

BROOKSHIRE-KATY DRAINAGE DISTRICT

WALLER COUNTY

BROOKSHIRE, TEXAS

AUDIT REPORT

SEPTEMBER 30, 2021

BROOKSHIRE-KATY DRAINAGE DISTRICT
BROOKSHIRE, TEXAS
SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

February 2, 2022

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookshire-Katy Drainage District as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brookshire-Katy Drainage District as of September 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Balances-Budget and Actual, 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 it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Brian L. Jarvis & Associates, PLLC

Brian L Jarvis & Associates, PLLC
Certified Public Accountants
Katy, TX
February 2, 2022

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, 2021. 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 Position 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 provides are increasing or decreasing, to assess the overall health of the District.

Fund Financial Statements

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

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

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

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

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

Financial Analysis of the District as a Whole

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

Summary of Net Assets

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Current and other assets	\$ 6,651,998	\$ 5,813,359
Capital assets	<u>1,054,559</u>	<u>1,093,328</u>
Total assets	<u>\$ 7,706,557</u>	<u>\$ 6,906,687</u>
Contribution to pension plan in current fiscal year	\$ 30,161	\$ 29,109
Differences between expected & actual experience	20,200	13,143
Changes in Assumptions	<u>47,672</u>	<u>6,126</u>
Total Deferred Outflows	<u>\$ 98,033</u>	<u>\$ 48,378</u>
Long-term liabilities	\$ 183,003	\$ 185,471
Other liabilities	<u>93,239</u>	<u>682,802</u>
Total liabilities	<u>\$ 276,242</u>	<u>\$ 868,273</u>
Deferred property tax revenues	\$ 2,983,529	\$ 2,421,364
Differences between projected & actual earnings on pension plan	<u>32,830</u>	<u>21,298</u>
Total Deferred Inflows	<u>\$ 3,016,359</u>	<u>\$ 2,442,662</u>

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

Net assets:		
Invested in capital assets	\$ 1,054,559	\$ 1,093,328
Reserved	200,000	-
Unrestricted	<u>3,257,430</u>	<u>2,550,802</u>
Total net assets	<u>\$ 4,511,989</u>	<u>\$ 3,644,130</u>

Summary of Changes In Net Assets

	<u>September 30, 2021</u>	<u>September 30, 2020</u>	<u>Net Change</u>
Revenues:			
Property taxes	\$ 2,358,435	\$ 1,969,937	\$ 388,498
Other revenues	<u>714,856</u>	<u>2,579,609</u>	<u>(1,864,753)</u>
Total revenues	3,073,291	4,549,546	(1,476,255)
Expenses:			
Operations	<u>2,205,432</u>	<u>4,423,303</u>	<u>(2,217,871)</u>
Total expenses	2,205,432	4,423,303	(2,217,871)
Change in net assets	867,859	126,243	741,616
Net assets, beginning of year	<u>3,644,130</u>	<u>3,517,887</u>	<u>126,243</u>
Net assets, end of year	<u>\$ 4,511,989</u>	<u>\$ 3,644,130</u>	<u>\$ 867,859</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, 2021 were \$ 4,511,989, an increase of \$867,859 from the prior year.

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

1. The variance for the federal grant revenue and grant expense was due to the inclusion of these items within the budget analysis. The District utilized Certificates of Deposit to offset the non-reimbursable grant expenses.
2. The favorable variance for the salaries was due to the budget allowance to hire additional employees at the District. Additional employees were not hired.
3. The favorable variance for the miscellaneous revenues is reflected due to the conservative allowance when budgeting permit fee revenues. These fees vary by year and can be very unpredictable. The District also budgets tax revenue at 95% to remain conservative in the case that not all tax payments are received.
4. The favorable variance for the capital outlay, legal and professional fees, and the construction and maintenance of drainage facilities is due to the uncertainty of the pandemic. The District reserved some of the excess funds for future capital projects.

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

Capital Asset and Debt Administration

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Land	\$ 50,362	\$ 50,362	\$ -
Buildings	119,078	123,127	(4,049)
Equipment & Other	<u>885,119</u>	<u>919,839</u>	<u>(34,720)</u>
Total	<u>\$ 1,054,559</u>	<u>\$ 1,093,328</u>	<u>\$ (38,769)</u>

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

Decreases:

Capital outlay, net of retirements	\$ 34,179
Depreciation, net of retirements	<u>4,590</u>
Net change to capital assets	<u>\$ (38,769)</u>

Brookshire-Katy Drainage District
Statement of Net Position
As of September 30, 2021

	2021
Assets	
Cash, Unrestricted	\$ 2,417,107
Cash, Restricted	200,000
Property Taxes Receivable - Net of Allowance for Uncollectible	2,988,464
Prepaid Expenses	29,147
Short-term Investments	1,017,280
Capital Assets - Net of Accumulated Depreciation:	
Land	50,362
Depreciable Capital Assets	1,004,197
Total Assets	\$ 7,706,557
 Deferred Outflows of Resources	
Contributions to Pension Plan in Current Fiscal Year	\$ 30,161
Differences Between Expected & Actual Experience	20,200
Changes of Assumptions	47,672
Total Deferred Outflows of Resources	\$ 98,033
 Liabilities	
Short-Term Liabilities Due in Less Than One Year	
Accounts Payable	\$ 41,338
Lease Payable	45,618
Unearned Revenues	2,983,529
Accrued Liabilities	6,283
Long-Term Liabilities Due in Less Than One Year	
Lease Payable	47,723
Net Pension Liabilities	135,280
Total Liabilities	\$ 3,259,771
 Deferred Inflows of Resources	
Net Difference Between Projected and Actual Earnings	\$ 32,830
Total Deferred Inflows of Resources	\$ 32,830
 Net Position	
Invested in Capital Assets	\$ 1,054,559
Restricted	200,000
Unrestricted	3,257,430
Total Net Position	\$ 4,511,989

