

BROOKSHIRE-KATY DRAINAGE DISTRICT

WALLER COUNTY

BROOKSHIRE, TEXAS

AUDIT REPORT

SEPTEMBER 30, 2019

BROOKSHIRE-KATY DRAINAGE DISTRICT
BROOKSHIRE, TEXAS
SEPTEMBER 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

March 31, 2020

Report on the Financial Statements

I have audited the accompanying financial statements of Brookshire-Katy Drainage District as of September 30, 2019, and for the year then ended, as listed in the table of contents which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Brookshire-Katy Drainage District as of September 30, 2019, and the changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 6 and Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-General Fund, on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers them to be essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brookshire-Katy Drainage District's basic financial statements. The supplementary information on pages 24 to 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information on pages 24 to 39 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 my opinion, the supplementary information on pages 24 to 39 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



Bert D. Matthews
Certified Public Accountant

Brookshire – Katy Drainage District Management's Discussion and Analysis

Using this Annual Report

This discussion and analysis of the Brookshire-Katy Drainage District's financial results is presented to provide an overview of the District's financial activities for the year ended September 30, 2019. It should be read in conjunction with the District's audited financial statements.

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

Government-Wide Financial Statements

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

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

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

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

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

Management's Discussion and Analysis (continued)

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

	<u>Summary of Net Assets</u>	
	September 30 <u>2019</u>	September 30 <u>2018</u>
Current and other assets	\$ 5,478,524	\$ 4,196,369
Capital assets	730,760	449,675
Total assets	<u>6,209,284</u>	<u>4,646,044</u>
Contribution to pension plan in current fiscal year	24,315	21,531
Differences between projected & actual experience	49,979	60,494
Changes in Assumptions	9,864	13,602
Differences between projected & actual earnings on pension plan	51,441	(7,567)
Total Deferred Outflows	<u>135,549</u>	<u>88,060</u>
Long-term liabilities	-0-	-0-
Other liabilities	860,391	134,066
Total liabilities	<u>860,391</u>	<u>134,066</u>

Management's Discussion and Analysis (continued)

Deferred property tax revenues	<u>1,966,605</u>	<u>1,639,221</u>
Total Deferred Inflows	<u>1,966,605</u>	<u>1,639,221</u>
Net assets:		
Invested in capital assets		
Net of related debt	730,760	449,675
Unrestricted	<u>2,787,127</u>	<u>2,511,142</u>
Total net assets	<u>\$ 3,517,887</u>	<u>\$ 2,960,817</u>

Summary of Changes In Net Assets

	September 30 <u>2019</u>	September 30 <u>2018</u>	<u>NET CHANGE</u>
Revenues:			
Property taxes	\$ 1,655,750	\$ 1,204,052	\$ 451,698
Other revenues	<u>762,394</u>	<u>127,644</u>	<u>634,750</u>
Total revenues	<u>2,418,144</u>	<u>1,331,696</u>	<u>1,086,448</u>
Expenses:			
Operations	1,835,984	1,444,787	391,197
Operating transfers	<u>68,110</u>	<u>-0-</u>	<u>68,110</u>
Total expenses	<u>1,904,094</u>	<u>1,444,787</u>	<u>459,307</u>
Change in net assets	514,050	(113,091)	627,141
Net assets, beginning of year	<u>3,003,837</u>	<u>3,116,928</u>	<u>(113,091)</u>
Net assets, end of year	<u>\$ 3,517,887</u>	<u>\$ 3,003,837</u>	<u>\$ 514,050</u>

Financial Analysis of the District's Funds

The District's combined net assets as of the end of the fiscal year ended September 30, 2019 were \$ 3,517,887, an increase of \$ 514,050 from the prior year.

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

1. Favorable variances:

a. Total revenues increased due to increased property valuations, increase activity in permit fees and receipt of a Federal grant.

b. Professional fees were under budget due to the allocation of expenditures associated with the federal grant which was unbudgeted.

Management's Discussion and Analysis (continued)

2. Unfavorable variances:

- a. The unfavorable variance for Salaries was due the yearend adjustment for pension expense.
- b. Capital outlay was under budget due the capitalization of the lease for equipment which had not been budgeted.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land	\$ 50,362	\$ 50,362	\$ -0-
Buildings	128,323	134,972	(6,649)
Equipment & Other	<u>552,075</u>	<u>264,341</u>	<u>287,734</u>
Total	<u>\$ 730,760</u>	<u>\$ 449,675</u>	<u>\$ 281,085</u>

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

Additions:

Other (including construction in progress)	\$ 340,945
Total additions to capital assets	<u>340,945</u>

Decreases:

Depreciation	<u>59,860</u>
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Net change to capital assets \$ 281,085

