

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

**Financial Statements  
and Supplemental Information  
as of and for the Year Ended  
September 30, 2019 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 14th day of February, 2020, its annual audit report for the fiscal year ended September 30, 2019, 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.

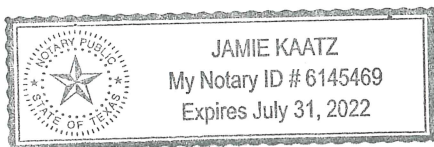
The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction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

Date: FEBRUARY 14, 2020.

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 14th day of February, 2020.



(SEAL)

Jamie Kaatz  
(Signature of Notary)

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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Round Rock, TX 78664

## **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, 2019, 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, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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.

### *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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information required by the TCEQ listed in the table of contents 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 supplemental information required by the TCEQ listed in the table of contents is 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 14, 2020 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 14, 2020

# LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

## MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2019

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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, 2019. 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, 2019 were \$5,711,200, and exceeded liabilities by \$5,558,706.
- Total net position increased \$454,330 for the year ended September 30, 2019.
- The General Fund had a deficit fund balance of \$29,503 at September 30, 2019, a decrease of \$26,764 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*
  - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
  - *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 and 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 and 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. 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.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District's adopted budget to its actual results.

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*.

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

### Statement of Net Position

	Governmental Activities		
	2019	2018	% Change
Current assets	\$ 122,991	\$ 24,624	399%
Capital assets	5,588,209	5,107,115	9%
Total assets	5,711,200	5,131,739	11%
Current liabilities	152,494	27,363	457%
Total liabilities	152,494	27,363	457%
Net investment in capital assets	5,588,209	5,107,115	9%
Unrestricted	(29,503)	(2,739)	(977%)
Total net position	\$ 5,558,706	\$ 5,104,376	9%

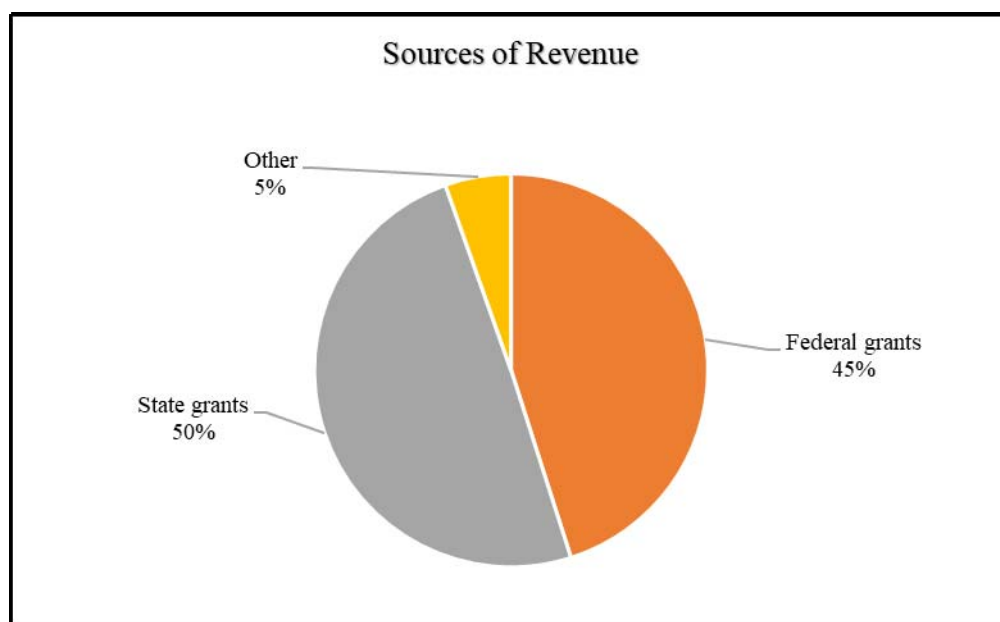


The District's total assets were \$5,711,200 as of September 30, 2019. Of this amount, \$5,588,209 was accounted for by capital assets, leaving unrestricted net assets as a deficit of \$29,503. The District had outstanding liabilities of \$152,494 as of September 30, 2019, which represent current liabilities.

