

**BROOKSHIRE MUNICIPAL**  
**WATER DISTRICT**  
**BROOKSHIRE, TEXAS**  
**FINANCIAL REPORT**  
**August 31, 2023**

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## **Independent Auditors' Report**

Board of Directors  
Brookshire Municipal Water District  
Waller County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Brookshire Municipal Water District (the "District") as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brookshire Municipal Water District as of August 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matter**

As discussed in Note 15 to the financial statements, the District has suffered recurring losses from operations and has reported a deficit fund balance in the General Fund of \$551,679 for the year ending Brookshire Municipal Water District August 31, 2023. These conditions raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

### **Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or

the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, we express no such opinion.
- Evaluate 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.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

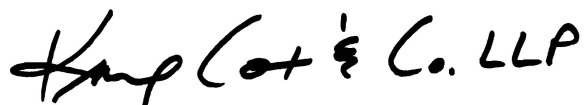
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 34, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information (TSI) listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Sugar Land, Texas  
February 13, 2024

## **Management's Discussion and Analysis**

As management of Brookshire Municipal Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2023.

### **FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,601,419 (Net Position).
- As of August 31, 2023, the District's governmental funds reported an ending fund balance of \$1,667,865.
- The District's cash balance at August 31, 2023 was \$2,475,321, representing an decrease of \$1,140,863 from August 31, 2022.
- The District had general revenues of \$2,872,247 and a change in net position of \$315,406 for the year ended August 31, 2023.
- At the end of the fiscal year, unrestricted and unassigned fund balance for the General Fund was (\$551,679), or a negative 22.6 percent of total General Fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that did not affect cash flows in this fiscal period (e.g., depreciation).

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 10-13 of this report.

## **FUND FINANCIAL STATEMENTS**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District consist solely of governmental funds (the General Fund, Debt Service Fund and Capital Project Fund).

**Governmental Funds** - Governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and *governmental activities*. The basic governmental fund financial statements can be found on pages 10-13 of this report.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 38 of this report.

## **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 41 through 46 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$3,601,419 as of August 31, 2023.

The largest portion of the District's net position reflects its net investment in capital assets (e.g. infrastructure). The District uses these capital assets to provide services to the customers we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the District's net position represents unrestricted financial resources available for future operations. The District has a deficit unrestricted net position of \$558,564.

**SUMMARY OF STATEMENT OF NET POSITION**

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 2,754,480	\$ 2,896,910
Capital assets, net	4,564,240	4,460,615
<b>Total Assets</b>	<u>7,318,720</u>	<u>7,357,525</u>
<b>Deferred Outflows</b>	<u>59,687</u>	<u>21,991</u>
Long-term liabilities	2,731,350	2,743,702
Other liabilities	1,038,436	1,093,034
<b>Total Liabilities</b>	<u>3,769,786</u>	<u>3,836,736</u>
<b>Deferred Inflows</b>	<u>7,202</u>	<u>256,767</u>
Net Position:		
Net investment in capital assets	3,864,164	3,715,986
Restricted	295,819	235,426
Unrestricted	(558,564)	(665,399)
<b>Total Net Position</b>	<u>\$ 3,601,419</u>	<u>\$ 3,286,013</u>

Net position of the District, all of which relate to governmental activities, increased by \$315,406. Key elements of the increase are as follows:

### CHANGES IN NET POSITION

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Water and sewer charges	\$ 2,354,571	\$ 1,939,872
Property taxes, penalties and interest	110,225	104,187
Tap connection fees	158,431	266,235
Impact fees	66,914	211,277
Investment income and other	182,106	116,643
<b>Total Revenues</b>	<b>2,872,247</b>	<b>2,638,214</b>
<b>Expenses</b>		
Personnel services	310,527	257,553
Purchased and contracted services	463,187	422,905
Operating costs and consumable materials	430,240	420,633
Professional fees	145,574	152,834
Repairs and maintenance	975,439	983,556
Debt Service	43,459	34,629
Depreciation and amortization	188,415	180,021
<b>Total Expenses</b>	<b>2,556,841</b>	<b>2,452,131</b>
<b>Change in Net Position</b>	<b>315,406</b>	<b>186,083</b>
Net position, beginning	3,286,013	3,099,930
<b>Net Position, Ending</b>	<b>\$ 3,601,419</b>	<b>\$ 3,286,013</b>



## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's governmental funds are discussed below:

**Governmental Funds** - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of August 31, 2023, the District's governmental funds, which consist of a general fund, debt service fund and capital project fund reported an ending fund balance of \$1,667,865, which is an increase of \$186,665 from last year's total of \$1,481,200. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents a negative 22.6% percent of total general fund expenditures.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - The District's investment in capital assets as of August 31, 2023 amounts to \$4,56,240 (net of accumulated depreciation). This investment in capital assets includes infrastructure.

### **CAPITAL ASSETS SCHEDULE (net of depreciation)**

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
Capital assets not being depreciated:		
Land	\$ 227,468	\$ 227,468
Construction in progress	2,240,318	2,054,097
	<u>2,467,786</u>	<u>2,281,565</u>
Capital assets being depreciated:		
Buildings	340,345	340,345
Furniture and equipment	737,821	632,002
Water system	1,847,064	1,847,064
Wastewater system	4,939,482	4,939,482
	<u>7,864,712</u>	<u>7,758,893</u>
Less: accumulated depreciation	<u>(5,768,258)</u>	<u>(5,579,843)</u>
	<u>2,096,454</u>	<u>2,179,050</u>
<b>Total Capital Assets, Net</b>	<u>\$ 4,564,240</u>	<u>\$ 4,460,615</u>

Additional information on the District's capital assets can be found in Note 6 in the notes to financial statements.

## **LONG-TERM DEBT**

As of August 31, 2023, the District has a total bonded debt outstanding of \$2,640,000. Interest expense for the 2023 fiscal year totaled \$32,736 on this bonded debt. The District's outstanding bonds have maturities ranging from 2024 to 2048. Additional information on the District's long-term debt can be found in Note 7 in the notes to the financial statements.

## **ECONOMIC FACTORS**

Unrestricted and unassigned fund balance in the General Fund increased by \$182,159 to a negative \$551,679. An increase of \$79,304 was projected. The District is currently working on plans to increase revenues and decrease expenditures in the near future to help resolve the General Fund deficit.

## **REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of Brookshire Municipal Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Brookshire Municipal Water District.

## **FINANCIAL STATEMENTS**

# Brookshire Municipal Water District

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS

### BALANCE SHEET

August 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>Assets and Deferred Outflows</u></b>			
Cash and temporary investments	\$ 611,192	\$ 238,366	\$ 1,625,763
<b>Receivables:</b>			
Property taxes		5,850	
Customer service accounts, net	161,547		
Due from tax assessor-collector		51,603	
Internal receivables			489,859
Net pension asset			
Capital assets, net of accumulated depreciation:			
Land			
Construction in progress			
Building and equipment			
Infrastructure			
<b>Total Assets</b>	772,739	295,819	2,115,622
<b><u>Deferred Outflows of Resources</u></b>			
Deferred outflows- pension and OPEB			
<b>Total Deferred Outflows of Resources</b>			
<b>Total Assets and Deferred Outflows</b>	\$ 772,739	\$ 295,819	\$ 2,115,622
<b><u>Liabilities, Deferred Inflows and Fund Balances/Net Position</u></b>			
Accounts payable and accrued liabilities	312,753		89,320
Customer deposits	248,002		
Developer deposits	255,844		
Retainage payable			94,452
Internal payables	487,584		2,275
Due to City of Brookshire	20,235		
OPEB liability			
Long-Term Liabilities:			
Compensated absences			
Accrued interest on bonds			
Unamortized bond discount			
Current portion of bonds			
Current portion of notes payable			
Long-term portion of bonds			
Long-term portion of notes payable			
<b>Total Liabilities</b>	1,324,418		186,047
<b><u>Deferred Inflows of Resources</u></b>			
Deferred inflows - pension and OPEB			
Unavailable revenue - property taxes		5,850	
<b>Total Deferred Inflows of Resources</b>			
<b><u>Fund Balances/Net Position</u></b>			
<b>Fund Balances:</b>			
Restricted for debt service		289,969	
Restricted for capital projects			1,929,575
Unrestricted and unassigned	(551,679)		
<b>Total Fund Balances</b>	(551,679)	289,969	1,929,575
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	\$ 772,739	\$ 295,819	\$ 2,115,622
<b>Net Position:</b>			
Net investment in capital assets			
Restricted			
Unrestricted			
<b>Total Net Position</b>			

See Notes to Financial Statements.