**BROOKSHIRE-KATY DRAINAGE DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 2,975,152
Receivables -	
Property Taxes net of allowance for uncollectibles	1,990,951
Prepaid Expenses	14,439
Accounts Receivable Miscellaneous	497,982
Capital Assets net of accumulated depreciation:	
Land	50,362
Depreciable Capital Assets	680,398
Total Assets	\$ <u>6,209,284</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Contributions to pension plan in current fiscal year	\$ 24,315
Differences between expected & actual experience	49,979
Changes of Assumptions	9,864
Differences between projected & actual earnings on pension plan	51,441
Total Deferred Outflows of Resources	\$ <u>135,599</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 488,055
Lease Payable	178,894
Net Pension Liabilities	186,833
Unearned Revenues	1,966,605
Accrued Liabilities	6,609
Total Liabilities	\$ <u>2,826,996</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Net difference between projected and actual earnings	0
Deferred property tax revenues	\$ 0
Total Deferred Inflows of Resources	\$ <u>0</u>
<u>Net Position:</u>	
Invested in Capital Assets	\$ 730,760
Unrestricted	<u>2,787,127</u>
Total Net Position	\$ <u><u>3,517,887</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**BROOKSHIRE-KATY DRAINAGE DISTRICT
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>PRIMARY GOVERNMENT ACTIVITIES</u>
Revenues:	
Property Taxes - Net of Allowance for Estimated Uncollectible Taxes	\$ 1,655,750
Federal Grant	542,275
Penalties and Interest	17,631
Interest on Investment	28,725
Miscellaneous Revenues	<u>173,763</u>
Total Revenues	2,418,144
Expenditures:	
General	
Appraisal District & Tax Assessor	44,777
Salaries - Including Benefits	659,683
Office & Miscellaneous	14,745
Travel & Conferences	12,986
Insurance	13,741
Utilities	15,041
Vehicle & Equipment Expense	93,560
General Operating & Plant Maintenance	13,639
Construction & Maintenance:	
Drainage Facilities	9,133
Professional Fees:	
Engineering, Legal and Audit	175,862
Capital Outlay	0
Bad Debt (Recovery)	(2,037)
Depreciation	59,860
Grant Expense	<u>724,994</u>
Total Expenditures	<u>1,835,984</u>
Excess of Revenues Over (Under) Expenditures	582,160
Other Financing Sources (Uses):	
Operating Transfers In	0
Operating Transfers Out	<u>(68,110)</u>
Total Other Financing Sources (Uses)	(68,110)
Net Change In Fund Balances/ Net Assets	514,050
Beginning of Year	<u>3,003,837</u>
End of Year	<u>\$ 3,517,887</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**BROOKSHIRE-KATY DRAINAGE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	GENERAL FUND	DEBT SERVICE	FEDERAL GRANT	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash	\$ 2,975,152	\$	\$ 0	\$ 2,975,152
Receivables - Property Taxes net of allowance for uncollectibles	1,990,951		0	1,990,951
Prepaid Expenses	14,439		0	14,439
Accounts Receivable Miscellaneous	0		497,982	497,982
Total Assets	\$ 4,980,542	\$ 0	\$ 497,982	\$ 5,478,524
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Unearned Revenues	\$ 1,966,605	\$	\$	\$ 1,966,605
Accounts Payable	6,764		487,900	494,664
Total Liabilities	\$ 1,973,369	\$ 0	\$ 487,900	\$ 2,461,269
<u>FUND BALANCES/ NET POSITION</u>				
FUND BALANCES:				
Unreserved	\$ 3,007,173	\$	\$ 10,082	\$ 3,017,255
Total Fund Balances	\$ 3,007,173	\$ 0	\$ 10,082	\$ 3,017,255
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,980,542	\$ 0	\$ 497,982	\$ 5,478,524

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**BROOKSHIRE-KATY DRAINAGE DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED
SEPTEMBER 30, 2019**

Fund Balances-Total Governmental Funds **\$ 3,017,255**

**Amounts reported for governmental activities in the Statement of Net Position
are different because:**

**Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds:**

Capital assets at historical cost	1,553,526	
Accumulated depreciation	<u>(822,766)</u>	730,760

Net Pension Liability **(186,833)**

Contributions to pension plan in current year **24,315**

Lease Payable **(178,894)**

Differences between expected and actual experience **49,979**

**Differences between projected and actual earnings
on pension plan** **51,441**

Changes of Assumptions **9,864**

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Net Position of Governmental Activities	\$	<u>3,517,887</u>

BROOKSHIRE-KATY DRAINAGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	GENERAL FUND	DEBT SERVICE FUND	FEDERAL GRANT	TOTAL GOVERNMENTAL FUNDS
Revenues:				
Property Taxes - Net of Allowance for Estimated Uncollectible Taxes	\$ 1,655,750	\$	\$	\$ 1,655,750
Federal Grant			542,275	542,275
Penalties and Interest	17,631			17,631
Interest on Investment	28,725			28,725
Miscellaneous Revenues	173,763			173,763
Total Revenues	1,875,869	0	542,275	2,418,144
Expenditures:				
General				
Appraisal District & Tax Assessor	44,777			44,777
Salaries - Including Benefits	659,683			659,683
Office & Miscellaneous	14,745			14,745
Travel & Conferences	12,986			12,986
Insurance	13,741			13,741
Utilities	15,041			15,041
Vehicle & Equipment Expense	93,560			93,560
General Operating & Plant Maintenance	13,639			13,639
Construction & Maintenance:				
Drainage Facilities	9,133			9,133
Professional Fees:				
Engineering, Legal and Audit	175,862			175,862
Capital Outlay	281,086			281,086
Bad Debt (Recovery)	(2,037)			(2,037)
Depreciation				
Grant Expense			724,994	724,994
Total Expenditures	1,332,216	0	724,994	2,057,210
Excess of Revenues Over (Under)				
Expenditures	543,653	0	(182,719)	360,934
Other Financing Sources (Uses):				
Operating Transfers In				
Operating Transfers Out	(68,110)			(68,110)
Total Other Financing Sources (Uses)	(68,110)	0	0	(68,110)
Net Change In Fund Balances/ Net Assets	475,543	0	(182,719)	292,824
Beginning of Year	3,003,837			3,003,837
End of Year	\$ 3,479,380	\$ 0	\$ (182,719)	\$ 3,296,661