The District's primary source of revenue is federal and state grant revenues. The Statement of Activities for the years ended September 30, 2019 and 2018 are summarized as follows:

	Governmental Activities		
	2019	2018	% Change
Revenues:			
Federal grant revenue	\$ 403,990	\$ 669,521	(40%)
State grant revenue	443,487	574,425	(23%)
Other	48,674	50,000	(3%)
Total revenues	896,151	1,293,946	(31%)
Expenses:			
Operating expenses	324,795	243,589	33%
Depreciation	117,026	84,583	38%
Total expenses	441,821	328,172	35%
Change in net position	454,330	965,774	(53%)
Beginning net position	5,104,376	4,138,602	23%
Ending net position	\$ 5,558,706	\$ 5,104,376	9%

Operating revenues were \$896,151 for the fiscal year ended September 30, 2019, of which state and federal grants provided \$847,477. Total expenses were \$441,821 for the fiscal year ended September 30, 2019. Net position increased \$454,330 primarily due to additions to capital assets during the fiscal year.



## Financial Analysis of Governmental Fund

	2019	2018
Cash	\$ 8,294	\$ 22,624
Due from other governments	114,697	2,000
Total assets	<u>\$ 122,991</u>	<u>\$ 24,624</u>
Total liabilities	<u>\$ 152,494</u>	<u>\$ 27,363</u>
Unassigned fund balance	<u>(29,503)</u>	<u>(2,739)</u>
Total fund balance	<u>(29,503)</u>	<u>(2,739)</u>
Total liabilities and fund balance	<u><u>\$ 122,991</u></u>	<u><u>\$ 24,624</u></u>

The *General Fund* pays for daily operating expenditures. At September 30, 2019, the District's governmental fund reported a deficit fund balance of \$29,503, which is a decrease of \$26,764 from the prior year. When comparing actual to budget, actual revenues were less than budgeted by \$306,349 due to federal and state grant revenue being less than expected. Actual expenditures were lower than budgeted by \$309,085 primarily due to capital outlay costs associated with federal and state grants being less than expected. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

### Capital Assets Activity

At September 30, 2019 and 2018, the District had the following capital assets in operation:

	2019	2018
Earthen dams	\$ 7,366,397	\$ 7,366,397
Construction in progress	598,120	-
Subtotal	7,964,517	7,366,397
Accumulated depreciation	<u>(2,376,308)</u>	<u>(2,259,282)</u>
Total	<u><u>\$ 5,588,209</u></u>	<u><u>\$ 5,107,115</u></u>

The District is in the 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 2020 projects an increase in the fund balance of the General Fund of \$31,704. When compared to the 2019 budget, revenues are expected to increase by approximately 172% in fiscal year 2020. Expenditures are expected to increase by approximately 163% in 2020 when compared to the 2019 budget.

### 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, 2019

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET POSITION
<b>ASSETS:</b>			
Cash	\$ 8,294	\$ -	\$ 8,294
Due from other governments	114,697	-	114,697
Capital assets (net of accumulated depreciation):			
Construction in progress	-	598,120	598,120
Earthen dams	-	4,990,089	4,990,089
Total assets	<u>\$ 122,991</u>	<u>5,588,209</u>	<u>5,711,200</u>
<b>LIABILITIES-</b>			
Current liabilities-			
Accounts payable	<u>152,494</u>	<u>-</u>	<u>152,494</u>
Total liabilities	<u>152,494</u>	<u>-</u>	<u>152,494</u>
<b>FUND BALANCE/NET POSITION:</b>			
Fund balance-			
Unassigned	<u>(29,503)</u>	<u>29,503</u>	<u>-</u>
Total fund balance	<u>(29,503)</u>	<u>29,503</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 122,991</u>		
Net position:			
Net investment in capital assets		5,588,209	5,588,209
Unrestricted		<u>(29,503)</u>	<u>(29,503)</u>
Total net position		<u>\$ 5,558,706</u>	<u>\$ 5,558,706</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, 2019**