**Exhibit B(1)**

<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
\$ 2,475,321	\$	\$ 2,475,321
5,850		5,850
161,547		161,547
51,603		51,603
489,859	(489,859)	
	60,159	60,159
	227,468	227,468
	2,240,318	2,240,318
	306,214	306,214
	1,790,240	1,790,240
<u>3,184,180</u>	<u>4,134,540</u>	<u>7,318,720</u>
	59,687	59,687
	<u>59,687</u>	<u>59,687</u>
<u>\$ 3,184,180</u>		
402,073		402,073
248,002		248,002
255,844		255,844
94,452		94,452
489,859	(489,859)	
20,235		20,235
	17,830	17,830
	17,909	17,909
	1,873	1,873
	(12,222)	(12,222)
	100,000	100,000
	15,224	15,224
	2,540,000	2,540,000
	68,566	68,566
<u>1,510,465</u>	<u>2,259,321</u>	<u>3,769,786</u>
	7,202	7,202
5,850	(5,850)	
	<u>1,352</u>	<u>7,202</u>
289,969	(289,969)	
1,929,575	(1,929,575)	
(551,679)	551,679	
<u>1,667,865</u>	<u>(1,667,865)</u>	
<u>\$ 3,184,180</u>		
	3,864,164	3,864,164
	295,819	295,819
	(558,564)	(558,564)
	<u>\$ 3,601,419</u>	<u>\$ 3,601,419</u>

# Brookshire Municipal Water District

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended August 31, 2023

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Revenues</b>			
Water and sewer service charges	\$ 2,354,571	\$	\$
Property taxes		51,830	
Penalties and interest	55,815	1,200	
Tap connection and permit fees	158,431		
Impact Fees			66,914
Investment earnings	9,785	365	64,800
Other	107,156		
<b>Total Revenues</b>	<b>2,685,758</b>	<b>53,395</b>	<b>131,714</b>
<b>Expenditures/Expenses</b>			
<b>Current:</b>			
Personnel services	318,993		
Purchased and contracted services	463,187		
Consumable materials and supplies	68,935		
Operating costs	361,305		
Professional fees	144,774	800	
Repairs and maintenance	975,439		
<b>Capital Outlay</b>			186,221
<b>Debt Service</b>			
Principal	92,029	30,000	
Interest and fiscal charges	19,087	23,432	
<b>Depreciation and amortization</b>			
<b>Total Expenditures/Expenses</b>	<b>2,443,749</b>	<b>54,232</b>	<b>186,221</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	242,009	(837)	(54,507)
<b>Other Financing Sources (Uses)</b>			
Internal transfers	(59,850)	59,850	
<b>Total Other Financing Sources (Uses)</b>	<b>(59,850)</b>	<b>59,850</b>	
<b>Change in Fund Balance</b>	182,159	59,013	(54,507)
<b>Change in Net Position</b>			
Fund Balances/Net Position - Beginning	(733,838)	230,956	1,984,082
<b>Fund Balances/Net Position - Ending</b>	<b>\$ (551,679)</b>	<b>\$ 289,969</b>	<b>\$ 1,929,575</b>

See Notes to Financial Statements.

**Exhibit B(2)**

<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
\$ 2,354,571	\$	\$ 2,354,571
51,830	1,380	53,210
57,015		57,015
158,431		158,431
66,914		66,914
74,950		74,950
107,156		107,156
<u>2,870,867</u>	<u>1,380</u>	<u>2,872,247</u>
318,993	(8,466)	310,527
463,187		463,187
68,935		68,935
361,305		361,305
145,574		145,574
975,439		975,439
186,221	(186,221)	
122,029	(122,029)	
42,519	940	43,459
	188,415	188,415
<u>2,684,202</u>	<u>(127,361)</u>	<u>2,556,841</u>
186,665	128,741	
<u>186,665</u>		
	315,406	315,406
1,481,200	1,804,813	3,286,013
<u>\$ 1,667,865</u>	<u>\$ 1,933,554</u>	<u>\$ 3,601,419</u>

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# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District conform with accounting principles generally accepted in the United States of America. The following is a summary of the most significant policies:

#### **A. Reporting Entity**

Brookshire Municipal Water District (District) was created by the 51<sup>st</sup> Legislature of Texas in 1951 and confirmed by the electorate. The Board of Directors held its first meeting in February 1952 and the first bonds were sold in March 1952.

The District is a political subdivision of the State of Texas governed by an elected five member board and is considered a primary government. As required by generally accepted accounting principles, these general purpose financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations, or functions have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by accounting principles generally accepted in the United States of America. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining whether the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Although not considered significant in the District's reporting entity evaluation, other prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District's primary activities include construction, maintenance, and operation of water and sewer system facilities and debt service on bonds issued to construct the facilities.

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

### **Financial Statement Presentation**

**Management's Discussion and Analysis** - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis that private sector companies provide in their annual reports.

**Government-wide Financial Statements** - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and infrastructure and general obligation debt). Accrual accounting reports all of the revenues and costs of providing services each year, not just those received or paid in the current or soon thereafter, as is the case with the modified accrual basis of accounting. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report related depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government is broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

**Fund Financial Statements** - These statements focus on the District's major funds and are prepared using the modified accrual basis of accounting.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units, as applicable. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District had no business-type activities or component units as of and for the year ended August 31, 2023.

The governmental funds financial statements consist of the balance sheet and statement of revenues, expenditures and changes in fund balance. These financial statements have been adjusted to arrive at the government-wide financial statement balances (statement of net position and statement of activities). Major individual governmental funds are reported as separate columns in the fund financial statements.

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

### **B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Revenues accrued include interest earned on investments and income from District operations. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service requirements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

**Nonspendable:**

To indicate fund balance associated with inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

**Restricted:**

To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**Committed:**

To indicate fund balance that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority).

**Assigned:**

To indicate fund balance to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.

**Unassigned:**

To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The District does not currently have any such policies.

The accounting system is organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund equity or deficit, revenues and expenditures.

The District reports the following governmental funds:

### **General Fund**

The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to water and sewer service operations. Expenditures include all costs associated with the daily operations of the District.

### **Debt Service Fund**

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes pursuant to requirements of the district's bond resolutions. Expenditures include costs incurred in assessing and collecting these taxes.

### **Capital Project Fund**

The Capital Projects Fund is used to account for expenditure of bond proceeds for the construction of the District's water and sewer facilities.

## **C. Deferred Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of differences related to the District's pension plan.

## **D. Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of unearned tax revenues and differences related to the District's pension and OPEB plans.

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

### **E. Budget**

An unappropriated budget is adopted for the General Fund. The budget is prepared using the same method of accounting as for financial reporting and serves as a planning tool. Encumbrance accounting is not utilized.

### **F. Investments**

The District classifies investments that have a remaining maturity of one year or less at the date of purchase as "money market investments" in accordance with Governmental Accounting Standards Board Statement No. 31, "Accounting and Reporting for Certain Investments and External Investment Pools" (Statement No. 31). Statement No. 31 defines "money market investments" as short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations. The District values its "money market investments" at cost, which is considered to approximate market value. The District's certificates of deposit, if any, are recorded at cost in accordance with Statement No. 31.

In December 2015, GASB issued Statement No. 79 titled "Certain External Investment Pools and Pool Participants" in response to the Securities and Exchange Commission's amendments in 2014 to regulations that apply to money market funds. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If the external investment pool meets the criteria in Statement No. 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

### **G. Short-Term Internal Receivables/Payables**

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as internal receivables and payables on the combined balance sheet. These amounts are eliminated for government-wide presentation.

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

### **H. Interfund Transactions**

During the course of operations, transactions occur between individual funds for specified purposes. If there is an intent to repay, then these receivables and payables are classified as internal receivables and payables on the combined balance sheet. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended, with no intent to repay. The interfund receivables/payables and operating transfers are eliminated for government-wide presentation.

### **I. Unamortized Bond Premium or (Discount)**

Included within long term liabilities are the unamortized bond premiums or (discount). They are being amortized over the life of the related obligation on the straight-line method. Results obtained are not materially different from the interest method.