SEE ACCOMPANYING NOTE TO FINANCIAL STATEMENTS

**BROOKSHIRE-KATY DRAINAGE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (GOVERNMENTAL FUNDS) TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

Net changes in fund balances-total governmental funds	\$	292,824
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Governmental funds report capital outlays as expenditures but the statement of activities amortize their cost over their estimated useful lives. Capital outlays exceeded depreciation in this year.

Capitalized assets	281,086		
Depreciation expense	<u>(59,860)</u>	221,226	

Net Change in Fund Balances/ Net Assets	\$	<u><u>514,050</u></u>
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BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 - CREATION OF DISTRICT

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

All activities on which the District exercises responsibility have been included in the District's financial statements, for the year ended September 30, 2019. The following criteria was considered by the District in its evaluation of District organization and activities:

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

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

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

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

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

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

BROOKSHIRE-KATY DRAINAGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In June 1999, the GASB unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (the "Statement"). The District implemented the Statement on September 1, 2003. Significant changes made by the Statement include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.

Government-wide financial statements prepared using full accrual accounting for all of the District's activities, including capital assets and long-term liabilities.

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

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

Change in Accounting Principle

Net position as of September 1, 2014, has been restated as follows for implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

Net Position as previously reported at August 31, 2014:	1,986,757
Prior period adjustment:	
Net Pension Liability (measurement date as of December 31, 2013)	(3,472)
Deferred Outflows:	
District contributions made during fiscal year 2014	<u>38,851</u>
Total prior period adjustment	<u>35,379</u>
Net Position as restated September 1, 2014	<u>2,022,138</u>

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(Continued)

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

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

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

General Fund - To account for all revenues and expenditures not required to be accounted for in other funds. The District uses only the General Fund.

Basis of Accounting

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

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

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(Continued)

Interfund Activity

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

Receivables

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

Deferred Tax Revenues

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

Capital Assets

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

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

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

Long-term Liabilities

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

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(Continued)

debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

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

Budgets

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

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

NOTE 3 - CAPITAL ASSETS

On September 30, 2019, "Invested in Capital Assets was \$730,760. Capital asset activity for the year then ended is summarized in Schedule E.

NOTE 4 - CASH AND INVESTMENTS

Investments are made in TexPool. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by Standard & Poors. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(Continued)

net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

Cash and investments stated at cost consisted of the following:

Cash in banks	\$ 1,260,098
Cash in TexPool Fund	2,886
Certificate of Deposit	1,711,967
Petty Cash & Undeposited Taxes Collected	<u>200</u>
	<u>\$ 2,975,151</u>

All cash in banks is fully collateralized.

NOTE 5 - PROPERTY TAX

Key dates in the property tax calendar are as follows:

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

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

- A. Tax rate per \$100 of assessed valuation - \$.073
- B. Adjusted taxable valuation - \$ 2,637,098,159
- C. Amount of tax levy - \$ 1,931,330

Note 6 - PENSION PLAN

Plan Description

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

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS. Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(Continued)

are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

Funding Policy

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

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

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

At September 30, 2019, the district recorded a liability of \$186,833 for the net pension liability. The net pension liability for the plan in total was measured as of December 31, 2018 and determined by an actuarial valuation as of that date.

For the period ended September 30, 2019, the district recognized a pension expense of \$69,331.

At September 30, 2019, we reported deferred outflows of resources and deferred inflows of resources from the following sources related to TCDRS pension benefits:

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Balance of Deferred Outflow and Inflows Due to:		
Differences between expected and actual Experience	\$ 49,979	\$ 0
Changes of assumption	9,864	0
Net difference between projected and actual Earnings on pension plan investments	51,441	0
Employer contributions after the plan yearend	<u>24,315</u>	<u>0</u>
Total	<u>\$ 135,599</u>	<u>\$ 0</u>

\$ 24,315 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date will be recognized as a reduction to the net liability in the year ended September 30, 2020. Other amounts reported as collective deferred (inflows)/ outflows of resources to be recognized in pension expenses:

Period Ending December 31:

2019	\$ 43,265
2020	32,411
2021	16,250
Thereafter	<u>18,998</u>
	<u>\$ 110,924</u>

Actuarial Assumptions

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

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

Measurement Date	December 31, 2018
Valuation Date	December 31, 2018
Expected Return on Investment	8.0% net of investment expenses
Inflation	2.75%
Total Payroll Growth	4.9%

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(Continued)

