

BROOKSHIRE MUNICIPAL
WATER DISTRICT
BROOKSHIRE, TEXAS
FINANCIAL REPORT
August 31, 2022

--ooOoo--

CONTENTS

	<u>Exhibits</u>	<u>Page</u>
<u>FINANCIAL SECTION</u>		
Independent Auditors' Report		1-2
Management's Discussion and Analysis		3-8
<u>Basic Financial Statements</u>		
Government-wide and Fund Financial Statements		
Statement of Net Position and Governmental Funds Balance Sheet	B(1)	10-11
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance	B(2)	12-13
Notes to Financial Statements	B(3)	15-38
<u>Required Supplementary Information</u>		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	C(1)	41
Governmental Accounting Standards Board Statement Nos. 67 & 68, <i>Defined Benefit Pension Plan</i> , Schedule of Changes in Net Position Liability and Related Ratios	C(2)	42-43
Governmental Accounting Standards Board Statement Nos. 67 & 68, <i>Defined Benefit Pension Plan</i> , Schedule of Employer Contributions	C(3)	44
Schedule of Changes in Total OPEB Liability and Related Ratios – Texas County & District Retirement System	C(4)	45
Governmental Accounting Standards Board Statement Nos. 67 & 68, <i>Defined Benefit Pension Plan</i> , Schedule of Employer Contributions	C(5)	46
<u>Schedules</u>		
<u>TEXAS SUPPLEMENTARY INFORMATION</u>		
Schedule of Services and Rates	TSI-1	48-49
Schedule of General Fund Expenditures	TSI-2	50
Schedule of Temporary Investments	TSI-3	51
Analysis of Taxes Levied and Receivable	TSI-4	52
Long-Term Debt Service Requirements by Years	TSI-5	53
Analysis of Changes in Long-Term Bonded Debt	TSI-6	54
Comparative Schedule of Revenues and Expenditures - General and Debt Service Funds	TSI-7	56-57
Board Members, Key Personnel, and Consultants	TSI-8	58-59

--ooOoo--



Certified Public Accountants

8410 Highway 90A, Suite 150 | Sugar Land, Texas 77478

main: 346-772-2860 | fax: 346-772-2853

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, 2022, 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, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, Issued by the Comptroller General of the United States. 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 \$733,838 for the year ending Brookshire Municipal Water District August 31, 2022. 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; and for 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 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 and *Government 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 and *Government 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

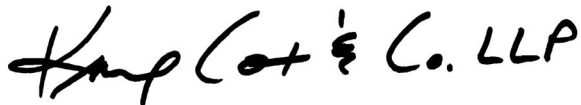
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 34, respectively, be presented to supplement the basic financial statements. Such information is the responsibility 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance



Sugar Land, Texas
February 20, 2023

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, 2022.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,286,013 (Net Position).
- As of August 31, 2022, the District's governmental funds reported an ending fund balance of \$1,481,200.
- The District's cash balance at August 31, 2022 was \$2,240,132, representing an decrease of \$1,376,052 from August 31, 2021.
- The District had general revenues of \$2,638,214 and a change in net position of \$186,083 for the year ended August 31, 2022.
- At the end of the fiscal year, unrestricted and unassigned fund balance for the General Fund was (\$733,838), or a negative 30.9 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 \$3,286,013 as of August 31, 2022.

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 \$665,399.

SUMMARY OF STATEMENT OF NET POSITION

	Governmental Activities	
	2022	2021
Current and other assets	\$ 2,896,910	\$ 3,982,124
Capital assets, net	4,460,615	3,406,808
Total Assets	<u>7,357,525</u>	<u>7,388,932</u>
Deferred Outflows	<u>21,991</u>	<u>14,924</u>
Long-term liabilities	2,743,702	2,834,922
Other liabilities	1,093,034	1,401,640
Total Liabilities	<u>3,836,736</u>	<u>4,236,562</u>
Deferred Inflows	<u>256,767</u>	<u>67,364</u>
Net Position:		
Net investment in capital assets	3,715,986	2,049,161
Restricted	235,426	1,750,122
Unrestricted	(665,399)	(699,353)
Total Net Position	<u>\$ 3,286,013</u>	<u>\$ 3,099,930</u>