### **J. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<b><u>Asset Description</u></b>	<b><u>Estimated Useful Life</u></b>
Land	N/A
Building and equipment	5-40 years
Water system	25 years
Wastewater system	25years

### **K. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums or discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of any applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums or discounts during the current period. The face amount of new debt issued is reported as other financing sources. Premiums are reported as other financing uses. Issuance costs,

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **L. Compensated Employee Absences**

Compensated employee absences, which include unpaid vacation and sick leave, are accumulated during employment. At August 31, 2023, amounts accrued for compensated employee absences are \$14,991.

### **M. Fund Equity**

Reserved/restricted equity balances represent those portions of fund balance/net position not appropriable for expenditures/expenses or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Undesignated/unrestricted fund balances/net position represent available balances for the District's future use.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

### **N. Revenue Recognition**

Water and Sewer impact fees The District records water and sewer impact fees as revenues. Corresponding cash is recorded as a restricted asset for future expansion of the District's Water and Wastewater systems.

### **O. Pensions**

For purposes of measuring the net pension liability, assets, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **P. Estimates**

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

# Brookshire Municipal Water District

Exhibit B(3)

## NOTES TO FINANCIAL STATEMENTS

### **Q. Reclassifications**

Certain reclassifications to prior year balances have been made to conform to current year presentation. For fiscal year 2022, The District included capital recover fund in the capital project fund in order to segregate impact fees and obligations from the District's general fund. Impact fees had previously been reported with the general fund. Such reclassifications have had no effect on the excess of revenues over expenditures.

### **R. Date of Management's Review**

Subsequent events have been evaluated through February 13, 2024, which is the date the financial statements were available to be issued.

## **NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes an adjustments column to arrive at the government-wide statement of net position balances. Amounts reported in the statement of net position are different because:

Total fund balances - governmental funds	\$	1,667,865
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		4,564,240
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.		-
Net pension asset is not a financial resource and is not report in the funds.		60,159
OPEB liability is not a financial resource and is not report in the funds.		(17,830)
Deferred inflows and outflows of resources related to changes in net pension asset and OPEB Liability that are not reported in the funds.		52,485
Property tax revenue recognition and other deferred inflows of resources are subject to availability of funds in the fund financial statements.		5,850
Some liabilities, are not due and payable in the current period, and therefore are not reported in the funds		(17,909)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.		<u>(2,713,441)</u>
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>3,601,419</u></b>



# Brookshire Municipal Water District

**Exhibit B(3)**

## NOTES TO FINANCIAL STATEMENTS

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures and changes in fund balances includes an adjustments column to arrive at changes in net position as reported in the government-wide statement of activities. Amounts reported in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	186,665
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period		(2,194)
Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		122,029
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,380
Some expenses reported in the statement of activities do not require the use of current resources and are not report as expenses in the funds.		7,526
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>315,406</b>

**NOTE 3 - CASH AND TEMPORARY INVESTMENTS**

Cash consists of interest-bearing checking accounts and temporary investments consist of investments in TexPool and Texas Class. The carrying amounts for cash and temporary investment balances, which approximate fair values, by fund at August 31, 2023, are as follows:

	<u>Checking</u>	<u>TexPool</u>	<u>Texas Class</u>	<u>Total</u>
General	\$ 391,100	\$ 1,175	\$ 218,917	\$ 611,192
Debt Service	238,366			238,366
Capital Projects	386,739		1,239,024	1,625,763
	\$ 1,016,205	\$ 1,175	\$ 1,457,941	\$ 2,475,321

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

### **Investment Policies**

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investments of the District are in compliance with its investment policy.

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds. Balances in checking accounts in depository institutions were entirely guaranteed by federal depository insurance or security as provided by statutes and bond provisions at August 31, 2023.

### **Investment Pools**

The District participates in TexPool, The Texas Local Government Investment Pool. The State Comptroller of Public Accounts (the "Comptroller") administers TexPool, as a public funds investment pool through the Texas Treasury Safekeeping Trust Company (The "Trust Company"). The Comptroller is the sole officer, director, and shareholder of the Trust Company and thus maintains oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. The Comptroller has established an advisory board composed of both participants in TexPool and other qualified persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

The District participates in Texas Cooperative Liquid Assets Securities System ("Texas Class"), an external investment pool that is not registered with the Security and Exchange Commission. Texas Class is supervised by the Board of Trustees, each of whom is elected by the Participants. The Board of Trustees supervises the Trust and acts as a liaison between Participants, the Custodian and the Program Administrator. Wells Fargo Bank, NA serves as Custodian of the Trust. Public Trust Advisors, LLC serves as Program Administrator.

In compliance with Governmental Accounting Standards Board ("GASB") Statement No. 79, TexPool and Texas Class use amortized cost (which excludes unrealized gains and losses) to compute share price. An external investment pool qualifies for amortized cost reporting if it transacts with its participants at a stable net asset value per share and meets various portfolio maturity, quality, diversification liquidity and pricing requirements. There are no limitations or restriction on withdrawal of either pool.

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

### **Interest Rate Risk**

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years to meet cash requirements for ongoing operation.

### **Credit Risk – Investments**

In accordance with its investment policy, the District minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities. As the District's investments are in investment pools, the District is not exposed to custodial credit risk.

### **NOTE 4 - PROPERTY TAXES**

All property values are determined by the Waller County Appraisal District. A tax lien attaches to all properties within the District on January 1st of each year. Taxes are generally levied on October 1 and are due upon receipt of the tax bill by the property owner. Penalties and interest are charged if taxes are not paid by the succeeding January 31st. There is an additional twenty percent penalty charged on accounts delinquent after July 1<sup>st</sup> and delinquent personal property after April 1<sup>st</sup> of each year which generally is payable to the District's delinquent tax attorney.

Property taxes are prorated between operations and debt service based on the respective rates adopted for the year of the levy. For the current year, the District levied a combined rate of \$0.010 per \$100 of assessed valuation of which all was allocated to debt service. The resulting tax levy was \$54,777 on the adjusted taxable valuation of \$547,767,754 for the 2022 tax year.

Property taxes receivable at August 31, 2023, consisted of the following:

	<b>Debt Service Fund</b>	<b>Total</b>
2022 Levy	\$ 3,174	\$ 3,174
2021 Levy	785	785
2020 Levy	726	726
2019 Levy	488	488
2018 and prior	677	677
<b>Total Property Taxes Receivable</b>	<b>\$ 5,850</b>	<b>\$ 5,850</b>

During fiscal 2023, the District operated under an agreement with the City of Brookshire ("The City") whereas the City provided tax assessing and collection services for the District. During the District's fiscal 2023 year, the City collected taxes on behalf of the District and as of August 31, 2023 had not remitted any of the District's 2022 tax levy collections to the District.

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

On August 31, 2023, the District recorded a due from tax assessor-collector (The City) of \$51,603, based on the District's tax levy, adjusted valuation and historic collection rate. In November 2023, subsequent year end, the District received \$71,977 from the City for amounts collected between September 30, 2022 and September 30, 2023.

### **NOTE 5 - RECEIVABLES**

Receivables as of year-end for the government's individual major funds are as follows:

	<b><u>General</u></b>	<b><u>Debt Service</u></b>	<b><u>Total</u></b>
Receivables:			
Taxes	\$	\$ 5,850	\$ 5,850
Accounts	161,547		161,547
<b>Total Receivables</b>	<b><u>\$ 161,547</u></b>	<b><u>\$ 5,850</u></b>	<b><u>\$ 167,397</u></b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<b><u>Unavailable</u></b>
Delinquent property taxes receivable - debt service fund	<u>\$ 5,850</u>
<b>Total Deferred Inflows for Governmental Funds</b>	<b><u>\$ 5,850</u></b>

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 6 - CAPITAL ASSETS**

A summary of changes in capital assets for the year ended August 31, 2023, follows:

	<b><u>Sept. 1, 2022</u></b>	<b><u>Increases</u></b>	<b><u>(Decreases)</u></b>	<b><u>Aug. 31, 2023</u></b>
<b>Governmental Activities:</b>				
Non-depreciable Assets:				
Land	\$ 227,468	\$	\$	\$ 227,468
Construction in progress	<u>2,054,097</u>	<u>186,221</u>		<u>2,240,318</u>
Total Non-depreciable Assets	<u>2,281,565</u>	<u>186,221</u>		<u>2,467,786</u>
Depreciable Assets:				
Buildings and improvements	340,345			340,345
Vehicles and equipment	632,002	105,819		737,821
Water system	1,847,064			1,847,064
Wastewater system	<u>4,939,482</u>			<u>4,939,482</u>
Total Depreciable Assets	<u>7,758,893</u>	<u>105,819</u>		<u>7,864,712</u>
Less Accumulated Depreciation	<u>(5,579,843)</u>	<u>(188,415)</u>		<u>(5,768,258)</u>
<b>Totals</b>	<b><u>\$ 4,460,615</u></b>	<b><u>\$ 103,625</u></b>	<b><u>\$</u></b>	<b><u>\$ 4,564,240</u></b>

Depreciation expense for the year ended August 31, 2023, totaled \$188,415.