Future Salary Increases	4.9%, depending on age and service and including inflation.
Mortality Assumption Activities:	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Non-Disabled Retirees Beneficiaries and Survivors:	130% of the RP-2014 Healthy Annuitant Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled Retirees:	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Actuarial Methods and Assumptions	There were no changes in actuarial assumptions or methods for December 31, 2018 valuation.
Discount Rate	The discount rate used to measure the total pension liability was 8.1% as of December 31, 2018, and is consistent with long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 20 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

BROOKSHIRE-KATY DRAINAGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019

(Continued)

Discount Rate Sensitivity

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

Discounted Rate	1% Decrease <u>(7.10%)</u>	Current Rate <u>(8.10%)</u>	1% Increase <u>(9.10%)</u>
Proportionate share Of the Net Pension Liability / (Asset)	\$ 293,055	\$ 186,693	\$ 93,266

Actuarial Valuation Information

Actuarial Valuation Date	12/31/16	12/31/17	12/31/18
Actuarial Cost Method	entry age	entry age	entry age
Amortization Method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization Period	16.9	16.6	16.6
Asset Valuation Method	SAFA: 5yr smoothed value ESF: fund value	SAFA: 5yr smoothed value ESF: fund value	SAFA: 5yr smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return (1)	8.00%	8.00%	8.10%
Projected Salary Increases (1)	4.9%	4.9%	4.9%
Inflation	3.0%	3.0%	2.75%
Cost-of-living Adjustment	0%	0%	0%

(1) Includes inflation at the stated rate.

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(Continued)

Risk Management

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster. During 2019, the District contracted with the Texas Water Conservation Association for liability, property, and crime damage. Coverages provided by the company are as follows:

Public Official Errors and Omissions Liability (Per occurrence)	\$ 10,000,000
Business Auto Coverage Liability Combined	10,000,000
Commercial General Liability	10,000,000
Commercial Property (Per occurrence)	1,252,757
Workers Compensation	Statutory
Employee Dishonesty (Per occurrence) - Contracted with CNA Surety	100,000

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

Pending Litigation

As of September 30, 2019, the District has no pending lawsuits that could materially impact the financial statements.

Lease Payable

In the current fiscal year, the District acquired an excavator financed with a lease agreement for a period of 4 years at an interest rate of 5.5% and annual payments of \$49,923.00.

Other Matters

In 2018, the Board, after obtaining an outside legal opinion, elected to calculate its rollback taxes pursuant to Chapter 49 of the Texas Water Code.

BROOKSHIRE-KATY DRAINAGE DISTRICT

SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2019

BROOKSHIRE-KATY DRAINAGE DISTRICT

BROOKSHIRE, TEXAS

SEPTEMBER 30, 2019

SUMMARY OF REQUIRED SUPPLEMENTAL INFORMATION

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REPORT ON INTERNAL CONTROL

REPORT ON COMPLIANCE

**BROOKSHIRE-KATY DRAINAGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	ORIGINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Property Taxes - Net of Allowance for Estimated Uncollectible Taxes	\$ 1,431,007	1,655,750	\$ 224,743
Federal Grant	0	542,275	542,275
Penalties and Interest	0	17,631	17,631
Interest on Investments	1,595	28,725	27,130
Miscellaneous Revenues	100	173,763	173,663
Total Revenues	1,432,702	2,418,144	985,442
Expenditures:			
Appraisal District & Tax Assessor	37,716	44,777	(7,061)
Salaries - Including Benefits	633,569	659,683	(26,114)
Office & Miscellaneous	6,950	14,745	(7,795)
Travel & Conferences	14,500	12,986	1,514
Insurance	12,945	13,741	(796)
Utilities	16,000	15,041	959
Vehicle & Equipment Expense	95,913	93,560	2,353
General Operating & Plant Maintenance	16,460	13,639	2,821
Construction & Maintenance:			0
Drainage Facilities	11,840	9,133	2,707
Professional Fees:			0
Engineering, Legal and Accounting	422,650	175,862	246,788
Capital Outlay	114,235	281,086	(166,851)
Grant Expenses	0	724,994	(724,994)
Bad Debt (Recovery)	0	(2,037)	2,037
Total Expenditures	1,382,778	2,057,210	(674,432)
Excess of Revenues Over (Under) Expenditures	49,924	360,934	311,010
Other Financing Sources (Uses):			
Operating Transfers Out	(49,924)	(68,110)	(18,186)
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	0	292,824	292,824
Fund Balances September 30, 2018	3,003,837	3,003,837	0
Fund Balances September 30, 2019	\$ 3,003,837	\$ 3,296,661	\$ 292,824

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**BROOKSHIRE-KATY DRAINAGE DISTRICT
SCHEDULE OF SERVICES AND RATES
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
SCHEDULE A**

1. Services Provided by the District:

- Drainage
 Flood Control

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

- Retail Rates Not Applicable

3. Retail Service Provider:

- Retail Service Provider Not Applicable

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

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

5. Standby Fees:

- Standby Fees Not Applicable

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

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

7. Location of District:

County in which district is located. Waller

Is the District located entirely within one county?

- Yes
 No

Is the District located within a city?