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Brookshire-Katy Drainage District
Statement of Activities
For the Year Ended September 30, 2021

	2021
Revenues	
Property Taxes - Net of Allowance for Estimated Uncollectible Taxes	\$ 2,358,435
Federal Grant	486,598
Penalties and Interest	14,350
Loss on Disposal of Asset	(1,386)
Interest on Investment	18,267
Miscellaneous Revenues	197,027
Total Revenues	3,073,291
Expenses	
Appraisal District & Tax Assessor	60,773
Salaries - Including Benefits	740,555
Office & Miscellaneous	19,225
Travel & Conferences	6,704
Insurance	16,188
Utilities	24,994
Vehicle & Equipment Expense	98,730
General Operating & Plant Maintenance	9,204
Construction & Maintenance of Drainage Facilities	6,047
Legal & Professional Fees	319,179
Bad Debt (Recovery)	6,868
Depreciation	128,650
Interest Expense	4,784
Grant Expense	763,531
Total Expenditures	2,205,432
Net Change In Fund Balances/ Net Assets	867,859
Beginning of Year	3,644,130
End of Year	\$ 4,511,989

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Brookshire-Katy Drainage District
Balance Sheet
Governmental Funds
As of September 30, 2021

	General Fund	Debt Service Fund	Federal Grant Fund	Total Governmental Funds
Assets				
Cash, Unreserved	\$ 2,347,471	\$	\$ 69,636	\$ 2,417,107
Cash, Reserved	200,000			200,000
Property Taxes - Net of Allowance for Uncollectibles	2,988,464			2,988,464
Prepaid Expenses	29,147			29,147
Short-term Investments	1,017,280			1,017,280
Total Assets	\$ 6,582,362	\$ -	\$ 69,636	\$ 6,651,998
 Liabilities				
Unearned Revenues	\$ 2,983,529	\$	\$	\$ 2,983,529
Accrued Liabilities	6,283			6,283
Accounts Payable	41,338			41,338
Total Liabilities	3,031,150	-	-	3,031,150
 Fund Balances				
Reserved	200,000			200,000
Unreserved	3,351,212		69,636	3,420,848
Total Fund Balances	3,551,212	-	69,636	3,620,848
Total Liabilities and Fund Balances	\$ 6,582,362	\$ -	\$ 69,636	\$ 6,651,998

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Brookshire-Katy Drainage District
Reconciliation of the Balance Sheet (Governmental Funds)
to the Statement of Net Position
As of September 30, 2021

		<u>Reconciliation to Statement of Net Position</u>
Fund Balances-Total Governmental Funds	\$	3,620,848
Capital Assets Used in Governmental Activities Not Reported in the Funds:		
Capital Assets at Historical Cost	1,951,819	
Accumulated Depreciation	<u>(897,260)</u>	
		1,054,559
Net Pension Liability		(135,280)
Contributions to Pension Plan in Current Year		30,161
Lease Payable		(93,341)
Differences Between Expected and Actual Experience		20,200
Differences Between Projected and Actual Earnings on Pension Plan		(32,830)
Changes of Assumptions		47,672
		<hr/>
Net Position of Governmental Activities	\$	<u><u>4,511,989</u></u>

Brookshire-Katy Drainage District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Federal Grant Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Property Taxes - Net of Allowance for Estimated Uncollectible Taxes	\$ 2,358,435	\$	\$	\$ 2,358,435
Federal Grant			486,598	486,598
Penalties and Interest	14,350			14,350
Interest on Investment	18,267			18,267
Miscellaneous Revenues	197,027			197,027
	<u>2,588,079</u>	<u>-</u>	<u>486,598</u>	<u>3,074,677</u>
Total Revenues	2,588,079	-	486,598	3,074,677
General Expenditures				
Appraisal District & Tax Assessor	60,773			60,773
Salaries - Including Benefits	735,527			735,527
Office & Miscellaneous	19,225			19,225
Travel & Conferences	6,704			6,704
Insurance	16,188			16,188
Utilities	24,994			24,994
Vehicle & Equipment Expense	98,730			98,730
General Operating & Plant Maintenance	9,204			9,204
Construction & Maintenance of Drainage Facilities	6,047			6,047
Legal & Professional Fees	319,179			319,179
Capital Outlay	91,268			91,268
Bad Debt (Recovery)	6,868			6,868
Interest Expense	4,784			4,784
Capital Lease Expense	42,895			42,895
Grant Expense			763,531	763,531
	<u>1,442,386</u>	<u>-</u>	<u>763,531</u>	<u>2,205,917</u>
Total Expenditures	1,442,386	-	763,531	2,205,917
Excess of Revenues Over (Under)				
Expenditures	1,145,693	-	(276,933)	868,760
Other Financing Sources (Uses):				
Interfund Transfers	(225,000)		225,000	-
Total Other Financing Sources (Uses)	(225,000)	-	225,000	-
Net Change In Fund Balances/ Net Assets	920,693	-	(51,933)	868,760
Beginning of Year	2,630,519	-	121,569	2,752,088
End of Year	\$ 3,551,212	\$ -	\$ 69,636	\$ 3,620,848