### **NOTE 7 - LONG-TERM DEBT**

Long-term debt consists of bonds payable. Payments of principal and interest on the bonds are to be provided from tax levies on properties within the District and revenues earned by the District. Investment income realized by the Debt Service Fund from investment of funds will be used to pay outstanding bond principal and interest.

The following is a summary of changes in bonds payable for the year ended August 31, 2023:

Bonds payable, September 1, 2022	\$ 2,740,000
Bonds retired	<u>(100,000)</u>
<b>Bonds Payable, August 31, 2023</b>	<b><u>\$ 2,640,000</u></b>

# Brookshire Municipal Water District

**Exhibit B(3)**

## NOTES TO FINANCIAL STATEMENTS

Bonds payable at August 31, 2023, are comprised of the following individual issues:

	<u>Amounts Outstanding</u>	<u>Interest Rate</u>	<u>Date Serially Begin/End</u>	<u>Maturity Interest Dates</u>	<u>Callable Date</u>
2013	\$575,000	1.70% - 3.60%	1-Aug 2014/2036	Feb. 1/ August 1	August 1, 2021*
2019A	\$920,000		1-Aug 2020/2048	Feb. 1/ August 1	February 1, 2030*
2019B	\$1,145,000	.06% - 1.14%	1-Aug 2021/2048	Feb. 1/ August 1	February 1, 2030*

\* Or any interest payment date thereafter in accordance with redemption provisions of the bond resolution.

As of August 31, 2023, the debt service requirements on bonds outstanding for the next five fiscal years to maturity through 2048 are as follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 100,000	31,741	\$ 131,741
2025	110,000	30,684	140,684
2026	110,000	29,397	139,397
2027	110,000	28,024	138,024
2028	115,000	26,489	141,489
2029-2033	610,000	104,046	714,046
2034-2038	570,000	47,625	617,625
2039-2043	445,000	22,995	467,995
2044-Thereafter	470,000	9,241	479,241
	<u>\$ 2,640,000</u>	<u>\$ 330,242</u>	<u>\$ 2,970,242</u>

At August 31, 2023, the District had authorized and unissued tax bonds in the amount of \$0.

The District currently has no authority to issue additional bonds that are secured by tax revenue.

### **Notes Payable**

In July 2022, The District financed the purchase of two vehicles with two seventy-five month notes payable. The notes carry an interest rate of 9.88% and are payable in monthly principal and interest payments of \$972 and \$933. As of August 31, 2023, the notes have a combined outstanding balance of \$83,790.

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

### **Changes in Long-Term Liabilities**

Long-term liability activity for the year ended August 31, 2023, was as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Amounts</b>
	<b>Sept. 1, 2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Aug. 31, 2023</b>	<b>Due within</b>
					<b>One Year</b>
<b>Governmental Activities:</b>					
General obligation tax bonds	\$ 605,000	\$	\$ (30,000)	\$ 575,000	\$ 30,000
Revenue bonds	2,135,000		(70,000)	2,065,000	70,000
Unamortized bond discount	(13,241)		1,019	(12,222)	
Notes payable		105,819	(22,029)	83,790	15,224
Compensated absences	14,991	2,918		17,909	
<b>Total Long-term Debt</b>	<b>2,741,750</b>	<b>108,737</b>	<b>(121,010)</b>	<b>2,729,477</b>	<b>115,224</b>

The Debt Service Fund has \$289,969 available to service the above bonds, which includes \$197,542 to meet Reserve and Sinking and Interest Fund requirements, as set forth in the District's 2019A and 2019B Bond Order.

### **NOTE 8 – PENSION PLAN**

#### **Plan Description**

The District provides retirement, disability, and death benefits for all full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The TCDRS Board of Trustees is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 760 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the Board or Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or online at [www.tcdrs.org](http://www.tcdrs.org).

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 20 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 deposits 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 deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TDRCS Act.

# Brookshire Municipal Water District

Exhibit B(3)

## NOTES TO FINANCIAL STATEMENTS

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	27
Active employees	<u>2</u>
Totals	<u>33</u>

### Funding Policy/Contributions

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 employee members. The contribution rate of the employee is a fixed percent equal to the 7% deposit rate payable by the employee members as adopted by the governing body of the employer. Under the TCDRS Act, the contribution rate of the employer is actuarially determined on a calendar year basis. The employer contributed using the actuarially determined rate of 1.39% and 5.75% for 2022 and 2023 respectively. Total employer contributions for the year ended August 31, 2023 was \$13,807.

### Actuarial Assumptions

The Net Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

<b>Valuation Date</b>	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reports.
<b>Actuarial Cost Method</b>	Entry Age
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Asset Valuation Method</b>	5-year smoothed market
<b>Inflation</b>	2.50%
<b>Salary Increases</b>	Varies by age and services. 4.7% average over career including inflation
<b>Investment Rate of Return</b>	7.50%, net of investment expenses, including inflation
<b>Retirement Age</b>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
<b>Mortality</b>	135% of the Pub-2010 General Retirees Table for males and 120% of the PUB-2010 General Retiree Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.



# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

### **Long-Term Expected Rate of Return**

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 2023 information for a 10 year time horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumptions at their March 2021 meeting. The assumption for the long-term is reviewed annually for continued compliance with the relevant actuarial standards of practice.

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Geometric Real Rate of Return (Expected Minus Inflation)</u></b>
US Equity	11.5%	4.95%
Private Equity	25.0%	7.95%
Global Equities	2.5%	4.95%
International Equities-Developed	5.0%	4.95%
International Equities-Emerging	6.0%	4.95%
Investment-Grade Bonds	3.0%	2.40%
Strategic Credit	9.0%	3.90%
Direct Lending	16.0%	6.95%
Distressed Debt	4.0%	7.60%
REIT Equities	2.0%	4.15%
Master Limited Partnerships	2.0%	5.30%
Private Real Estate Partnerships	6.0%	5.70%
Hedge Funds	6.0%	2.90%
Cash equivalents	2.0%	0.20%
Total	<u>100.0%</u>	

### **Discount Rate**

The discount rate used to measure the Total Pension Liability was 7.60%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

# Brookshire Municipal Water District

**Exhibit B(3)**

## NOTES TO FINANCIAL STATEMENTS

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balance at 12/31/21</b>	\$ 1,865,958	\$ 2,209,306	\$ (343,348)
<b>Changes for the year:</b>			
Service cost	27,372		27,372
Interest on total pension liability	141,288		141,288
Effect of plan changes			
Effect of economic/demographic gains or losses	12,600		12,600
Effect of assumptions changes or inputs			
Refund of contributions			
Benefit payments	(69,825)	(69,825)	
Administrative expenses		(1,194)	1,194
Member contributions		16,024	(16,024)
Net investment income		(126,047)	126,047
Employer contributions		13,163	(13,163)
Other		(3,875)	3,875
<b>Net Changes</b>	111,435	(171,754)	283,189
<b>Balance at 12/31/22</b>	\$ 1,977,393	\$ 2,037,552	\$ (60,159)

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	1% Decrease in Discount Rate 6.60%	Current Discount Rate 7.60%	1% Increase in Discount Rate 8.60%
Total pension liability	\$ 2,221,662	\$ 1,977,393	\$ 1,771,235
Fiduciary net position	2,037,551	2,037,552	2,037,551
District's net pension liability (asset)	\$ 184,111	\$ (60,159)	\$ (266,316)

# Brookshire Municipal Water District

**Exhibit B(3)**

## NOTES TO FINANCIAL STATEMENTS

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

	<b><u>Pension Expense</u></b>	
	<b>January 1, 2022 to December 31, 2022</b>	
<b>Pension Expense</b>		
Service cost	\$	27,372
Interest on total pension liability (1)		141,288
Effect of plan changes		
Administrative expenses		1,194
Member contributions		(16,024)
Expected investment return net of investment expenses		(166,202)
Recognition of economic/demographic gains and losses		6,300
Recognition of assumption changes or inputs		
Recognition of investment gains and losses		2,877
Other (2)		3,875
Total Pension Expense	\$	<u>680</u>

- (1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
- (2) Relates to allocation of system-wide items.

