule of Temporary Investments
<u> </u>	<u>X</u>	TSI-4 Analysis of Taxes Levied and Receivable
<u> </u>	<u>X</u>	TSI-5 Long-Term Debt Service Requirements by Years
<u> </u>	<u>X</u>	TSI-6 Analysis of Changes in Long-Term Bonded Debt
<u>X</u>	<u> </u>	TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund - Two Years Ended September 30, 2017
<u>X</u>	<u> </u>	TSI-8 Board Members, Key Personnel and Consultants

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

TSI-0 NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL YEAR ENDED SEPTEMBER 30, 2017

The notes which follow are not necessarily required for fair presentation of the audited basic financial statements of the District which are contained in the preceding section of this report. They are presented in conformity with requirements of the Texas Commission on Environmental Quality to assure disclosure of specifically required facts.

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

See Note 7 to basic financial statements.

(C) Pension Coverage

Not applicable.

(D) Pledge of Revenues

Not applicable.

(E) Compliance with Debt Service Requirements

Not applicable.

(F) Redemption of Bonds

Not applicable.

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

TSI-2 SCHEDULE OF GENERAL FUND EXPENDITURES YEAR ENDED SEPTEMBER 30, 2017

Personnel Expenditures (including benefits)	\$	-
Professional Fees:		
Auditing		-
Legal		1,070
Engineering		10,200
Financial Advisor		-
Purchased Services For Resale -		
Bulk Water and Wastewater Service Purchases		-
Contracted Services:		
Bookkeeping		840
General Manager		-
Appraisal District		-
Tax Collector		-
Other Contracted Services		-
Utilities		-
Repairs and Maintenance		23,262
Administrative Expenditures:		
Directors' Fees		1,000
Office Supplies		-
Insurance		962
Other Administrative Expenses		1,375
Capital Outlay:		
Capitalized Assets		1,694,000
Expenditures not Capitalized		-
Tap Connection Expenditures		-
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
TOTAL EXPENDITURES	\$	<u>1,732,709</u>

Number of persons employed by the District: 0 Full-Time 5 Part-Time
(Does not include independent contractors or consultants)

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

**TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND
TWO YEARS ENDED SEPTEMBER 30, 2017**

	AMOUNTS		PERCENT OF FUND TOTAL REVENUES	
	2017	2016 (unaudited)	2017	2016 (unaudited)
GENERAL FUND REVENUES:				
Federal grant revenue	\$ 1,196,544	2,087	69.3 %	3.0
State grant revenue	520,351	67,739	30.1	95.6
Other	11,000	1,000	0.6	1.4
Total revenues	<u>1,727,895</u>	<u>70,826</u>	<u>100.0</u>	<u>100.0</u>
GENERAL FUND EXPENDITURES:				
Current:				
Maintenance and repairs	23,262	-	1.3	-
Professional fees	1,910	4,920	0.1	6.9
Engineering fees	10,200	9,000	0.6	12.7
Administrative	396	221	0.0	0.3
Insurance	962	903	0.1	1.3
Directors' fees	1,000	-	0.1	-
Other	979	304	0.1	0.4
Capital outlay	<u>1,694,000</u>	<u>66,544</u>	<u>98.0</u>	<u>94.0</u>
Total expenditures	<u>1,732,709</u>	<u>81,892</u>	<u>100.3</u>	<u>115.6</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>\$ (4,814)</u>	<u>(11,066)</u>	<u>(0.3) %</u>	<u>(15.6)</u>

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2017

Complete District Mailing Address:

c/o USDA - NRCS

505 West University Avenue

Suite C

Georgetown, Texas 78626

District Business Telephone Number:

512-943-0822

Submission date of the most recent
District Registration Form:
(TWC Sections 36.054 and 49.054)

May 31, 2018

Limit on fees of office that a director
may receive during a fiscal year:

\$7,200

(Set by Board Resolution - TWC Sections 49.060)