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Brookshire-Katy Drainage District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances (Governmental Funds) to the Statement of Activities
For the Year Ended September 30, 2021

		<u>Reconciliation to Statement of Activities</u>
Net Changes in Fund Balances-Total Governmental Funds	\$	868,760
Capital Outlays Capitalized on Government-Wide Statement of Activities		
Assets Capitalized in Current Year	91,268	
Depreciation Expense	<u>(128,650)</u>	(37,382)
Loss on Disposal of Equipment included in the Government-Wide Statement of Activities		(1,386)
Capital Lease Expense on Fund Statement, but reduction in liability in Government-Wide Statement of Activities		42,895
Pension expense relating to GASB 68 expensed in the Government-Wide Statement of Activities		(5,028)
Net Change in Fund Balances/ Net Assets	\$	<u><u>867,859</u></u>

**BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021. 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 General Manager. The Board of Supervisors also approves the hiring of all other employees. The activities under the review of the District General Manager are within the scope of the reporting entity, and he is accountable to the Board of Supervisors for the activities being managed.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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*.

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(Continued)

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

Basic Financial Statements

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

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

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

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

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

Basis of Accounting

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

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(Continued)

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

Interfund Activity

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

Receivables

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

Deferred Tax Revenues

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

Capital Assets

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

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

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

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(Continued)

Long-term Liabilities

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

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

Budgets

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

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

NOTE 3 - CAPITAL ASSETS

On September 30, 2021, "Invested in Capital Assets" was \$1,054,559. Capital asset activity for the year then ended is summarized in Schedule E. All capital asset activity belongs to the General Fund.

NOTE 4 - CASH AND CASH EQUIVALENTS

All cash is held in financial institutions with FDIC coverage. As of September 30, 2021, \$2,291,427 in cash was above the FDIC insurance threshold. The full amount of \$2,291,427 was secured by a collateral agreement with a financial institution.

To fund the District's matching portion of the federal grant, the Board decided to transfer funds from the General Fund to the Federal Grant Fund in the amount of \$225,000.

The Board has also approved transferring \$200,000 into separate bank accounts for future capital projects. This transfer was not completed until after the fiscal year-end.

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(Continued)

NOTE 5 - INVESTMENTS

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

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

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

Investments stated at cost consisted of the following:

Cash in TexPool Fund	\$ 2,913
Certificates of Deposit	<u>1,014,367</u>
Total Investments	<u>\$ 1,017,280</u>

Of the certificates of deposit listed above, \$0 was not covered by FDIC insurance.

Fair Value Measurement

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

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

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

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

**BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(Continued)

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

The following is a description of the valuation methodologies used for assets measured at fair value at September 30, 2021. There have been no changes in methodologies used.

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

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

The fair values of the District's investments were valued based on the inputs at September 30, 2021 and are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ 1,014,367	-	-	\$ 1,014,367
External Investment Pool	<u>2,913</u>	<u>-</u>	<u>-</u>	<u>2,913</u>
Total Investments	<u>\$ 1,017,280</u>	<u>-</u>	<u>-</u>	<u>\$ 1,017,280</u>

NOTE 6 – PROPERTY TAX

Key dates in the property tax calendar are as follows:

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

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

- A. Tax rate per \$100 of assessed valuation - \$.0732
- B. Adjusted taxable valuation - \$3,977,973,385
- C. Amount of tax levy - \$2,951,496

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(Continued)

NOTE 7 – PENSION PLAN

Plan Description

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

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

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

Funding Policy

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

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

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

At September 30, 2021, the district recorded a liability of \$135,280 for the net pension liability. The net pension liability for the plan in total was measured as of December 31, 2020 and determined by an actuarial valuation as of that date. For the period ended September 30, 2021, the district recognized a pension expense of \$47,669.

BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(Continued)

As of December 31, 2020, there were nine active employees, three inactive employees receiving benefits, and four inactive employees entitled to, but not yet receiving benefits.

At September 30, 2021, we reported deferred outflows of resources and deferred inflows of resources from the following sources related to TCDRS pension benefits:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Balance of Deferred Outflow and Inflows Due to:		
Differences between expected and actual experience	\$ 20,200	\$ -
Changes of assumption	47,672	-
Net difference between projected and actual earnings on pension plan investments	-	32,830
Employer contributions after the plan year-end	<u>30,161</u>	<u>-</u>
Total	<u>\$ 98,033</u>	<u>\$ 32,830</u>

A reduction to the net pension liability was recognized in the amount of \$30,161 for the contributions made subsequent to the measurement date. Other amounts reported as collective deferred (inflows)/ outflows of resources to be recognized in pension expenses:

Period Ending December 31:

2021	\$ 11,842
2022	14,590
2023	(4,404)
Thereafter	<u>13,014</u>
	<u>\$ 35,042</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, 2020
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**BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(Continued)