At August 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Inflows of Resources</u></b>	<b><u>Deferred Outflows of Resources</u></b>
Differences between expected and actual economic experience	\$	\$ 6,300
Changes in actuarial assumptions		
Net difference between projected and actual investment earnings		33,686
Contributions subsequent to the measurement date		17,581
<b>Totals</b>	<b>\$</b>	<b><u>57,567</u></b>
	<b>0</b>	

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions subsequent to the measurement date, will be recognized in pension expense as follows:

<b><u>Year Ended Dec 31:</u></b>	
2023	\$ (21,846)
2024	(2,408)
2025	5,791
2026	58,449
2027	0
Thereafter	0

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 9- OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The District participates in the retiree Group Term Life (GTL) program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system. All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCERS pension plan. Only employers that have elected participation in the retiree GTL program are included in the OPEB plan.

The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employees that have elected participation in the retiree GTL program. The OPEB benefit is a fixed \$5,000 lump-sum benefit. No future increases are assumed in the \$5,000 benefit amount.

Contributions made to the retiree GTL Program are held in the GTL Fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.

Benefit terms are established under the TCERS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1, each year. The District's contribution rate for the retiree GTL program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$5,000.

TCERS issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and require supplementary information. This report is available at TCERS' website at [www.TCERS.org](http://www.TCERS.org).

At December 31, 2022, membership consisted of the following:

Inactive employees entitled to but not yet receiving benefits	4
Inactive employees or beneficiaries currently receiving benefits	6
Active employees	<u>2</u>
Totals	<u><u>12</u></u>

All actuarial assumptions and methods that determined the total OPEB liability as of December 31 2022 were based on the results of an actuarial experience study for the period January 1, 2017-December 31, 2020, except were required to be different by GASB 75.

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

Below is a schedule of significant assumptions used to estimate the District's total OPEB liability.

### **Actuarial Assumptions**

<b>Valuation Date</b>	December 31, 2022
<b>Actuarial Cost Method</b>	Entry Age Level Percent of Salary
<b>Amortization Method</b>	Straight-Line amortization over Expected Working Life
<b>Asset Valuation Method</b>	Does not apply
<b>Inflation</b>	Does not apply
<b>Salary Increases</b>	Does not apply
<b>Investment Rate of Return</b>	3.72%
<b>Mortality:</b>	
Depositing Members	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employee Amount-Weighted Mortality Tables for females, both projected with 100% of the MP-2010 Ultimate scale after 2010.
Service Retirees, Beneficiaries and Nondepositing Members	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employee Amount-Weighted Mortality Tables for females, both projected with 100% of the MP-2010 Ultimate scale after 2010.
Disabled Retirees	160% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Employee Amount-Weighted Mortality Tables for females, both projected with 100% of the MP-2010 Ultimate scale after 2010.

### **Discount Rate**

The TCDRS GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.72% based on the 20 Year bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2022.

# Brookshire Municipal Water District

**Exhibit B(3)**

## NOTES TO FINANCIAL STATEMENTS

### Changes in the Total OPEB Liability

	<b>Changes in Total OPEB Liability</b>
<b>Balance at 12/31/21</b>	\$ 25,142
<b>Changes for the year:</b>	
Service cost	320
Interest on OPEB liability	523
Effect of plan changes	
Effect of economic/demographic gains or losses	232
Effect of assumptions changes or inputs	(8,250)
Benefit payments	(137)
<b>Net Changes</b>	<b>(7,312)</b>
<b>Balance at 12/31/22</b>	<b>\$ 17,830</b>

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	<b>1% Decrease in Discount Rate 2.72%</b>	<b>Current Discount Rate 3.72%</b>	<b>1% Increase in Discount Rate 4.72%</b>
Total OPEB Liability	\$ 22,329	\$ 17,830	\$ 14,410

At August 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual economic experience	\$ 3	\$ 1,769
Changes in actuarial assumptions	7,199	189
Contributions subsequent to the measurement date		162
<b>Totals</b>	<b>\$ 7,202</b>	<b>\$ 2,120</b>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in pension expense as follows:

<b>Year Ended Dec 31:</b>		
2023	\$	(891)
2024		(1,147)
2025		(1,604)
2026		(1,602)
2027		0
Thereafter		0

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 10 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had any settlements or claims for the past three fiscal years.

### **NOTE 11 – FEDERAL GRANT PROGRAM**

On March 5, 2019, The Texas Water Development Board awarded the District \$300,000, without expectation of repayment (100% loan forgiveness), from the Drinking Water State Revolving Fund to finance the design and construction of water system improvements. The loan forgiveness funds were placed in a trust account under the name of the District. The TWDB holds the rights to those funds and the funds are disbursed to the District as expenses are incurred. As of August 31, 2023, all funds have been expended.

### **NOTE 12 – DEVELOPMENT AGREEMENT**

On March 4, 2019, The District signed a Facilities Development, Reimbursement and Out-of-District Service Agreement with Brookwood Communities ("Brookwood") for the construction, acquisition, expansion, operation and maintenance of additions and improvements to the District's water and wastewater system required to serve Brookwood properties as defined in the Agreement. Under the Agreement, the District agreed to share in facility construction costs (currently estimated to be \$730,000). As of August 31, 2023, Brookwood has contributed \$630,000 of which \$152,710 remains and is recorded as a liability on the District's financials.

### **NOTE 13 -UNCERTAINTIES**

In March 2020, The World Health Organization declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States, and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other which affects economic growth within Texas. Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's financial condition.

# **Brookshire Municipal Water District**

**Exhibit B(3)**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 14 -FUND BALANCE/NET POSITION (DEFICIT)**

The District recorded an unrestricted and unassigned fund balance deficit in the General Fund of \$551,679 and a deficit unrestricted net position of \$558,564 for the year ending August 31, 2023. The negative unrestricted fund balance in the General Fund and the unrestricted net position was primarily the result of repairs and maintenance expenditures exceeding expectations for the last several years. See Note 15 for management's plan to remedy the District's deficits.

### **NOTE 15 -CONTINGENCIES**

#### **Going Concern and Management's Plan**

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. However, as of August 31, 2023, the District recorded an unrestricted and unassigned fund balance deficit in the General Fund of \$551,679 and an unrestricted net position deficit of \$558,564. The District's past trend of deficit spending combined with a deficit unrestricted fund balance/net position raises substantial doubt about the District's ability to continue as a going concern.

The ability of the District to continue as a going concern is dependent upon its ability to raise additional revenue and/or reduce operating expenditures. The District continues plans to generate revenue through increased water rates and reduce levels of expenditures/expenses in the future to restore reserves. Management raised water rates in fiscal year 2022 and 2023 and plans to implement another rate increase in fiscal year 2024. Management expects these measures to alleviate the negative unrestricted and unassigned fund balance and net position within the next three to five years. The accompanying financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.

#### **Bond Covenants**

The District's private placement agreement with the Texas Water Development Board for the Series 2019A and 2019B bonds, and the Bond Order for such series (Section 5.6) requires that the District collect for services rendered, rates and charges which will produce Gross Revenues sufficient to pay all maintenance, operating and administrative expenses; meet the debt service requirements of all outstanding Bonds; and to maintain the Fund established by the Bond Order. For the years ending August 31, 2022 and 2021 the District recorded a deficiency of revenues under expenditures in the General Fund of \$10,346 and \$383,051, respectively. The District submitted a Corrective Action Plan with the Texas Water Development Board. For fiscal year 2023, the District recorded revenues in excess of expenditures of \$242,009 in the General Fund and compliances with the above debt covenant as of August 31, 2023.