Name	Term of Office Elected & Expires or Date Hired	Fees of Office Paid 9/30/2017	Expense Reimbursements 9/30/2017	Title at 9/30/2017
Board Members:				
Edmond S. Komandosky	Elected 6/16 - 5/20	\$ 200	\$ 527	President
John Kitsmiller	Elected 5/14 - 5/18	\$ 200	-	Vice President
Scott A. Ging	Elected 5/14 - 5/18	\$ 200	-	Treasurer/Secretary
Robert Rhoades	Elected 5/14 - 5/18	\$ 200	-	Director
Former Board Member -				
Charles Eiben	Elected 5/14 - 5/17	\$ 200	-	Director
Consultants:				
Clarno Consulting, LLC	2010	\$ 40,327	-	General Manager / Engineer
Hejl & Schroeder, P.C.	2012	\$ 4,580	-	Attorney
Clark L. Jackson, CPA, P.C.	2002	\$ 360	-	Bookkeeper



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

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Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

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

The Board of Directors of

Lower Brushy Creek Water Control and Improvement District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Lower Brushy Creek Water Control and Improvement District (the "District"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 21, 2019.

Internal Control Over Financial Reporting

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Maxwell Locke + Ritter LLP

Austin, Texas
February 21, 2019



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors of
Lower Brushy Creek Water Control and Improvement District:

Report on Compliance for the Major Federal Program

We have audited Lower Brushy Creek Water Control and Improvement District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended September 30, 2017. The District's major federal program is identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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This firm is not a CPA firm

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

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 2017-001 and 2017-002. Our opinion on the major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Corrective Action Plan. The 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

Management of the 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 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 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 a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a material weakness. We also identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2017-002, that we consider to be significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Corrective Action Plan. The 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.

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.

Maxwell Locke + Ritter LLP

Austin, Texas
February 21, 2019

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2017**

Federal or State Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Direct or Pass-Through Entity Identifying Number	Total Expenditures
FEDERAL AWARDS -			
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Texas State Soil and Water Conservation Board -</u>			
Watershed Operations Program Cluster:			
Watershed Rehabilitation Program	10.916	UB32-FED-59038	\$ 480,712
Emergency Watershed Protection Program	10.923	LowerBrushy- EWP-FED-59042	715,832
Total Watershed Operations Program Cluster			1,196,544
Total Passed Through Texas State Soil and Water Conservation Board			1,196,544
TOTAL U.S.DEPARTMENT OF AGRICULTURE			1,196,544
TOTAL EXPENDITURES OF FEDERAL AWARDS			1,196,544
STATE AWARDS -			
<u>TEXAS STATE SOIL AND WATER CONSERVATION BOARD</u>			
Watershed Rehabilitation Program	n/a	UB32-ST-50036	258,847
Emergency Watershed Protection Program	n/a	LowerBrushy- EWP-ST-50024	238,609
Flood Control Operations & Maintenance	n/a	P2016-601-0002	22,895
TOTAL TEXAS STATE SOIL AND WATER CONSERVATION BOARD			520,351
TOTAL EXPENDITURES OF STATE AWARDS			520,351
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			\$ 1,716,895

The accompanying notes are an integral part of this schedule.

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS YEAR ENDED SEPTEMBER 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal and state award activity of Lower Brushy Creek Water Control and Improvement District (the “District”) under programs of the federal and state government for the year ended September 30, 2017. The information in this 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”) and the State of Texas Uniform Grant Management Standards (“UGMS”). 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, change in net position, or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the liability is incurred, if measurable. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or UGMS, wherein certain types of expenditures are not allowable or are limited to reimbursement.

The District has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Relationship to Basic Financial Statements

Expenditures of federal and state awards are reported in the District’s basic financial statements in the General Fund.

Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

3. STATE OF TEXAS SINGLE AUDIT

The District did not meet the required threshold for a single audit of the state expenditures prescribed by UGMS, which includes the State of Texas Single Audit Circular. The state expenditures have been included in the schedule of expenditures of federal and state awards for informational purposes.