- Entirely
 Partly
 Not at all

City in which district is located. Brookshire & Katy

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

- Entirely
 Partly
 Not at all

ETJ's in which district is located. Pattison Houston

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

- Yes
 No

**BROOKSHIRE-KATY DRAINAGE DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
SCHEDULE B**

Personnel Expenditures	
(INCLUDING BENEFITS)	\$ <u>648,683</u>
Professional Fees:	
Auditing and Other Fees	<u>16,846</u>
Legal	<u>25,840</u>
Engineering	<u>133,176</u>
Financial Advisor	<u>0</u>
Purchased Services For Resale	
Bulk Water & Wastewater Service Purchases	<u>0</u>
Tap Connection Expenditures	<u>0</u>
Contracted Services:	
Bookkeeping	<u>0</u>
General Manager	<u>0</u>
Appraisal District	<u>23,007</u>
Tax Collector	<u>12,037</u>
Other Contracted Services	<u>9,732</u>
Utilities	<u>15,041</u>
Repairs and Maintenance	<u>90,020</u>
Administrative Expenditures:	
Directors' Fees	<u>11,000</u>
Office Supplies	<u>2,358</u>
Insurance	<u>13,701</u>
Other Administrative	<u>860</u>
Capital Outlay:	
Acquisition of Fixed Assets	<u>281,086</u>
Solid Waste Disposal	<u>0</u>
Fire Fighting	<u>0</u>
Parks and Recreations	<u>0</u>
Other Expenditures	<u>773,823</u>
TOTAL EXPENDITURES	<u>\$ <u>2,057,210</u></u>

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

**BROOKSHIRE-KATY DRAINAGE DISTRICT
SCHEDULE OF TEMPORARY INVESTMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
SCHEDULE C**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
General Fund	15669	Varies	N/A	\$ <u>1,026,219</u>	\$ <u>-0-</u>
Payroll Fund	15677	Varies	N/A	\$ <u>114,662</u>	\$ <u>-0-</u>
TexPool	23705 1111	Varies	N/A	\$ <u>2,886</u>	\$ <u>-0-</u>
Austin County St. Bk.	6009021	0.950%	02-18-19	\$ <u>243,362</u>	\$ <u>-0-</u>
First National Bank of Belville	40105	1.510%	11-20-18	\$ <u>244,996</u>	\$ <u>-0-</u>
Industry State Bank	500157.35	1.510%	2018-02-07	\$ <u>246,501</u>	\$ <u>-0-</u>
Fayetteville Bank	523022	1.510%	2018-11-21	\$ <u>244,286</u>	\$ <u>-0-</u>
Bank of Brenham	624250	1.510%	2019-01-28	\$ <u>245,152</u>	\$ <u>-0-</u>
Citizens State Bank	50008	1.30%	2019-02-21	\$ <u>242,645</u>	\$ <u>-0-</u>
Amegy Bank Of Texas	5790672280		N/A	\$ <u>119,217</u>	\$ <u>-0-</u>
Bank of Shiner	45269	1.51%	2019-02-03	\$ <u>245,025</u>	\$ <u>-0-</u>
Total - All Funds				\$ <u><u>2,974,951</u></u>	\$ <u><u>-0-</u></u>

**BROOKSHIRE-KATY DRAINAGE DISTRICT
ANALYSIS OF TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2019
SCHEDULE D**

	MAINTENANCE TAXES
Delinquent Taxes Receivable, Beginning of Year	\$ 1,663,133
2019 Tax Levy	1,931,330
Total To Be Accounted For	3,594,463
Tax Collections Per Waller County (Including Adjustments)	(1,581,637)
Preliminary Taxes Receivable at End of Year per Waller County	2,012,826
Adjustment for Estimated Uncollectible: 2014 and prior	(21,875)
Taxes Receivable, End of Year	\$ 1,990,951

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Property Valuations:	\$ 2,637,098,159	\$ 2,075,246,471	\$ 1,983,352,861	\$ 1,765,413,750	\$ 1,612,003,592
Tax Rate Per \$100 Valuation:	0.073	0.072	0.061452	0.06501	0.071262
Original Tax Levy:	\$ 1,931,330	\$ 1,604,910	\$ 1,218,810	\$ 1,147,712	\$ 1,148,746
Percent of Taxes Collected to Taxes Levied	0.00%	99.34%	99.12%	99.77%	99.92%

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

<u>Taxing Jurisdiction</u>	<u>Tax Rate</u>	<u>Per</u>
a. Waller County	0.662225	100
b. Royal ISD	1.427167	100
c. Katy ISD	1.443100	100
f. Total District (from top of this page)	0.073000	100
Total Overlapping Tax Rate	\$ 3.605492	100

**BROOKSHIRE-KATY DRAINAGE DISTRICT
CAPITAL ASSET ACTIVITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
SCHEDULE E**