**REQUIRED SUPPLEMENTARY INFORMATION**

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# Brookshire Municipal Water District

Exhibit C(1)

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

Year Ended August 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Water and sewer service charges	\$ 2,148,289	\$ 2,148,289	\$ 2,354,571	\$ 206,282
Penalties and interest	50,000	50,000	55,815	5,815
Tap connection and permit fees	225,000	225,000	158,431	(66,569)
Impact fees				
Investment earnings	1,000	1,000	9,785	8,785
Other	109,000	109,000	107,156	(1,844)
<b>Total Revenues</b>	<u>2,533,289</u>	<u>2,533,289</u>	<u>2,685,758</u>	<u>152,469</u>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
Personnel services	442,500	442,500	318,993	(123,507)
Purchased and contracted	368,000	368,000	463,187	95,187
Consumable materials	89,300	89,300	68,935	(20,365)
Operating costs	429,300	429,300	361,305	(67,995)
Professional fees	154,200	154,200	144,774	(9,426)
Repairs and maintenance	970,685	970,685	975,439	4,754
Debt service			111,116	111,116
<b>Capital Outlay</b>				
<b>Total Expenditures</b>	<u>2,453,985</u>	<u>2,453,985</u>	<u>2,443,749</u>	<u>(10,236)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	79,304	79,304	242,009	162,705
<b><u>Other Financing Sources (Uses)</u></b>				
Internal transfers related to impact fees			(1,533,678)	(1,533,678)
Internal transfers			(59,850)	(59,850)
<b>Total Other Financing Sources (Uses)</b>			<u>(1,593,528)</u>	<u>(1,593,528)</u>
<b>Change in Fund Balance</b>			(1,351,519)	(1,430,823)
Fund Balances - Beginning	966,515	966,515	966,515	
<b>Fund Balances - Ending</b>	<u>\$ 1,045,819</u>	<u>\$ 1,045,819</u>	<u>\$ (385,004)</u>	<u>\$ (1,430,823)</u>

# Brookshire Municipal Water District

## GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 67 & 68, DEFINED BENEFIT PENSION PLAN, SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

### Year Ended August 31, 2023

Year Ending December 31	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b><u>Total Pension Liability</u></b>				
Service cost	\$ 27,372	\$ 21,412	\$ 19,086	\$ 38,401
Interest on total pension liability	141,288	133,401	128,484	128,205
Effect of plan changes				
Effect of assumption changes or inputs		(2,958)	86,879	
Effect of economic/demographic gains or (losses)	12,600	16,453	6,051	(75,072)
Benefit payments	(69,825)	(71,123)	(76,247)	(61,571)
Net change in total pension liability	<u>111,435</u>	<u>97,185</u>	<u>164,253</u>	<u>29,963</u>
Total pension liability, beginning	1,865,958	1,768,773	1,604,520	1,574,557
<b>Total Pension Liability, Ending (a)</b>	<u><u>\$ 1,977,393</u></u>	<u><u>\$ 1,865,958</u></u>	<u><u>\$ 1,768,773</u></u>	<u><u>\$ 1,604,520</u></u>
<b><u>Fiduciary Net Position</u></b>				
Employer contributions	\$ 13,163	\$ 3,304	\$ 8,795	\$ 8,704
Member contributions	16,024	16,640	11,909	15,826
Investment income net of investment expenses	(126,047)	402,659	179,518	250,859
Benefit payments/refunds of contributions	(69,825)	(71,123)	(76,247)	(61,571)
Administrative expenses	(1,194)	(1,195)	(1,361)	(1,325)
Other	(3,876)	(938)	(1,471)	(1,026)
Net Change in Plan Fiduciary Net Position	<u>(171,755)</u>	<u>349,347</u>	<u>121,143</u>	<u>211,467</u>
Fiduciary net position, beginning	2,209,306	1,859,959	1,738,816	1,527,349
<b>Fiduciary Net Position, Ending (b)</b>	<u><u>\$ 2,037,551</u></u>	<u><u>\$ 2,209,306</u></u>	<u><u>\$ 1,859,959</u></u>	<u><u>\$ 1,738,816</u></u>
<b>Net Pension Liability, Ending (a)-(b)</b>	<u><u>\$ (60,158)</u></u>	<u><u>\$ (343,348)</u></u>	<u><u>\$ (91,186)</u></u>	<u><u>\$ (134,296)</u></u>
Fiduciary Net Position as a % of total pension liability	103.04%	118.40%	105.16%	108.37%
Covered Payroll	\$ 228,920	\$ 237,712	\$ 170,125	\$ 226,080
Net Pension Liability as a % of Covered Payroll	-26.28%	-144.44%	-53.60%	-59.40%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

Exhibit C(2)

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 37,164	\$ 34,060	\$ 21,974	\$ 39,496	\$ 40,545	\$
118,528	108,677	97,516	96,168	91,327	
	10,261		(3,794)		
8,513	(4,086)	24,228	14,292	(20,583)	
(30,996)	(29,819)	(28,614)	(75,421)	(60,450)	
<u>133,209</u>	<u>119,093</u>	<u>115,104</u>	<u>19,066</u>	<u>50,839</u>	
1,441,348	1,322,255	1,207,151	1,188,085	1,137,246	
<u>\$ 1,574,557</u>	<u>\$ 1,441,348</u>	<u>\$ 1,322,255</u>	<u>\$ 1,207,151</u>	<u>\$ 1,188,085</u>	<u>\$</u>
\$ 9,094	\$	\$ 7,301	\$ 9,283	\$ 21,286	\$
21,951	19,216	18,596	17,328	24,670	
(29,013)	199,591	94,500	(18,190)	84,118	
(30,996)	(29,819)	(28,614)	(51,675)	(60,450)	
(1,227)	(1,036)	(1,027)	(939)	(1,002)	
159	995	(1,808)	(12,694)	1,268	
<u>(30,032)</u>	<u>188,947</u>	<u>88,948</u>	<u>(56,887)</u>	<u>69,890</u>	
1,557,381	1,368,434	1,279,486	1,336,373	1,266,483	
<u>\$ 1,527,349</u>	<u>\$ 1,557,381</u>	<u>\$ 1,368,434</u>	<u>\$ 1,279,486</u>	<u>\$ 1,336,373</u>	<u>\$</u>
<u>\$ 47,208</u>	<u>\$ (116,033)</u>	<u>\$ (46,179)</u>	<u>\$ (72,335)</u>	<u>\$ (148,288)</u>	<u>\$</u>
97.00%	108.05%	103.49%	105.99%	112.48%	
\$ 313,586	\$ 274,509	\$ 265,654	\$ 247,536	\$ 352,424	\$
15.05%	-42.27%	-17.38%	-29.22%	-42.08%	

# Brookshire Municipal Water District

Exhibit C(3)

## GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 67 & 68, DEFINED BENEFIT PENSION PLAN, SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended August 31, 2023

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll *	Contribution as a % of Covered Payroll
2013	\$ 19,274	\$ 19,285	\$ (11)	\$ 313,914	6.1%
2014	21,286	21,286		352,424	6.0%
2015	9,283	9,283		247,536	3.8%
2016	7,301	7,301		265,654	2.7%
2017				274,509	
2018	9,094	9,094		313,586	2.9%
2019	8,704	8,704		226,080	3.8%
2020	8,795	8,795		170,125	5.2%
2021	3,304	3,304		237,712	1.4%
2022	13,163	13,163		228,920	5.8%

\* Payroll is calculated based on contributions as reported to TCDRS.

### Actuarial Methods and Assumptions Used for Funding Policy

TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. Payroll is calculated based on contributions as reported to TCDRS

#### Valuation Timing

Actuarial determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

#### Actuarial Cost Method

Entry Age Normal

#### Amortization Method

Level percentage of payroll, closed

#### Remaining Amortization Period

20.0 years (based on contribution rate calculated in 12/31/2022 valuation)

#### Asset Valuation Method

5-year smoothed market

#### Inflation

2.50%

#### Salary Increases

varies by age and service. 4.7% average over career including inflation

#### Investment Rate of Return

7.5%, net of administrative and investment expenses, including inflation

#### Retirement Age

Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retiree is 61.

#### Mortality

135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010

#### Changes in Plan Provisions Reflected in the Schedule

2022: No changes in plan provisions are reflected in the Schedule of Employer Contributions.