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted?

yes no

FEDERAL AWARDS

Internal control over the major federal program:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for the major federal program-

Watershed Operations Program Cluster

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of the major federal program-

CFDA Number(s)	Name of Federal Program or Cluster
	Watershed Operations Program Cluster:
10.916	Watershed Rehabilitation Program
10.923	Emergency Watershed Protection Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported in accordance with *Government Auditing Standards* for the year ended September 30, 2017. There was not an audit requirement for the year ended September 30, 2016.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were two findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the year ended September 30, 2017. There was not an audit requirement for the year ended September 30, 2016.

Findings Relating to Federal Awards Reported in Accordance with 2 CFR 200.516(a):

2017-001

Federal Program:	Watershed Operations Program Cluster - CFDA #10.916 and 10.923; Federal Award Number - UB32-FED-59038 and LowerBrushy-EWP-FED-59042; Passed through Texas State Soil and Water Conservation Board.
Criteria:	The District must follow the procurement standards set out within Uniform Guidance at 2 CFR sections 200.318 through 200.326. The District must use their own documented procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR part 200.
Condition /Context:	The District has not adopted a formal procurement policy that is compliant with Uniform Guidance.
Questioned Costs:	None
Effect:	Noncompliance with the Procurement and Suspension and Debarment requirements of the OMB Compliance Supplement if the District does not have a formal procurement policy for the use of federal grant funds.
Cause:	The District was not aware it was required to adopt and implement a procurement policy that complied with Uniform Guidance.
Recommendations:	The District should adopt a procurement policy that is compliant with Uniform Guidance along with applicable State and local laws and regulations.
Views of Responsible Officials and Planned Corrective Actions:	See Schedule of Corrective Action Plan

2017-002

Federal Program: Watershed Operations Program Cluster - CFDA #10.916 and 10.923; Federal Award Number - UB32-FED-59038 and LowerBrushy-EWP-FED-59042; Passed through Texas State Soil and Water Conservation Board.

Criteria: Per the grant award agreements, the District must provide an accrual report that is due by the 1st day of the 3rd month of each quarter. The report must be on District letterhead and include wording specified in the grant agreement.

Condition /Context: The District did not prepare or submit accrual reports during the year ended September 30, 2017.

Questioned Costs: None

Effect: Noncompliance with Reporting requirements as specified in the grant agreement if all applicable reports are not submitted.

Cause: The District provided regular verbal updates on the status of the grant to the Texas State Soil and Water Conservation Board. The District was not aware of the requirement to provide written accrual reports.

Recommendations: The District should prepare and submit written accrual reports as specified in the grant agreement.

Views of Responsible Officials and Planned Corrective Actions: See Schedule of Corrective Action Plan



LOWER BRUSHY CREEK WCID

c/o USDA – Natural Resources Conservation Service
505 West University Avenue, Suite C
Georgetown, Texas 78626

SCHEDULE OF CORRECTIVE ACTION PLAN (AUDITEE PREPARED)

YEAR ENDED SEPTEMBER 30, 2017

Finding 2017-001

Planned Corrective Action: The District will write, adopt, and implement a formal procurement policy that is compliant with the standards set out within Uniform Guidance at 2 CFR sections 200.318 through 200.326. This policy will also comply with applicable State and local laws and regulations.

Responsible Party: Jim Clarno, P.E., General Manager

Estimated Completion Date: September 30, 2019

Finding 2017-002

Planned Corrective Action: District management will prepare and submit written accrual reports each quarter. These reports will be on District letterhead, and will include the wording specified in the applicable grant agreement. The reports will be submitted to Texas State Soil and Water Conservation Board by the dates specified in the applicable grant agreement.

Responsible Party: Jim Clarno, P.E., General Manager

Estimated Completion Date: The District will begin submitting these reports by September 30, 2019.