Net position of the District, all of which relate to governmental activities, increased by \$186,083. Key elements of the increase are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	2022	2021
Revenues		
Water and sewer charges	\$ 1,939,872	\$ 1,657,365
Property taxes, penalties and interest	104,187	108,673
Tap connection fees	266,235	247,733
Impact fees	211,277	223,987
Investment income and other	116,643	65,229
Total Revenues	<u>2,638,214</u>	<u>2,302,987</u>
Expenses		
Personnel services	257,553	350,289
Purchased and contracted services	422,905	331,468
Operating costs and consumable materials	420,633	578,697
Professional fees	152,834	137,370
Repairs and maintenance	983,556	1,242,974
Debt Service	34,629	34,374
Depreciation and amortization	180,021	182,640
Total Expenses	<u>2,452,131</u>	<u>2,857,812</u>
Change in Net Position	186,083	(554,825)
Net position, beginning	<u>3,099,930</u>	<u>3,654,755</u>
Net Position, Ending	<u>\$ 3,286,013</u>	<u>\$ 3,099,930</u>

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, 2022, the District's governmental funds, which consist of a general fund, debt service fund and capital project fund reported an ending fund balance of \$1,481,200, which is an decrease of \$1,024,941 from last year's total of \$2,506,141. 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 31% percent of total general fund expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets as of August 31, 2022 amounts to \$4,460,615 (net of accumulated depreciation). This investment in capital assets includes infrastructure.

CAPITAL ASSETS SCHEDULE (net of depreciation)

	Governmental Activities	
	2022	2021
Capital assets not being depreciated:		
Land	\$ 227,468	\$ 227,468
Construction in progress	2,054,097	820,269
	<u>2,281,565</u>	<u>1,047,737</u>
Capital assets being depreciated:		
Buildings	340,345	340,345
Furniture and equipment	632,002	632,002
Water system	1,847,064	1,847,064
Wastewater system	4,939,482	4,939,482
	<u>7,758,893</u>	<u>7,758,893</u>
Less: accumulated depreciation	<u>(5,579,843)</u>	<u>(5,399,822)</u>
	<u>2,179,050</u>	<u>2,359,071</u>
Total Capital Assets, Net	<u>\$ 4,460,615</u>	<u>\$ 3,406,808</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, 2022, the District has a total bonded debt outstanding of \$2,740,000. Interest expense for the 2022 fiscal year totaled \$34,629 on this bonded debt. The District's outstanding bonds have maturities ranging from 2023 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 decreased by \$29,428 to a negative \$733,838. A increase of \$258,930 was projected. The decrease in the current year was primarily due to repair and maintenance expenses exceeding expectations. The District is currently working on plans to increase revenues and decrease expenditures in the near future to help resolve the 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, 2022

	General	Debt Service	Capital Projects
<u>Assets and Deferred Outflows</u>			
Cash and temporary investments	\$ 387,748	\$ 231,256	\$ 1,621,128
Receivables:			
Property taxes		4,470	
Customer service accounts, net	308,960		
Internal receivables			483,786
Net pension asset			
Capital assets, net of accumulated depreciation:			
Land			
Construction in progress			
Building and equipment			
Infrastructure			
Total Assets	696,708	235,726	2,104,914
<u>Deferred Outflows of Resources</u>			
Deferred outflows- pension and OPEB			
Total Deferred Outflows of Resources			
Total Assets and Deferred Outflows	\$ 696,708	\$ 235,726	\$ 2,104,914
<u>Liabilities, Deferred Inflows and Fund Balances/Net Position</u>			
Accounts payable and accrued liabilities	176,790		33,416
Customer deposits	232,428		
Developer deposits	455,295		
Retainage payable			85,141
Internal payables	481,211	300	2,275
Due to City of Brookshire	84,822		
OPEB liability			
Long-Term Liabilities:			
Compensated absences			
Accrued interest on bonds			
Unamortized bond discount			
Current portion of bonds			
Long-term portion of bonds			
Total Liabilities	1,430,546	300	120,832
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pension and OPEB			
Unavailable revenue - property taxes		4,470	
Total Deferred Inflows of Resources			
<u>Fund Balances/Net Position</u>			
Fund Balances:			
Restricted for debt service		230,956	
Restricted for capital projects			1,984,082
Restricted for authorized construction			
Unrestricted and unassigned	(733,838)		
Total Fund Balances	(733,838)	230,956	1,984,082
Total Liabilities, Deferred Inflows and Fund Balances	\$ 696,708	\$ 235,726	\$ 2,104,914
Net Position:			
Net investment in capital assets			
Restricted			
Unrestricted			
Total Net Position			

See Notes to Financial Statements.