# Brookshire Municipal Water District

Exhibit C(4)

## SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND REALTED RATIOS TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

Year Ended August 31, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>						
Service Cost	\$ 320	\$ 242	\$ 281	\$ 302	\$ 364	204
Interest (on the Total OPEB Liability)	523	460	477	524	486	439
Changes of assumptions or other inputs	(8,250)	90	2,991	4,591	(2,094)	1,027
Economic/demographic gains or losses	232	2,956	663	(720)	(3)	724
Benefit payments	(137)	(143)	(34)	(45)	(31)	(55)
Net Change in Total Liability	<u>\$ (7,312)</u>	<u>\$ 3,605</u>	<u>\$ 4,378</u>	<u>\$ 4,652</u>	<u>\$ (1,278)</u>	<u>\$ 2,339</u>
Total OPEB liability, beginning	<u>25,142</u>	<u>21,537</u>	<u>17,159</u>	<u>12,507</u>	<u>13,785</u>	<u>11,446</u>
<b>Total OPEB Liability, ending</b>	<u><u>\$ 17,830</u></u>	<u><u>\$ 25,142</u></u>	<u><u>\$ 21,537</u></u>	<u><u>\$ 17,159</u></u>	<u><u>\$ 12,507</u></u>	<u><u>\$ 13,785</u></u>
Covered Employee Payroll	\$ 228,920	\$ 237,712	\$ 170,125	\$ 226,080	\$ 313,586	\$ 274,509
Net OPEB Liability as a Percentage of Covered Employee Payroll	7.79%	10.58%	12.66%	7.59%	3.99%	5.02%

# Brookshire Municipal Water District

Exhibit C(5)

## GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT OTHER POSTEMPLOYMENT BENEFITS - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended August 31, 2023

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll *	Contribution as a % of Covered Payroll
2017	\$ 55	\$ 55	\$	\$ 274,509	0.020%
2018	31	31		313,586	0.010%
2019	45	45		226,080	0.020%
2020	34	34		170,125	0.020%
2021	143	143		237,712	0.060%
2022	137	137		228,920	0.060%

\* Payroll is calculated based on contributions as reported to TCDRS.

### Actuarial Methods and Assumptions Used for Funding Policy

TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 75 indicates the employer should report employer contribution amounts on a fiscal year basis. Payroll is calculated based on contributions as reported to TCDRS

#### Valuation Timing

Actuarial determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

#### Actuarial Cost Method

Entry Age Normal

#### Amortization Method

Straight-line method over expected working life

#### Asset Valuation Method

Does not apply

#### Inflation

Does not apply

#### Salary Increases

Does not apply

#### Investment Rate of Return

3.72% 20 year Bond GO Index published by bondbuyer.com as of December 31,2022

#### Retirement Age

Members eligible for service retirement are assumed to retire at the later of age 60 and earliest retirement eligibility.

#### Mortality

135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality for females, both projected with 100% of the MP-2021 Ultimate scale after 2010



## **ADDITIONAL INFORMATION**

# Brookshire Municipal Water District

## SCHEDULE OF SERVICES AND RATES

**Year Ended August 31, 2023**

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

<u>X</u>	Retail Water	<u>      </u>	Wholesale Water	<u>      </u>	Drainage
<u>X</u>	Retail Sewer	<u>      </u>	Wholesale Sewer	<u>      </u>	Irrigation
<u>      </u>	Parks/Recreation	<u>      </u>	Fire Protection	<u>      </u>	Security
<u>      </u>	Solid Waste/Garbage	<u>      </u>	Flood Control	<u>      </u>	Roads
<u>      </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u>      </u>	Other (specify): _____				

**2. Retail rates based on 5/8" meter**

Retail rates not applicable

The most prevalent type of meter (if not a 5/8"): 1"

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water	<u>20.75</u>	<u>2,500</u>	<u>N</u>	<u>\$ 3.50</u>	<u>2,501 to 5,000</u>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>\$ 3.65</u>	<u>5,001 to 7,500</u>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>\$ 3.75</u>	<u>7,501 to 10,000</u>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>\$ 4.00</u>	<u>10,001 to 15,000</u>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>\$ 4.50</u>	<u>15,001 to 20,000</u>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>\$ 5.25</u>	<u>Over 20,000</u>
Waste	<u>23.50</u>	<u>2,500</u>	<u>N</u>	<u>\$ 3.90</u>	<u>2,501 to 5,000</u>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>\$ 4.05</u>	<u>5,001 to 7,500</u>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>\$ 4.20</u>	<u>7,501 to 10,000</u>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>\$ 4.50</u>	<u>10,001 to 15,000</u>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>\$ 5.15</u>	<u>15,001 to 20,000</u>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>\$ 6.15</u>	<u>Over 20,000</u>

Surcharge 0 Per 1,000 Groundwater Reduction Plan Fee

District employs winter averaging for wastewater usage? Yes    No X

Total water and sewer charges per 10,000 gallons usage (including surcharges) 101.88

**3. Water and Wastewater Retail Connections:**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
< or = .75"	<u>1,821</u>	<u>1,700</u>	x 1.0	<u>1,700</u>
1"	<u>56</u>	<u>56</u>	x 2.5	<u>140</u>
1.5"	<u>13</u>	<u>13</u>	x 5.0	<u>65</u>
2"	<u>51</u>	<u>51</u>	x 8.0	<u>408</u>
3"	<u>6</u>	<u>6</u>	x 15.0	<u>90</u>
4"	<u>6</u>	<u>6</u>	x 25.0	<u>150</u>
6"	<u>2</u>	<u>1</u>	x 50.0	<u>50</u>
8"	<u>1</u>	<u>1</u>	x 80.0	<u>80</u>
Total Water	<u>1,956</u>	<u>1,834</u>	<u>  </u>	<u>2,683</u>
Total Wastewater	<u>1,758</u>	<u>1,636</u>	x 1.0	<u>1,636</u>

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

Gallons pumped into system:	301,548,000
Gallons billed to customers:	155,526,918
Percent of gallons billed to pumped	51.6%

**5. Standby Fees:** Does the District assess standby fees? Yes \_\_\_ No X

For the most recent full fiscal year:

Debt Service:	Total levy	\$ _____
	Total collected	\$ _____
	Percentage collected	_____ %
Operation & Maintenance	Total levy	\$ _____
	Total collected	\$ _____
	Percentage collected	_____ %

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? Yes \_\_\_ No \_\_\_

**6. Location of District:**

County in which District is located. Waller

Is the District located entirely within one county? Yes X No \_\_\_

Is the District located within a city? Entirely \_\_\_ Partly X Not at all \_\_\_

City in which District is located. Brookshire

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

Entirely \_\_\_ Partly X Not at all \_\_\_

ETJ's in which District is located. \_\_\_\_\_

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

Yes \_\_\_ No X

If yes, by whom? \_\_\_\_\_

**Brookshire Municipal Water District**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**  
**Year Ended August 31, 2023**

TSI-2

**Current**

<b>Personnel Services</b>	<u>\$ 318,993</u>
<b>Purchased and Contracted Services:</b>	
Utilities	232,309
Sludge removal	109,758
Other	121,120
	<u>463,187</u>
<b>Consumable Materials and Supplies:</b>	
Materials and maintenance	15,253
Chemicals	41,117
Other	12,565
	<u>68,935</u>
<b>Repairs and Maintenance</b>	<u>975,439</u>
<b>Operating Costs:</b>	
Field office	28,244
Bluebonnet groundwater	21,995
Conferences	10,245
Directors fees	19,946
Insurance	25,895
Tap connections	35,860
Other	219,120
	<u>361,305</u>
<b>Professional Fees:</b>	
Legal	88,213
Engineering	14,979
Audit	22,750
Bookkeeper	18,832
	<u>144,774</u>
<b>Capital Outlay</b>	<u>                  </u>
<b>Debt Service</b>	<u>111,116</u>
<b>Total Expenditures</b>	<u><u>\$ 2,443,749</u></u>

# Brookshire Municipal Water District

TSI-3

## SCHEDULE OF CASH AND TEMPORARY INVESTMENTS

Year Ended August 31, 2023

Funds	Interest Rate (%)	Maturity Date	Balances at August 31, 2023	Accrued Interest
<b><u>General Fund</u></b>				
Checking	N/A	N/A	\$ 391,100	\$
TexPool	Variable	N/A	1,175	
Texas Class	Variable	N/A	218,917	
<b>Total General Fund</b>			611,192	
<b><u>Debt Service Fund</u></b>				
Checking	N/A	N/A	\$ 238,366	\$
<b>Total Debt Service Fund</b>			238,366	
<b><u>Capital Projects Fund</u></b>				
Checking	N/A	N/A	\$ 386,739	\$
Texas Class	Variable	N/A	1,239,024	
<b>Total Capital Projects Fund</b>			1,625,763	
<b>Total - All Funds</b>			\$ 2,475,321	\$ -0-