Valuation Date	December 31, 2020
Expected Return on Investment	7.50% net of administrative and investment expenses, including inflation
Inflation	2.50%
Total Payroll Growth	4.6%
Future Salary Increases	4.6%, depending on age and service and including inflation.
Mortality Assumption Activities:	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Non-Disabled Retirees Beneficiaries and Survivors:	130% of the RP-2014 Healthy Annuitant Mortality 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, 2020 valuation.
Discount Rate	The discount rate used to measure the total pension liability was 7.6% as of December 31, 2020, 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, 2021

(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 7.6% is presented as well as the net pension liability using a discount rate that is 1.0% lower (6.6%) or 1.0% higher (8.6%) than the current rate. The discount rate used in the prior year actuary report was 8.1%.

Discounted Rate	1% Decrease <u>(6.60%)</u>	Current Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
Proportionate share of the net Pension Liability (Asset)	\$ 261,998	\$ 135,280	\$ 24,804

Actuarial Valuation Information

Actuarial Valuation Date	12/31/18	12/31/19	12/31/20
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	16.5	14.8	20.00
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)	8.10%	8.10%	7.60%
Projected Salary Increases (1)	4.9%	4.9%	4.6%
Inflation	2.75%	2.75%	2.50%
Cost-of-living Adjustment	0%	0%	0%

(1) Includes inflation at the stated rate.

**BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(Continued)

NOTE 8 - Risk Management

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster. During 2021, 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	\$ 10,000,000
Business Auto Coverage Liability Combined	10,000,000
Commercial General Liability	10,000,000
Commercial Property (Per occurrence)	1,469,364
Workers Compensation	Statutory
Employee Dishonesty (Per occurrence) – contracted with Western Surety Company	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, 2021, the District has no pending lawsuits that could materially impact the financial statements.

NOTE 9 - Lease Payable

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

	Principal	Interest	Total Payment
2022	\$45,618	\$ 4,306	49,924
2023	47,722	2,202	49,924
2024	<u>1</u>	<u>-</u>	<u>1</u>
	<u>\$93,341</u>	<u>\$6,508</u>	<u>\$ 99,849</u>

NOTE 10 – Subsequent Events

Management has evaluated subsequent events through February 2, 2022, the date which the consolidated financial statements were available to be issued and has determined that no subsequent events require recognition or disclosure in these consolidated financial statements.

BROOKSHIRE-KATY DRAINAGE DISTRICT
SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2021

BROOKSHIRE-KATY DRAINAGE DISTRICT
BROOKSHIRE, TEXAS
SEPTEMBER 30, 2021

Summary of Required Supplemental Information

Supplementary Information required by Governmental Accounting Standards Board

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Supplementary Information Required by Texas Commission on Environmental Quality

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Brookshire-Katy Drainage District
Statement of Revenues, Expenditures, and Changes in Fund
Balances - Budget (GAAP Basis) and Actual
For the Year Ended September 30, 2021

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues				
Property Taxes - Net of Allowance for Estimated Uncollectible Taxes	\$ 2,268,752	\$ 2,268,752	\$ 2,358,435	\$ 89,683
Federal Grant	-	-	486,598	486,598
Penalties and Interest	-	-	14,350	14,350
Interest on Investments	25,595	25,595	18,267	(7,328)
Miscellaneous Revenues	100,000	100,000	197,027	97,027
Total Revenues	2,394,347	2,394,347	3,074,677	680,330
Expenditures				
Appraisal District & Tax Assessor	42,957	48,457	60,773	(12,316)
Salaries - Including Benefits	803,176	804,176	735,527	68,649
Office & Miscellaneous	25,125	25,125	19,225	5,900
Travel & Conferences	15,000	15,000	6,704	8,296
Insurance	17,000	17,000	16,188	812
Utilities	19,500	26,500	24,994	1,506
Vehicle & Equipment Expense	116,500	123,500	98,730	24,770
General Operating & Plant Maintenance	12,000	12,000	9,204	2,796
Construction & Maintenance of Drainage Facilities	80,500	55,000	6,047	48,953
Legal & Professional Fees	420,200	425,200	319,179	106,021
Capital Outlay	792,465	792,465	91,268	701,197
Bad Debt (Recovery)	-	-	6,868	(6,868)
Lease Payment and Interest Expense	49,924	49,924	47,679	2,245
Grant Expense	-	-	763,531	(763,531)
Total Expenditures	2,394,347	2,394,347	2,205,917	188,430
Excess of Revenues Over (Under) Expenditures	-	-	868,760	868,760
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	-	-	868,760	868,760
Fund Balances September 30, 2020	2,752,088	2,752,088	2,752,088	
Fund Balances September 30, 2021	\$ 2,752,088	\$ 2,752,088	\$ 3,620,848	

**Brookshire-Katy Drainage District
Schedule of Services and Rates
For the Year Ended September 30, 2021
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, 2021
Schedule B**

Personnel Expenditures (INCLUDING BENEFITS)	\$	722,127
Professional Fees:		
Auditing and Other Fees		39,920
Legal		34,536
Engineering		244,723
Contracted Services:		
Appraisal District		47,135
Tax Collector		13,638
Utilities		24,994
Repairs and Maintenance		113,981
Administrative Expenditures:		
Directors' Fees		13,400
Office Supplies		2,462
Insurance		16,188
Other Administrative		16,763
Capital Outlay:		
Acquisition of Fixed Assets		91,268
Other Expenditures		61,251
TOTAL EXPENDITURES	\$	1,442,386