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
<b>REVENUES:</b>			
Federal grant revenue	\$ 403,990	\$ -	\$ 403,990
State grant revenue	443,487	-	443,487
Other	48,674	-	48,674
Total revenues	896,151	-	896,151
<b>EXPENDITURES/EXPENSES:</b>			
Current:			
Maintenance and repairs	216,490	-	216,490
Professional fees	34,133	-	34,133
General manager	31,500	-	31,500
Engineering fees	21,436	-	21,436
Election expenses	14,044	-	14,044
Administrative	2,573	-	2,573
Directors' fees	1,050	-	1,050
Insurance	963	-	963
Other	2,606	-	2,606
Capital outlay	598,120	(598,120)	-
Depreciation	-	117,026	117,026
Total expenditures/expenses	922,915	(481,094)	441,821
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(26,764)	26,764	-
<b>CHANGE IN NET POSITION</b>	-	454,330	454,330
<b>FUND BALANCE/NET POSITION:</b>			
Beginning of year	(2,739)	5,107,115	5,104,376
End of year	\$ (29,503)	\$ 5,588,209	\$ 5,558,706

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

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

## **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2019**

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES:</b>			
Federal grant revenue	\$ 650,000	\$ 403,990	\$ (246,010)
State grant revenue	507,500	443,487	(64,013)
Other	45,000	48,674	3,674
Total revenues	1,202,500	896,151	(306,349)
<b>EXPENDITURES:</b>			
Current:			
Maintenance and repairs	165,000	216,490	(51,490)
Professional fees	21,000	34,133	(13,133)
General manager	18,000	31,500	(13,500)
Engineering fees	3,000	21,436	(18,436)
Election expenses	12,000	14,044	(2,044)
Administrative	7,900	2,573	5,327
Directors' fees	3,000	1,050	1,950
Insurance	1,500	963	537
Other	600	2,606	(2,006)
Capital outlay	1,000,000	598,120	401,880
Total expenditures	1,232,000	922,915	309,085
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(29,500)	(26,764)	2,736
<b>FUND BALANCE:</b>			
Beginning of year	(2,739)	(2,739)	-
End of year	\$ (32,239)	\$ (29,503)	\$ 2,736

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, 2019

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### 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.

## **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, or 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 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 the 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, 2019 of \$29,503. This deficit will be eliminated through the collection of grant revenues and property tax revenue, which is expected in fiscal year 2020.

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	\$ (29,503)
Capital assets used in governmental activities are not current financial resources and are therefore not reported in the governmental fund balance sheet	<u>5,588,209</u>
Total net position	<u>\$ 5,558,706</u>

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

Deficiency of revenues under expenditures	\$ (26,764)
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	598,120
Depreciation expense	<u>(117,026)</u>
Change in net position	<u>\$ 454,330</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, 2019, 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, 2019.

Federal grants	\$ 74,553
State grants	<u>40,144</u>
Total	<u>\$ 114,697</u>

## 5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2019 was as follows:

	Balance September 30, 2018	Additions	Deletions/ Transfers	Balance September 30, 2019
Capital assets, not being depreciated-				
Construction in progress	\$ -	598,120	-	598,120
Total capital assets, not being depreciated	-	598,120	-	598,120
Capital assets, being depreciated-				
Earthen dams	7,366,397	-	-	7,366,397
Total capital assets, being depreciated	7,366,397	-	-	7,366,397
Less accumulated depreciation for-				
Earthen dams	(2,259,282)	(117,026)	-	(2,376,308)
Total accumulated depreciation	(2,259,282)	(117,026)	-	(2,376,308)
Total capital assets, being depreciated, net	5,107,115	(117,026)	-	4,990,089
Capital assets, net	<u>\$ 5,107,115</u>	<u>481,094</u>	<u>-</u>	<u>5,588,209</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 and these 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.

## **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 October 2019, the District levied an operations and maintenance tax at a rate of \$0.02 per \$100 of assessed valuation of taxable property to finance the operating expenditures of the District.

# LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

## INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY YEAR ENDED SEPTEMBER 30, 2019

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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 - Four Years Ended September 30, 2019
<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, 2019

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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, 2019

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Personnel Expenditures (including benefits)	\$ -
Professional Fees:	
Auditing	23,000
Legal	5,633
Engineering	21,436
Financial Advisor	-
Purchased Services For Resale -	
Bulk Water and Wastewater Service Purchases	-
Contracted Services:	
Bookkeeping	3,500
General Manager	31,500
Appraisal District	-
Tax Collector	-
Other Contracted Services	2,000
Utilities	-
Repairs and Maintenance	216,490
Administrative Expenditures:	
Directors' Fees	1,050
Office Supplies	-
Insurance	963
Other Administrative Expenses	19,223
Capital Outlay:	
Capitalized Assets	598,120
Expenditures not Capitalized	-
Tap Connection Expenditures	-
Solid Waste Disposal	-
Fire Fighting	-
Parks and Recreation	-
Other Expenditures	-
TOTAL EXPENDITURES	<u>\$ 922,915</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 FOUR YEARS ENDED SEPTEMBER 30, 2019**

	AMOUNTS				PERCENT OF FUND TOTAL REVENUES			
	<b>2019</b>	2018	2017	2016 (unaudited)	<b>2019</b>	2018	2017	2016 (unaudited)
<b>GENERAL FUND REVENUES:</b>								
Federal grant revenue	\$ 403,990	669,521	1,196,544	2,087	45.1 %	51.7	69.3	3.0
State grant revenue	443,487	574,425	520,351	67,739	49.5	44.4	30.1	95.6
Other	48,674	50,000	11,000	1,000	5.4	3.9	0.6	1.4
Total revenues	896,151	1,293,946	1,727,895	70,826	100.0	100.0	100.0	100.0
<b>GENERAL FUND EXPENDITURES:</b>								
Current:								
Maintenance and repairs	216,490	211,238	23,262	-	24.2	16.3	1.3	-
Professional fees	34,133	3,177	1,910	4,920	3.8	0.2	0.1	6.9
General manager	31,500	-	-	-	3.5	-	-	-
Engineering fees	21,436	18,000	10,200	9,000	2.4	1.4	0.6	12.7
Election expenses	14,044	6,092	-	-	1.6	0.5	-	-
Administrative	2,573	1,847	396	221	0.3	0.1	0.0	0.3
Directors' fees	1,050	2,050	1,000	-	0.1	0.2	0.1	-
Insurance	963	963	962	903	0.1	0.1	0.1	1.3
Other	2,606	222	979	304	0.3	-	0.1	0.4
Capital outlay	598,120	1,030,032	1,694,000	66,544	66.7	79.6	98.0	94.0
Total expenditures	922,915	1,273,621	1,732,709	81,892	103.0	98.4	100.3	115.6
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (26,764)	20,325	(4,814)	(11,066)	(3.0) %	1.6	(0.3)	(15.6)



# LOWER BRUSHY CREEK WATER CONTROL AND IMPROVEMENT DISTRICT

## TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2019

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 9/30/2019	Expense Reimbursements 9/30/2019	Title at 9/30/2019
<b>Board Members:</b>				
Edmond S. Komandosky	Elected 6/16 - 5/20	\$ 350	\$ 270	President
John Kitsmiller	Elected 6/18 - 5/22	\$ 100	\$ 286	Vice President
Monica P. Masters	Appointed 11/17 - 5/20	\$ 300	\$ -	Secretary
Scott A. Ging	Elected 6/18 - 5/22	\$ 150	\$ -	Treasurer
Michael Schneider	Elected 6/18 - 5/22	\$ 350	\$ -	Director
<b>Consultants:</b>				
Clarno Consulting, LLC	2010	\$ 48,136	\$ 380	General Manager / Engineer
Hejl & Schroeder, P.C.	2012	\$ 4,700	\$ -	Attorney
Clark L. Jackson, CPA, P.C.	2002	\$ 2,413	\$ -	Bookkeeper
Maxwell Locke & Ritter LLP	2018	\$ 23,000	\$ -	Auditor



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

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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**

To 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, 2019, 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 14, 2020.

### **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 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 14, 2020