Exhibit B(1)

<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
\$ 2,240,132	\$	\$ 2,240,132
4,470		4,470
308,960		308,960
483,786	(483,786)	
	343,348	343,348
	227,468	227,468
	2,054,097	2,054,097
	248,176	248,176
	1,930,874	1,930,874
<u>3,037,348</u>	<u>4,320,177</u>	<u>7,357,525</u>
	21,991	21,991
	<u>21,991</u>	<u>21,991</u>
<u>\$ 3,037,348</u>		
210,206		210,206
232,428		232,428
455,295		455,295
85,141		85,141
483,786	(483,786)	
84,822		84,822
	25,142	25,142
	14,991	14,991
	1,952	1,952
	(13,241)	(13,241)
	100,000	100,000
	2,640,000	2,640,000
<u>1,551,678</u>	<u>2,285,058</u>	<u>3,836,736</u>
	256,767	256,767
<u>4,470</u>	<u>(4,470)</u>	<u>256,767</u>
	252,297	
230,956	(230,956)	
1,984,082	(1,984,082)	
(733,838)	733,838	
<u>1,481,200</u>	<u>(1,481,200)</u>	
<u>\$ 3,037,348</u>		
	3,715,986	3,715,986
	235,426	235,426
	(665,399)	(665,399)
	<u>\$ 3,286,013</u>	<u>\$ 3,286,013</u>

Brookshire Municipal Water District

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

Year Ended August 31, 2022

	General	Debt Service	Capital Projects
<u>Revenues</u>			
Water and sewer service charges	\$ 1,939,872	\$	\$
Property taxes		53,245	
Penalties and interest	49,193	1,973	
Tap connection and permit fees	266,235		
Impact Fees			211,277
Investment earnings	1,249	68	7,832
Other	107,494		
Total Revenues	2,364,043	55,286	219,109
<u>Expenditures/Expenses</u>			
Current:			
Personnel services	320,936		
Purchased and contracted services	422,905		
Consumable materials and supplies	77,677		
Operating costs	342,956		
Professional fees	152,034	800	
Repairs and maintenance	983,556		
Capital Outlay			1,233,828
Debt Service			
Principal	65,000	30,000	
Interest and fiscal charges	9,325	24,362	
Depreciation and amortization			
Total Expenditures/Expenses	2,374,389	55,162	1,233,828
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,346)	124	(1,014,719)
<u>Other Financing Sources (Uses)</u>			
Internal transfers related to impact fees	(1,533,678)		1,533,678
Internal transfers	(156,329)	156,329	
Total Other Financing Sources (Uses)	(1,690,007)	156,329	1,533,678
Change in Fund Balance	(1,700,353)	156,453	518,959
Change in Net Position			
Fund Balances/Net Position - Beginning	966,515	74,503	1,465,123
Fund Balances/Net Position - Ending	\$ (733,838)	\$ 230,956	\$ 1,984,082

Exhibit B(2)

<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
\$ 1,939,872	\$	\$ 1,939,872
53,245	(224)	53,021
51,166		51,166
266,235		266,235
211,277		211,277
9,149		9,149
107,494		107,494
<u>2,638,438</u>	<u>(224)</u>	<u>2,638,214</u>
320,936	(63,383)	257,553
422,905		422,905
77,677		77,677
342,956		342,956
152,834		152,834
983,556		983,556
1,233,828	(1,233,828)	
95,000	(95,000)	
33,687	942	34,629
	180,021	180,021
<u>3,663,379</u>	<u>(1,211,248)</u>	<u>2,452,131</u>
(1,024,941)	1,211,024	
<u>(1,024,941)</u>		
	186,083	186,083
2,506,141	593,789	3,099,930
<u>\$ 1,481,200</u>	<u>\$ 1,804,813</u>	<u>\$ 3,286,013</u>

(This Page Intentionally Left Blank)

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 51st 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, 2022.

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.

H. 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.

Brookshire Municipal Water District

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

I. 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:

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

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

K. Compensated Employee Absences

Compensated employee absences, which include unpaid vacation and sick leave, are accumulated during employment. At August 31, 2022, amounts accrued for compensated employee absences are \$14,991.

L. 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.

Brookshire Municipal Water District

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

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.

M. 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.

N. 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.

O. 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.

P. 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.

Q. Date of Management's Review

Subsequent events have been evaluated through February 20, 2023, which is the date the financial statements were available to be issued.