Number of persons employed by the District : 8 Full - Time 6 Part - Time

Brookshire-Katy Drainage District
Schedule of Temporary Investments
As of the Year Ended September 30, 2021
Schedule C

Investment	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund	5669	0.05%	N/A	\$ 2,489,234	\$ -
Payroll Fund	5677	0.05%	N/A	52,193	-
TexPool Investment	0001	Varies	N/A	2,913	-
Austin County St. Bk.	9021	0.600%	4/18/2022	241,961	-
First National Bank of Bellville	0105	0.800%	2/20/2022	177,431	-
Fayetteville Bank	3022	0.800%	2/22/2022	176,705	-
Citizens State Bank	1614	0.65%	11/21/2022	239,008	-
Amegy Bank Of Texas	2280	N/A	N/A	69,636	-
Bank of Shiner	5269	0.85%	2/3/2022	179,262	-
Total - All Investments				\$ 3,628,343	\$ -

**Brookshire-Katy Drainage Distric
Analysis of Taxes Levied and Receivable
For the Year Ended September 30, 2021
Schedule D**

	Maintenance Taxes
Delinquent Taxes Receivable, Beginning of Year	\$ 2,445,427
2021 Tax Levy	2,951,496
Total To Be Accounted For	5,396,923
Tax Collections Per Waller County (Including Adjustments)	(2,379,938)
Preliminary Taxes Receivable at End of Year per Waller County	3,016,985
Adjustment for Estimated Uncollectible (2016 and Prior)	(28,521)
Taxes Receivable, End of Year	\$ 2,988,464

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Property Valuations:	\$ 3,977,973,385	\$ 3,262,513,822	\$ 2,637,098,159	\$ 2,075,246,471	\$ 1,983,352,861
Tax Rate Per \$100 Valuation:	0.073	0.073	0.073	0.072	0.061452
Original Tax Levy:	\$ 2,951,496	\$ 2,385,669	\$ 1,931,330	\$ 1,604,910	\$ 1,208,583
Percent of Taxes Collected to Taxes Levied	0.00%	99.29%	99.47%	99.80%	99.85%

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

Brookshire-Katy Drainage District
Capital Asset Activity
For the Year Ended September 30, 2021
Schedule E

	<u>Balances at Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclasses</u>	<u>Balances at End of Year</u>
Capital Assets Not Being Depreciated					
Land	\$ 50,362	\$ -	\$ -	\$ -	\$ 50,362
Total Capital Assets Not Being Depreciated	50,362	-	-	-	50,362
Depreciable Capital Assets					
Truck & Trailer	294,069	16,006	(25,754)	46,500	330,821
Tractor & Mowers/Machinery & Equipment	1,001,831	1,153	(97,428)	(869,737)	35,819
Heavy Equipment	320,726	72,659	(2,265)	823,237	1,214,357
Small Tools	10,000	-	-	-	10,000
Buildings	215,372	-	-	-	215,372
Improvements in Progress	18,000	-	-	-	18,000
Fences & Sidewalks	21,730	-	-	-	21,730
Furniture & Fixtures	50,014	1,450	-	-	51,464
Ownership Maps	3,894	-	-	-	3,894
Total Depreciable Capital Assets	1,935,636	91,268	(125,447)	-	1,901,457
Less: Accumulated Depreciation for					
Truck & Trailer	211,969	37,808	(25,753)	6,188	230,212
Tractor & Mowers/Machinery & Equipment	442,279	2,563	(96,042)	(319,097)	29,703
Heavy Equipment	87,039	80,225	(2,265)	312,909	477,908
Small Tools	10,000	-	-	-	10,000
Buildings	92,245	4,049	-	-	96,294
Fences & Sidewalks	6,960	1,582	-	-	8,542
Furniture & Fixtures	38,284	2,423	-	-	40,707
Ownership Maps	3,894	-	-	-	3,894
Total Accumulated Depreciation	892,670	128,650	(124,060)	-	897,260
Total Depreciable Capital Assets - Net	1,042,966	(37,382)	(1,387)	-	1,004,197
Total Capital Assets - Net	\$ 1,093,328	\$ (37,382)	\$ (1,387)	-	\$ 1,054,559
Changes to Capital Assets:					
Capital Outlay - Net of Retirements		\$ (34,179)			
Depreciation Expense - Net of Retirements		(4,590)			
		\$ (38,769)			

Brookshire-Katy Drainage District
General Long-term Debt Service Requirements by Year
For the Year Ended September 30, 2021
Schedule F

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

2022	\$	49,924
2023		49,924
2024		<u>1</u>
Total	\$	<u><u>99,849</u></u>

Brookshire-Katy Drainage District
Analysis of Changes in General Long-Term Debt
For the Year Ended September 30, 2021
Schedule G

Balance of Long-Term Debt at September 30, 2020	\$ 136,236
Capital Lease Addition	-
Reduction of Debt in Current Period	<u>(42,895)</u>
Balance of Long-Term Debt at September 30, 2021	<u><u>\$ 93,341</u></u>