	<u>BALANCES AT BEGINNING OF YEAR</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCES AT END OF YEAR</u>
CAPITAL ASSETS NOT BEING DEPRECIATED:				
Land	\$ 50,362	\$ 0	\$ 0	\$ 50,362
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>50,362</u>	<u>0</u>	<u>0</u>	<u>50,362</u>
DEPRECIABLE CAPITAL ASSETS:				
Truck & Trailer	\$ 226,834	\$ 0	\$ 0	\$ 226,834
Tractor & Mowers	544,676	100,627	0	645,303
Heavy Equipment	175,176	240,318	(94,768)	320,726
Small Tools	10,000	0	0	10,000
Buildings	215,372	0	0	215,372
Improvements in Progress	18,000	0	0	18,000
Fences & Sidewalks	21,730	0	0	21,730
Furniture & Fixtures	41,303	0	0	41,303
Ownership Maps	3,894	0	0	3,894
TOTAL DEPRECIABLE CAPITAL ASSETS	<u>1,256,985</u>	<u>340,945</u>	<u>(94,768)</u>	<u>1,503,162</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Truck & Trailer	179,453	8,103	0	187,556
Tractor & Mowers	445,271	28,595	0	473,866
Heavy Equipment	96,184	14,998	(94,768)	16,414
Small Tools	10,000	0	0	10,000
Buildings	80,400	6,649	0	87,049
Fences & Sidewalks	5,905	0	0	5,905
Furniture & Fixtures	36,565	1,515	0	38,080
Ownership Maps	3,894	0	0	3,894
TOTAL ACCUMULATED DEPRECIATION	<u>857,672</u>	<u>59,860</u>	<u>(94,768)</u>	<u>822,764</u>
TOTAL DEPRECIABLE CAPITAL ASSETS-NET	<u>399,313</u>	<u>281,085</u>	<u>0</u>	<u>680,398</u>
TOTAL CAPITAL ASSETS-NET	<u>\$ 449,675</u>	<u>\$ 281,085</u>	<u>\$ 0</u>	<u>\$ 730,760</u>
CHANGES TO CAPITAL ASSETS:				
CAPITAL OUTLAY-NET OF RETIREMENTS		\$ 246,177		
DEPRECIATION EXPENSE-NET OF RETIREMENTS		<u>(34,908)</u>		
		<u>\$ 281,085</u>		

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**BROOKSHIRE-KATY DRAINAGE DISTRICT
GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEAR
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
SCHEDULE F**

SUMMARY OF ANNUAL DEBT SERVICE:

SEPTEMBER 30, 2020	\$ 49,923
SEPTEMBER 30, 2021	49,923
SEPTEMBER 30, 2022	49,923
SEPTEMBER 30, 2023	<u>49,923</u>
 TOTAL	 \$ <u>199,692</u>

**BROOKSHIRE-KATY DRAINAGE DISTRICT
ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
SCHEDULE G**

Balance of long-term debt at September 30, 2018	\$ 0
Capital lease addition	178,894
Reduction of debt in current period	<u>0</u>
Balance of long-term debt at September 30, 2019	\$ <u>178,894</u>

BROOKSHIRE-KATY DRAINAGE DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES-GENERAL FUND
FOR FIVE PERIODS ENDING
SCHEDULE H

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	September 30, 2019	September 30, 2018	AUGUST 31, 2017	AUGUST 31, 2016	AUGUST 31, 2015	September 30, 2019	September 30, 2018	AUGUST 31, 2017	AUGUST 31, 2016	AUGUST 31, 2015
GENERAL FUND: REVENUES:										
Property Taxes (Net of uncollectibles)	\$ 1,655,750	\$ 1,204,052	\$ 1,239,077	\$ 1,149,438	\$ 1,198,898	68.5%	90.4%	94.5%	92.5%	96.0%
Penalty and Interest	17,631	15,358	14,722	16,201	16,742	0.7%	1.2%	1.1%	1.3%	1.3%
Interest on Investments	28,725	21,752	20,850	12,964	14,592	1.2%	1.6%	1.6%	1.0%	1.2%
Federal Grant	542,275					22.4%	0.0%			
Miscellaneous	173,763	90,534	39,925	64,153	18,943	7.2%	6.8%	3.0%	5.2%	1.5%
TOTAL REVENUES	2,418,144	1,331,696	1,314,574	1,242,756	1,249,175	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENDITURES										
Appraisal District & Tax Assessor	44,777	44,213	33,301	36,161	37,634	1.9%	3.3%	2.5%	2.9%	3.0%
Payroll	648,683	660,320	655,156	611,718	470,494	26.8%	49.6%	50.8%	49.2%	37.7%
Office & Conference	25,694	28,192	30,064	17,903	27,849	1.1%	2.1%	2.3%	1.4%	2.2%
Insurance	13,741	12,603	11,433	9,825	12,126	0.6%	0.9%	0.9%	0.8%	1.0%
Utilities	15,041	14,071	12,697	12,473	12,918	0.6%	1.1%	1.0%	1.0%	1.0%
Vehicle & Equipment	93,560	90,020	61,915	85,644	67,374	3.9%	6.8%	4.7%	6.9%	5.4%
General Operating & Plant Maintenance	13,639	49,358	41,532	35,549	28,806	0.6%	3.7%	3.2%	2.9%	2.3%
Construction & Maintenance of						0.0%	0.0%	0.0%	0.0%	0.0%
Drainage Facilities	9,133	108,131	42,002	11,377	12,078	0.4%	8.1%	3.2%	0.3%	1.0%
Professional Fees	175,862	411,647	199,137	121,357	96,294	7.3%	30.9%	15.1%	9.8%	7.7%
Directors Fees	11,000	13,900	9,200	12,600	7,500	0.5%	1.0%	0.7%	1.0%	0.6%
Capital Outlay	281,086	12,332	35,218	150,937	177,789	11.6%	0.9%	2.7%	12.1%	14.2%
Grant Expenses	724,994	0	0	0	0					
TOTAL EXPENDITURES	2,057,210	1,444,787	1,141,705	1,105,745	950,862	55.3%	108.4%	86.9%	88.9%	76.1%
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 360,934	\$ (113,091)	\$ 172,869	\$ 137,011	\$ 298,313	44.7%	-8.4%	13.1%	11.1%	23.9%