Brookshire Municipal Water District

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

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	\$	1,481,200
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		4,460,615
Net pension asset is not a financial resource and is not report in the funds.		365,339
OPEB liability is not a financial resource and is not report in the funds.		(25,142)
Deferred inflows and outflows of resources related to changes in net pension asset and OPEB Liability that are not reported in the funds.		(256,767)
Property tax revenue recognition and other deferred inflows of resources are subject to availability of funds in the fund financial statements.		4,470
Some liabilities, are not due and payable in the current period, and therefore are not reported in the funds		(14,991)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.		<u>(2,728,711)</u>
Net Position of Governmental Activities	\$	<u>3,286,013</u>

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	\$ (1,024,941)
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 capital outlay exceeded depreciation in the current period	1,053,807
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.	95,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(224)
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.	<u>62,441</u>
Change in Net Position of Governmental Activities	<u>\$ 186,083</u>

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, 2022, are as follows:

	<u>Checking</u>	<u>TexPool</u>	<u>Texas Class</u>	<u>Total</u>
General	\$ 177,441	\$ 1,126	\$ 209,181	\$ 387,748
Debt Service	231,256			231,256
Capital Projects	437,208		1,183,920	1,621,128
	<u>\$ 845,905</u>	<u>\$ 1,126</u>	<u>\$ 1,393,101</u>	<u>\$ 2,240,132</u>

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, 2022.

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 1st and delinquent personal property after April 1st 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 \$0.012 per \$100 of assessed valuation of which all was allocated to debt service. The resulting tax levy was \$53,078 on the adjusted taxable valuation of \$442,313,833 for the 2021 tax year.

Property taxes receivable at August 31, 2022, consisted of the following:

	Debt Service Fund	Total
2021 Levy	\$ 1,574	\$ 1,574
2020 Levy	976	976
2019 Levy	641	641
2018 Levy	554	554
2017 and prior	725	725
Total Property Taxes Receivable	\$ 4,470	\$ 4,470

Brookshire Municipal Water District

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - RECEIVABLES

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

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Receivables:			
Taxes	\$	\$ 4,470	\$ 4,470
Accounts	308,960		308,960
Total Receivables	<u>\$ 308,960</u>	<u>\$ 4,470</u>	<u>\$ 313,430</u>

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:

	<u>Unavailable</u>
Delinquent property taxes receivable - debt service fund	\$ 4,470
Total Deferred Inflows for Governmental Funds	<u>\$ 4,470</u>

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2022, follows:

	<u>Sept. 1, 2021</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Aug. 31, 2022</u>
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 227,468	\$	\$	\$ 227,468
Construction in progress	820,269	1,233,828		2,054,097
Total Non-depreciable Assets	<u>1,047,737</u>	<u>1,233,828</u>		<u>2,281,565</u>
Depreciable Assets:				
Buildings and improvements	340,345			340,345
Vehicles and equipment	632,002			632,002
Water system	1,847,064			1,847,064
Wastewater system	4,939,482			4,939,482
Total Depreciable Assets	<u>7,758,893</u>			<u>7,758,893</u>
Less Accumulated Depreciation	<u>(5,399,822)</u>	<u>(180,021)</u>		<u>(5,579,843)</u>
Totals	<u>\$ 3,406,808</u>	<u>\$ 1,053,807</u>	<u>\$</u>	<u>\$ 4,460,615</u>

Depreciation expense for the year ended August 31, 2022, totaled \$180,021.

Brookshire Municipal Water District

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

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, 2022:

Bonds payable, September 1, 2021	\$	2,835,000
Bonds retired		<u>(95,000)</u>
Bonds Payable, August 31, 2022	\$	<u>2,740,000</u>

Bonds payable at August 31, 2022, are comprised of the following individual issue:

	<u>Amounts Outstanding</u>	<u>Interest Rate</u>	<u>Date Serially Begin/End</u>	<u>Maturity Interest Dates</u>	<u>Callable Date</u>
2013	\$605,000	1.70% - 3.60%	1-Aug 2014/2036	Feb. 1/ August 1	August 1, 2021*
2019A	\$955,000		1-Aug 2020/2048	Feb. 1/ August 1	February 1, 2030*
2019B	\$1,180,000	.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.

Brookshire Municipal Water District

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

As of August 31, 2022, 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>
2023	\$ 100,000	32,737	\$ 132,737
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
2028-2032	595,000	113,931	708,931
2033-2037	620,000	58,220	678,220
2038-2042	435,000	25,434	460,434
2043-Thereafter	560,000	12,811	572,811
	<u>\$ 2,740,000</u>	<u>\$ 362,979</u>	<u>\$ 3,102,979</u>

At August 31, 2022, 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.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2022, was as follows:

	<u>Balance</u> <u>Sept. 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Aug. 31, 2022</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Governmental Activities:					
General obligation tax bonds	\$ 635,000	\$	\$ (30,000)	\$ 605,000	\$ 30,000
Revenue bonds	2,200,000		(65,000)	2,135,000	70,000
Unamortized bond discount	(14,260)		1,019	(13,241)	
Compensated absences	12,152	2,839		14,991	
Total Long-term Debt	<u>2,832,892</u>	<u>2,839</u>	<u>(93,981)</u>	<u>2,741,750</u>	<u>100,000</u>

The Debt Service Fund has \$230,956 available to service the above bonds, which includes \$143,976 to meet Reserve and Sinking and Interest Fund requirements, as set forth in the District's 2019A and 2019B Bond Order.