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

	Amounts					Percent of Fund Total Revenue				
	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018	August 31, 2017	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018	August 31, 2017
General Fund Revenue										
Property Taxes (Net of Uncollectible)	\$ 2,358,435	\$ 1,969,937	\$ 1,655,750	\$ 1,204,052	\$ 1,239,077	91.1%	90.0%	88.3%	90.4%	94.3%
Penalty and Interest	14,350	14,061	17,631	15,358	14,722	0.6%	0.6%	0.9%	1.2%	1.1%
Interest on Investments	18,267	37,912	28,725	21,752	20,850	0.7%	1.7%	1.5%	1.6%	1.6%
Miscellaneous	197,027	167,456	173,763	90,534	39,925	7.6%	7.7%	9.3%	6.8%	3.0%
Total Revenue	2,588,079	2,189,366	1,875,869	1,331,696	1,314,574	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditures										
Appraisal District & Tax Assessor	60,773	56,539	44,777	44,213	33,301	2.3%	2.6%	2.4%	3.3%	2.5%
Payroll	722,127	676,039	648,683	660,320	665,156	27.9%	30.9%	34.6%	49.6%	50.6%
Office & Conference	32,797	31,632	25,694	28,192	30,064	1.3%	1.4%	1.4%	2.1%	2.3%
Insurance	16,188	13,096	13,741	12,603	11,433	0.6%	0.6%	0.7%	0.9%	0.9%
Utilities	24,994	18,371	15,041	14,071	12,697	1.0%	0.8%	0.8%	1.1%	1.0%
Vehicle & Equipment	98,730	74,719	93,560	90,020	61,915	3.8%	3.4%	5.0%	6.8%	4.7%
General Operating & Plant Maintenance	9,204	9,900	13,639	49,358	41,582	0.4%	0.5%	0.7%	3.7%	3.2%
Construction & Maintenance of Drainage Facilities	6,047	15,528	9,133	108,131	42,002	0.2%	0.7%	0.5%	8.1%	3.2%
Legal & Professional Fees	319,179	333,824	175,862	411,647	199,137	12.3%	15.2%	9.4%	30.9%	15.1%
Directors Fees	13,400	16,800	11,000	13,900	9,200	0.5%	0.8%	0.6%	1.0%	0.7%
Interest Expense	4,784	6,563	-	-	-	0.2%	0.3%	0.0%	0.0%	0.0%
Capital Lease Expense	42,895	-	-	-	-	1.7%	0.0%	0.0%	0.0%	0.0%
Capital Outlay	91,268	470,180	281,086	12,332	35,218	3.5%	21.5%	15.0%	0.9%	2.7%
Total Expenditures	1,442,386	1,723,191	1,332,216	1,444,787	1,141,705	55.7%	78.7%	71.1%	108.4%	86.9%
Excess Revenue Over (Under) Expenditures	\$ 1,145,693	\$ 466,175	\$ 543,653	\$ (113,091)	\$ 172,869	44.3%	21.3%	28.9%	-8.4%	13.1%

**Brookshire-Katy Drainage District
Insurance Coverage
For the Year Ended September 30, 2021
Schedule I**

Types of Coverage	Amount of Coverage	Insurer Name	Type of Corporation Stock/Mutual	Policy Clause: Co-Insurance
Liability:				
Automotive Liability	\$ 10,000,000	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
Physical Damage	Actual Cash Value	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
Errors & Omissions	\$ 10,000,000	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
General Liability	\$ 10,000,000	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
Property Coverage All Risk Basis	\$ 1,469,364	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
Workers Compensation	Statutory	Texas Water Conservation Risk Management Fund	Self-Insurance Fund	None
Public Employee Honesty	\$ 100,000 each director	Western Surety Co	Stock	None

**Brookshire-Katy Drainage District
Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2021
Schedule J**

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

Name and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Fees 09/30/21	Expenses Reimbursements 09/30/21	Title at Year End	Resident of District
Board Members:					
David Hunsucker 29100 Quail St. Katy, TX 77493	(Elected) 05/18-05/22	\$ 3,000	\$ 0	President	Yes
Pat Keeling 6706 Cedar Ln Katy, TX 77493	(Elected) 05/18-05/22	\$ 2,800	\$ 409	Vice-President	Yes
Ruth Ellis 7122 Falcon Brookshire, TX 77423	(Elected) 05/20-05/24	\$ 2,300	\$ 0	Secretary	Yes
Raymond Dollins PO Box 900 Katy, TX 77492-0900	(Elected) 05/18-11/20	\$ 100	\$ 0	Supervisor	Yes
Arnold England P.O. Box 292 Brookshire, TX 77493	(Elected) 05/20-05/24	\$ 2,900	\$ 205	Supervisor	Yes
David Welch 27110 Skiers Crossing Dr. Katy, TX 77493	(Appointed) 11/20-05/22	\$ 2,300	\$ 0	Supervisor	Yes

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

Key Administrative Personnel:

Joy Shipman PO Box 608 Brookshire, TX 77423	Hired 01/20	\$ 64,480	\$ 265	Bookkeeper	No
Stan Kitzman PO Box 608 Brookshire, TX 77423	Hired 08/17	\$ 88,228	\$ 103	General Manager	No
Brian L. Jarvis & Associates, PLLC 633 E. Fernhurst, Ste 404 Katy, TX 77450	11/20	\$ 39,521	N/A	Auditor	No
David Frishman PO Box 637 Katy, TX 77492	06/04	\$ 27,550	N/A	Attorney	No