# Brookshire Municipal Water District

TSI-4

## ANALYSIS OF TAXES LEVIED AND RECEIVABLE

Year Ended August 31, 2023

	General Fund	Debt Service Fund	Total
Taxes Receivable - September 01, 2022	\$	\$ 4,470	\$ 4,470
Adjustments		(1,567)	(1,567)
2022 Original Tax Roll		55,082	55,082
Additions and corrections		(305)	(305)
Adjusted tax roll		54,777	54,777
<b>Total to be Accounted for</b>		57,680	57,680
<b><u>Tax Collections</u></b>			
Current year		51,603	51,603
Prior years		227	227
<b>Total Collections</b>		51,830	51,830
<b>Taxes Receivable - August 31, 2023</b>	\$	\$ 5,850	\$ 5,850

**Taxes Receivable - By Year**

2022	\$	\$ 3,174	\$ 3,174
2021		785	785
2020		726	726
2019		488	488
2018 and prior		677	677
<b>Taxes Receivable - August 31, 2023</b>	\$	\$ 5,850	\$ 5,850

**Assessed**

	2022	2021	2020	2019	2018
<b><u>Property Valuations</u></b>					
Land, improvements and personal property	\$ 547,767,754	\$ 442,313,833	\$ 391,900,000	\$ 352,097,722	\$ 289,450,810
	\$ 547,767,754	\$ 442,313,833	\$ 391,900,000	\$ 352,097,722	\$ 289,450,810

**Tax Rates Per \$100**

<b><u>Valuations</u></b>					
Debt service	\$ 0.010	\$ 0.012	\$ 0.015	\$ 0.018	\$ 0.021
General operations					
<b>Total Tax Rate per \$100 Valuation</b>	\$ 0.010	\$ 0.012	\$ 0.015	\$ 0.018	\$ 0.021
<b>Adjusted Tax Levy</b>	\$ 54,777	\$ 53,078	\$ 58,785	\$ 63,378	\$ 60,785

**Year Ended August 31, 2023**

Percent of current taxes collected to current taxes levied (as adjusted)	94.2%
Percent of current and delinquent taxes collected to current levied (as adjusted) and delinquent taxes outstanding at the beginning of the year (as adjusted)	89.9%



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# Brookshire Municipal Water District

TSI-6

## ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT

**August 31, 2023**

	<b>Bond Issue</b>			<b>Total</b>
	<b>2013</b>	<b>2019A</b>	<b>2019B</b>	
Interest rate	1.7-3.6%		.06-1.14%	
Dates interest payable	2/1;8/1	2/1;8/1	2/1;8/1	
Maturity dates	8/1/14- 8/1/36	8/1/20- 8/1/48	8/1/21- 8/1/48	
Bonds payable at beginning of year	\$ 605,000	\$ 955,000	\$ 1,180,000	\$ 2,740,000
Bonds sold				
Bonds refunded				
Principal retirements	<u>(30,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>(100,000)</u>
<b>Bonds Payable at End of Year</b>	<b><u>\$ 575,000</u></b>	<b><u>\$ 920,000</u></b>	<b><u>\$ 1,145,000</u></b>	<b><u>\$ 2,640,000</u></b>
 <b>Interest Retirements</b>	 <b><u>\$ 23,432</u></b>	 <b><u>\$</u></b>	 <b><u>\$ 9,304</u></b>	 <b><u>\$ 32,736</u></b>
 <b><u>Paying Agent/Registrar</u></b>				
2013	Bank of Texas			
2019A and 2019B	Zion Bank			
 Debt Service Fund Cash and Temporary Investment Balances at End of Year	 <u>\$ 238,366</u>			
Average Annual Debt Service Payment for Remaining Term of all Debt	 <u>\$ 118,810</u>			

# Brookshire Municipal Water District

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL AND DEBT SERVICE FUNDS

### Last Five Fiscal Years

	Amounts				
	2023	2022	2021	2020	2019
<b>General Fund Revenues</b>					
Water and sewer service	\$ 2,354,571	\$ 1,939,872	\$ 1,657,365	\$ 1,477,464	\$ 1,479,057
Tap connections, penalties interest and other	331,187	424,171	584,420	334,324	1,219,023
<b>Total Revenues</b>	2,685,758	2,364,043	2,241,785	1,811,788	2,698,080
<b>General Fund Expenditures</b>					
Current	2,443,749	2,374,389	2,624,836	2,268,419	2,455,736
Capital outlay				29,656	
<b>Total Expenditures</b>	2,443,749	2,374,389	2,624,836	2,298,075	2,455,736
<b>Revenues Over (Under) Expenditures</b>	\$ 242,009	\$ (10,346)	\$ (383,051)	\$ (486,287)	\$ 242,344
 <b>Debt Service Fund Revenues</b>					
Prop. taxes and penalties	\$ 53,030	\$ 55,218	\$ 60,116	\$ 63,317	\$ 59,562
Interest	365	68	10	130	154
<b>Total Revenues</b>	53,395	55,286	60,126	63,447	59,716
 <b>Debt Service Fund Expenditures</b>					
Tax collection	800	800	1,110	864	1,141
Debt service	53,432	54,362	50,112	54,075	51,588
<b>Total Expenditures</b>	54,232	55,162	51,222	54,939	52,729
<b>Revenues Over (Under) Expenditures</b>	\$ (837)	\$ 124	\$ 8,904	\$ 8,508	\$ 6,987

<b>Percent of Total Fund Revenues</b>				
<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
87.7 %	82.1 %	73.9 %	81.5 %	54.8 %
12.3	17.9	26.1	18.5	45.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
91.0	100.4	117.1	125.2	91.0
			1.6	
<u>91.0</u>	<u>100.4</u>	<u>117.1</u>	<u>126.8</u>	<u>91.0</u>
<u>9.0 %</u>	<u>(0.4) %</u>	<u>(17.1) %</u>	<u>(26.8) %</u>	<u>9.0 %</u>
99.3 %	99.9 %	100.0 %	99.8 %	99.7 %
0.7	0.1		0.2	0.3
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
1.5	1.4	1.8	1.4	1.9
100.1	98.3	83.3	85.2	86.4
<u>101.6</u>	<u>99.7</u>	<u>85.1</u>	<u>86.6</u>	<u>88.3</u>
<u>(1.6) %</u>	<u>0.3 %</u>	<u>14.9 %</u>	<u>13.4 %</u>	<u>11.7 %</u>

# Brookshire Municipal Water District

## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

**August 31, 2023**

District's Mailing Address: P.O. Box 1850  
Brookshire, Texas 77423  
District's Business Telephone Number: (281) 375-5010

Submission Date of the most recent District Registration From  
(TWC Section 36.054 and 49.054): 4/6/2023

<u>Name and Address</u>	<u>Term</u>	<u>Fees</u>	<u>Expenses</u>	<u>Title</u>	<u>Resident of District?</u>
<b><u>Board Members</u></b>					
Stephanie Green	5/22- 5/26	\$ 5,501	\$	President	yes
LaKethia Connor	11/20- 5/24	5,280		Vice President	yes
Vacant	11/20- 5/24			Assistant Secretary	yes
Shirley Williams	11/20- 5/24	4,097		Investment Officer	yes
Erin Jackson	5/22- 5/26	4,468		Secretary	yes
Michael Whitaker		600		Resigned	

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

<u>Name and Address</u>	<u>Term or Date Hire</u>	<u>Salaries and Fees</u>	<u>Title</u>	<u>Resident of District?</u>
<b><u>Key Administrative Personnel</u></b>				
Tonya Pierre	6/06	\$ 76,292	General Manager	No
<b><u>Consultants</u></b>				
Radcliffe Bobbitt Adams Polley PLLC America Tower 2929 Allen Parkway, Ste. 3450 Houston, Texas 77019	8/06	94,372	Attorney	No
Municipal Operations & Consulting, Inc. 1825 N. Mason Road Katy, Texas 77449	7/10	889,047	Operating Services	No
Knox Cox & Co. 77 Sugar Creek Center Blvd. #215 Sugar Land, Texas 77478	8/16	22,750	Auditor	No
Clay & Leyendecker 1350 Avenue D Katy, Texas 77493	9/74	38,039	Engineer	No
Protocol Bookkeeping, Inc. 1506 Whispering Pines Houston, Texas 77055	8/16	17,716	Bookkeeper	No

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