**BROOKSHIRE-KATY DRAINAGE DISTRICT
INSURANCE COVERAGE
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
SCHEDULE I**

<u>TYPES OF COVERAGE</u>	<u>INSURER</u>			
	<u>AMOUNT OF COVERAGE</u>	<u>NAME</u>	<u>TYPE OF CORPORATION STOCK/MUTUAL</u>	<u>POLICY CLAUSE: CO-INSURANCE</u>
LIABILITY:				
Automotive Liability	\$ 10,000,000	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
Physical Damage	Actual Cash Value	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
ERRORS & OMISSIONS	\$ 10,000,000	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
GENERAL LIABILITY	\$ 10,000,000	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
PROPERTY COVERAGE ALL RISK BASIS	\$ 1,252,757	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
WORKERS COMPENSATION	Statutory	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
PUBLIC EMPLOYEE HONESTY	\$ 100,000 each director	Western Surety Co	Stock	None

**BROOKSHIRE-KATY DRAINAGE DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
SCHEDULE J**

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

<u>Name and Addresses:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees 09-30-19</u>	<u>Expenses Reimbursements 09-30-19</u>	<u>Title at Year End</u>	<u>Resident of District</u>
Board Members:					
Raymond Dollins P. O. Box 900 Katy, Tx 77492-0900	(Elected) 05/18-05/22	\$ 2200	\$ 0	President	Yes
Ruth Ellis 7122 Falcon Brookshire, Tx	(Elected) 05/16-05/20	\$ 2300	\$ 0	Secretary	Yes
Pat Keeling 6706 CEDAR ST Katy, Tx 77493	(Elected) 05/16-05/20	\$ 2300	\$ 0	Supervisor	Yes
Brian Waggoner 35518 Pontiac Drive Brookshire, Tx 77423	(Elected) 05/16-05/20	\$ 2200	\$ 0	Vice-President	Yes
David Hunsucker 29100 Quail Drive Katy, Tx 77493	(Elected) 05/18-05/22	\$ 2000	\$ 0	Supervisor	Yes

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

Key Administrative Personnel:

Sharon White 1210 Creekmist Ct. Katy, Tx 77494	Hired 10-87 Retired	\$ 50,059	\$ 0	Bookkeeper	NO
Joy Shipman 1350 Terri Avenue Sealy, Tx 77474	Hired 01-20	\$ 42,970	\$ 112	Bookkeeper	NO
Stan Kitzman PO Box 53 Pattison, Tx 77466	Hired 08-17	\$ 74,439	\$ 184	Superintendent	?

**BROOKSHIRE-KATY DRAINAGE DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
SCHEDULE J**

(continued)

<u>Name and Addresses:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees 09-30-19</u>	<u>Expenses Reimbursements 09-30-19</u>	<u>Title at Year End</u>	<u>Resident of District</u>
Key Administrative Personnel:					
Bert D. Matthews, CPA 11777 Katy Freeway Suite 341 Houston, Tx 77079	06-03	\$ 15,400	N/A	Auditor	NO
David Frishman PO Box 637 Katy, Tx 77492-0637	06-04	\$ 24,950	N/A	Attorney	NO

**BROOKSHIRE-KATY DRAINAGE DISTRICT
LONG-TERM EXPECTED RATE OF RETURN
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
SCHEDULE K**

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Millimans's TCDRS Investigation of Experience report for the period January 1, 2013 - December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	Dow Jones U. S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed	50% MSCI World Ex USA (net) + 50% MSCI World Ex USA 100% Hedged to USD (net) Index	10.00%	5.40%
International Equities - Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	7.00%	5.90%
Investment-Grade Bonds	Barclays Capital Aggregate Baon Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	11.00%	7.95%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

BROOKSHIRE-KATY DRAINAGE DISTRICT
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
FOR THE PERIODS INDICATED AS OF SEPTEMBER 30, 2019
SCHEDULE L

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2007	9,910	13,130	(3,221)	247,738	5.3%
2008	9,223	9,223	0	230,587	4.0%
2009	11,874	11,874	0	296,844	4.0%
2010	9,103	13,981	(4,878)	310,680	4.5%
2011	8,117	817	0	295,170	2.7%
2012	9,481	9,481	0	306,819	3.1%
2013	12,149	12,149	0	342,230	3.5%
2014	14,592	32,522	(17,930)	332,389	9.8%
2015	19,904	19,904	0	432,696	4.6%
2016	20639	20639	0	474459	4.4%
2017	30,767	30,767	0	485,293	6.3%
2018	29,486	29,486	0	436,830	6.8%

BROOKSHIRE-KATY DRAINAGE DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE PERIODS INDICATED AS OF SEPTEMBER 30, 2019