Brookshire-Katy Drainage District
Long-Term Expected Rate of Return
For the Year Ended September 30, 2021
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 2021 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years, as is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman (TCDRS actuary) relies on the expertise of Cliffwater in this assessment.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	Dow Jones U. S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.25%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	5.70%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-0.70%

Brookshire-Katy Drainage District
Schedule of Employer Pension Contributions
For the Periods Indicated as of September 30, 2021
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
2011	\$ 8,117	8,117	0	295,170	2.7%
2012	9,481	9,481	0	306,819	3.1%
2013	12,149	12,149	0	342,230	3.5%
2014	14,592	32,522	(17,930)	332,386	9.8%
2015	19,904	19,904	0	432,696	4.6%
2016	20,639	20,639	0	474,459	4.4%
2017	30,767	30,767	0	485,293	6.3%
2018	29,486	29,486	0	436,830	6.8%
2019	33,100	33,100	0	468,171	7.1%
2020	41,590	41,590	0	518,581	8.0%

Brookshire-Katy Drainage District
Schedule of Changes in Net Pension Liability and Related Ratios
For the Periods Indicated as of September 30, 2021
Schedule M

	Year Ended December 31									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Pension Liability										
Service cost	\$ 42,451	\$ 37,677	\$ 36,077	\$ 36,036	31,643	\$ 25,352	\$ 24,029	\$ N/A	\$ N/A	\$ N/A
Interest on total pension liability	84,804	81,049	74,525	66,742	55,380	49,487	44,708	N/A	N/A	N/A
Effect of plan changes	0	0	0	0	18,340	(3,173)	0	N/A	N/A	N/A
Effect of assumption changes or inputs	56,605	0	0	11,944	0	8,093	0	N/A	N/A	N/A
Effects of economic/demographic (gains) or losses	29,018	(20,678)	14,702	17,558	55,959	15,897	24,618	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(60,150)</u>	<u>(52,917)</u>	<u>(40,044)</u>	<u>(32,576)</u>	<u>(32,576)</u>	<u>(32,576)</u>	<u>(42,064)</u>	N/A	N/A	N/A
Net change in total pension liability	152,728	45,131	85,260	99,704	128,746	63,080	51,291	N/A	N/A	N/A
Total pension liability, beginning	<u>1,034,007</u>	<u>988,876</u>	<u>903,616</u>	<u>803,912</u>	<u>675,166</u>	<u>612,086</u>	<u>560,795</u>	N/A	N/A	N/A
Total pension liability, ending (a)	<u>\$ 1,186,735</u>	<u>\$ 1,034,007</u>	<u>\$ 988,876</u>	<u>\$ 903,616</u>	<u>\$ 803,912</u>	<u>\$ 675,166</u>	<u>\$ 612,086</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary Net Position										
Employer contributions	\$ 41,590	\$ 33,100	\$ 29,486	\$ 30,767	20,639	\$ 19,904	\$ 32,522	\$ N/A	\$ N/A	\$ N/A
Member contributions	31,115	28,090	26,210	29,118	18,978	17,308	24,499	N/A	N/A	N/A
Investment income net of investment expenses	97,328	131,726	(14,755)	99,001	45,569	(5,648)	37,880	N/A	N/A	N/A
Benefit payments/refunds of contributions	(60,151)	(52,917)	(40,044)	(32,576)	(32,576)	(32,576)	(42,064)	N/A	N/A	N/A
Administrative expenses	(769)	(718)	(644)	(533)	(495)	(442)	(451)	N/A	N/A	N/A
Other	<u>465</u>	<u>414</u>	<u>546</u>	<u>362</u>	<u>7,681</u>	<u>4,027</u>	<u>3,166</u>	N/A	N/A	N/A
Net change in Fiduciary net position	109,578	139,695	799	126,139	59,796	2,573	55,552	N/A	N/A	N/A
Fiduciary net position, beginning	<u>941,877</u>	<u>802,182</u>	<u>801,383</u>	<u>675,244</u>	<u>615,448</u>	<u>612,875</u>	<u>557,323</u>	N/A	N/A	N/A
Fiduciary net position, ending (b)	<u>\$ 1,051,455</u>	<u>\$ 941,877</u>	<u>\$ 802,182</u>	<u>\$ 801,383</u>	<u>\$ 675,244</u>	<u>\$ 615,448</u>	<u>\$ 612,875</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 135,280</u>	<u>\$ 92,130</u>	<u>\$ 186,694</u>	<u>\$ 102,233</u>	<u>\$ 128,668</u>	<u>\$ 59,718</u>	<u>\$ (789)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary net position as a % of total pension liability	88.60%	91.09%	81.12%	88.69%	83.99%	91.16%	100.13%	N/A	N/A	N/A
Pensionable covered payroll	\$ 518,581	\$ 468,171	\$ 436,830	\$ 485,293	474,459	\$ 432,696	\$ 332,386	\$ N/A	\$ N/A	\$ N/A
Net pension liability as a % of covered payroll	26.09%	19.68%	42.74%	21.07%	27.12%	13.80%	-0.24%	N/A	N/A	N/A

Brookshire-Katy Drainage District
Schedule of Deferred Inflows and Outflows of Resources
As of September 30, 2021
Schedule N

	<u>Original Amount</u>	<u>Date Established</u>	<u>Original Recognition Period</u>	<u>Amount Recognized in 12/31/2020</u>	<u>Balance of Deferred Inflows 12/31/2020</u>	<u>Balance of Deferred Outflows 12/31/2020</u>
Investment						
(gains) or losses	\$ 4,848	12/31/2016	5.0	969	0	0
	(43,229)	12/31/2017	5.0	(8,646)	8,645	0
	80,284	12/31/2018	5.0	16,057	0	32,113
	(66,433)	12/31/2019	5.0	(13,287)	39,859	0
	(20,549)	12/31/2020	5.0	(4,110)	16,439	0
Economic/ demographic						
(gains) or losses	15,897	12/31/2015	6.0	2,649	0	0
	55,959	12/31/2016	5.0	11,192	0	0
	17,558	12/31/2017	5.0	3,512	0	3,510
	14,702	12/31/2018	5.0	2,940	0	5,882
	(20,678)	12/31/2019	5.0	(4,136)	12,406	0
	29,018	12/31/2020	5.0	5,804	0	23,214
Assumption						
changes or inputs	8,093	12/31/2015	6.0	1,349	0	0
	0	12/31/2016	5.0	0	0	0
	11,944	12/31/2017	5.0	2,389	0	2,388
	0	12/31/2018	5.0	0	0	0
	0	12/31/2019	5.0	0	0	0
	56,605	12/31/2020	5.0	11,321	0	45,284
Employer contributions made subsequent to measurement date						30,161

**BROOKSHIRE-KATY DRAINAGE DISTRICT
FEDERAL SINGLE AUDIT REPORTS
YEAR ENDED SEPTEMBER 30, 2021
(With Independent Auditor's Reports Theron)**

**BROOKSHIRE-KATY DRAINAGE DISTRICT
BROOKSHIRE, TEXAS
SEPTEMBER 30, 2021**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	40
Schedule of Expenditures of Federal Awards	42
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Schedule of Findings and Questioned Costs	44
Summary Schedule of Prior Year Audit Findings	45

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

February 2, 2022

Supervisors of the Board:

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, each major fund, and the aggregate remaining fund information of Brookshire-Katy Drainage District (District), as of and for the year ended September 30, 2021, 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 2, 2022.

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) as a basis for designing 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.

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 consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

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

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

Brian L. Jarvis & Associates, PLLC
Brian L. Jarvis & Associates, PLLC
Certified Public Accountants
Katy, TX
February 2, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Brookshire-Katy Drainage District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Brookshire-Katy Drainage District's major federal programs for the year ended September 30, 2021. Brookshire-Katy Drainage District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Brookshire-Katy Drainage District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material*

weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

We have audited the consolidated financial statements of Brookshire-Katy Drainage District as of and for the year ended September 30, 2021, and have issued our report thereon dated February 2, 2022 which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Brian L. Jarvis & Associates, PLLC
Brian L. Jarvis & Associates, PLLC
Certified Public Accountants
Katy, TX
February 2, 2022

Brookshire-Katy Drainage District
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed-through to Subrecipients</u>	<u>Federal Expenditure</u>
U.S. Department of Agriculture:			
Emergency Watershed Protection Program :			
NRCs Grant Award #NR187442XXXXC016	10.923	\$ 0	\$ 486,598
Total Emergency Watershed Protection Program :		<u>0</u>	<u>486,598</u>
Total U.S. Department of Agriculture		<u>0</u>	<u>486,598</u>
Total Expenditures of Federal Awards		<u>\$ 0</u>	<u>\$ 486,598</u>

**BROOKSHIRE-KATY DRAINAGE DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2021**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Brookshire-Katy Drainage District (the District) under programs of the federal government for the year ended September 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Relationship to the District's Financial Statements

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

Note 4 - Insurance Coverage During the year ended September 30, 2021

The District maintained the following types of insurance:

- Public Official Errors and Omissions Liability - \$10,000,000
- Business Auto Coverage Liability Combined - \$10,000,000
- Commercial General Liability - \$10,000,000
- Commercial Property (per occurrence) - \$1,469,364
- Workers compensation - Statutory
- Employee Dishonesty (per occurrence) - \$100,000

* * * End of Notes * * *

**Brookshire-Katy Drainage District
Schedule of Findings and Questioned Costs
Year Ended September 30, 2021**

Section 1

Summary of Auditor's Results

Financial Statements

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

Federal Awards

- | | |
|--|---------------|
| 1. Internal control over major federal programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| 2. Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, 2 CFR 200.516 (a)? | No |

4. Identification of major federal programs:

CFDA Number
10.923

Name of Federal Program or Cluster
Emergency Watershed Protection Program

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

Section 2

Financial Statement Findings

None reported

Section 3

Federal Award Findings and Questioned Costs

None Reported

**Brookshire-Katy Drainage District
Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2021**

The audit findings 2020-01 and 2020-02 which were identified during the Federal Single Audit for the year ended September 30, 2020 have been fully corrected.