SCHEDULE M

	Year Ended December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability										
Service cost	\$ 36,077	36,035	31,643	25,351	\$ 24,029	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest on total pension liability	74,525	66,742	55,380	49,487	44,708	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	0	18,340	(3,173)	0	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	0	11,944	0	8,093	0	N/A	N/A	N/A	N/A	N/A
Effects of economic/demographic (gains) or losses	14,702	17,558	55,959	15,897	24,618	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(40,044)	(32,575)	(32,576)	(32,576)	(42,064)	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	85,260	99,704	128,746	63,079	51,291	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	903,616	803,911	675,165	612,086	560,795	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	\$ 988,876	903,615	803,911	675,165	612,086	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Fiduciary Net Position										
Employer contributions	\$ 29,486	30,767	20,639	19,904	\$ 32,522	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Member contributions	26,210	29,118	18,978	17,308	24,499	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(14,755)	99,001	45,569	(5,648)	37,880	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(40,044)	(32,575)	(32,576)	(32,576)	(42,064)	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(644)	(533)	(495)	(442)	(451)	N/A	N/A	N/A	N/A	N/A
Other	546	361	7,681	4,027	3,167	N/A	N/A	N/A	N/A	N/A
Net change in Fiduciary net position	799	126,139	59,796	2,573	55,553	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	801,383	675,244	615,448	612,875	557,323	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	\$ 802,182	801,383	675,244	615,448	612,876	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Net pension liability / (asset), ending = (a) - (b)	\$ 186,693	102,233	128,667	59,717	(790)	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Fiduciary net position as a % of total pension liability	81.12%	88.69%	83.99%	91.16%	100.13%	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$ 436,830	485,293	474,459	432,696	332,386	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Net pension liability as a % of covered payroll	42.74%	21.07%	27.12%	13.80%	-0.24%	N/A	N/A	N/A	N/A	N/A

**BROOKSHIRE-KATY DRAINAGE DISTRICT
SCHEDULE OF DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES
AS OF SEPTEMBER 30, 2019
SCHEDULE N**

	<u>Original Amount</u>	<u>Date Established</u>	<u>Original Recognition Period</u>	<u>Amount Recognized in 12/31/2018</u>	<u>Balance of Deferred Inflows 12/31/2018</u>	<u>Balance of Deferred Outflows 12/31/2018</u>
Investment (gains) or losses	\$ 8,416	12-31-2014	5.0	\$ 1,683	\$ 0	\$ 0
	56,060	12-31-2015	5.0	11,212	0	11,212
	4,848	12-31-2016	5.0	970	0	1,939
	(43,229)	12-31-2017	5.0	(8,646)	25,937	0
	80,284	12-31-2018	5.0	16,057	0	64,227
Economic/ demographic (gains) or losses	24,618	12-31-2014	5.0	4,924	0	0
	15,897	12-31-2015	6.0	2,650	0	5,299
	55,959	12-31-2016	5.0	11,192	0	22,384
	17,558	12-31-2017	5.0	3,512	0	10,534
	14,702	12-31-2018	5.0	2,940	0	11,762
Assumption changes or inputs	0	12-31-2014	5.0	0	0	0
	8,093	12-31-2015	6.0	1,349	0	2,698
	0	12-31-2016	5.0	0	0	0
	11,944	12-31-2017	5.0	2,389	0	7,166
	0	12-31-2018	5.0	0	0	0
Employer contributions made subsequent to measurement date						24,315

BERT D. MATTHEWS

CERTIFIED PUBLIC ACCOUNTANT
11777 KATY FREEWAY, SUITE 341
HOUSTON, TEXAS 77079

281 / 531-9850

March 31, 2020

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

Members of the Board:

In the planning and performing my audit of the General Purpose Financial Statements of Brookshire-Katy Drainage District as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America, I consider Brookshire-Katy Drainage District's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the entity's internal control.

My consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. I did not identify any deficiencies in internal control that I consider to be material weaknesses, as defined above.

Brookshire-Katy Drainage District
March 31, 2020
Page 2

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

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



Bert D. Matthews
Certified Public Accountant

BERT D. MATTHEWS

CERTIFIED PUBLIC ACCOUNTANT
11777 KATY FREEWAY, SUITE 341
HOUSTON, TEXAS 77079

281 / 531-9850

COMPLIANCE REPORT BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GENERALLY ACCEPTED AUDITING STANDARDS

I have audited the financial statements of Brookshire-Katy Drainage District, as of and for the year ended September 30, 2019, and have issued my report thereon dated March 31, 2020.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Brookshire-Katy Drainage District, is the responsibility of Brookshire-Katy Drainage District management. As part of my audit, I assessed the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants could cause the financial statements to be materially misstated. I concluded that the risk of such material misstatement was sufficiently low that it was not necessary to perform tests of the District's compliance with such provisions of the laws, regulations, contracts, and grants.

However, in connection with my audit, nothing came to my attention that caused me to believe that Brookshire-Katy Drainage District had not complied, in all material respects, with the laws, regulations, contracts, and grants referred to in the preceding paragraph.

This report is intended for information of management and the Texas Commission on Environmental Quality. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Bert D. Matthews
Certified Public Accountant

Houston, Texas
March 31, 2020