Brookshire Municipal Water District

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

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.

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statues 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.

At the December 31, 2021 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><u>33</u></u>

Brookshire Municipal Water District

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

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 2021 and 2022 respectively. Total employer contributions for the year ended August 31, 2022 was \$10,262.

Actuarial Assumptions

The Net Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	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.
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and services. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of 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 retirees is 61.
Mortality	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 2022 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.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equity	11.5%	4.25%
Private Equity	25.0%	7.50%
Global Equities	2.5%	4.55%
International Equities-Developed	5.0%	4.25%
International Equities-Emerging	6.0%	4.75%
Investment-Grade Bonds	3.0%	-0.85%
Strategic Credit	9.0%	2.11%
Direct Lending	16.0%	6.70%
Distressed Debt	4.0%	5.70%
REIT Equities	2.0%	3.45%
Master Limited Partnerships	2.0%	5.10%
Private Real Estate Partnerships	6.0%	4.90%
Hedge Funds	6.0%	1.85%
Cash equivalents	2.0%	-0.70%
Total	100.0%	

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)
Balance at 12/31/20	\$ 1,768,773	\$ 1,859,959	\$ (91,186)
Changes for the year:			
Service cost	21,412		21,412
Interest on total pension liability	133,401		133,401
Effect of plan changes			
Effect of economic/demographic gains or losses	16,453		16,453
Effect of assumptions changes or inputs	(2,958)		(2,958)
Refund of contributions	(1,298)	(1,298)	
Benefit payments	(69,825)	(69,825)	
Administrative expenses		(1,195)	1,195
Member contributions		16,640	(16,640)
Net investment income		402,659	(402,659)
Employer contributions		3,304	(3,304)
Other		(938)	938
Net Changes	97,185	349,347	(252,162)
Balance at 12/31/21	\$ 1,865,958	\$ 2,209,306	\$ (343,348)

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	\$ 2,102,403	\$ 1,865,958	\$ 1,668,335
Fiduciary net position	2,209,306	2,209,306	2,209,306
District's net pension liability (asset)	\$ (106,903)	\$ (343,348)	\$ (540,971)

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

	<u>Pension Expense</u>	
	January 1, 2021 to December 31, 2021	
Pension Expense		
Service cost	\$	21,412
Interest on total pension liability (1)		133,401
Effect of plan changes		
Administrative expenses		1,195
Member contributions		(16,640)
Expected investment return net of investment expenses		(139,368)
Recognition of economic/demographic gains and losses		16,453
Recognition of assumption changes or inputs		(2,958)
Recognition of investment gains and losses		(73,409)
Other (2)		938
Total Pension Expense	\$	<u>(58,976)</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, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$	\$
Changes in actuarial assumptions		
Net difference between projected and actual investment earnings	255,686	
Contributions subsequent to the measurement date		16,633
Totals	\$ 255,686	\$ 16,633

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:

<u>Year Ended Dec 31:</u>	
2020	\$ (55,573)
2021	(86,596)
2022	(60,858)
2023	(52,659)
2024	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.

At December 31, 2021, 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 2021 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

Valuation Date	December 31, 2021
Actuarial Cost Method	Entry Age Level Percent of Salary
Amortization Method	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return	2.06%
Mortality:	
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 2.06% based on the 20 Year bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2021.

Brookshire Municipal Water District

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Changes in the Total OPEB Liability

	Changes in Total OPEB Liability
Balance at 12/31/20	\$ 21,537
Changes for the year:	
Service cost	242
Interest on OPEB liability	460
Effect of plan changes	
Effect of economic/demographic gains or losses	2,956
Effect of assumptions changes or inputs	90
Benefit payments	<u>(143)</u>
Net Changes	<u>3,605</u>
Balance at 12/31/21	<u>\$ 25,142</u>

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

	1% Decrease in Discount Rate 1.06%	Current Discount Rate 2.06%	1% Increase in Discount Rate 3.06%
Total OPEB Liability	\$ 32,405	\$ 25,142	\$ 19,769

At August 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 183	\$ 2,646
Changes in actuarial assumptions	898	2,503
Contributions subsequent to the measurement date		209
Totals	\$ 1,081	\$ 5,358

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:

Year Ended Dec 31:		
2021	\$	2,898
2022		713
2023		457
2024		0
2025		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, 2022, 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, 2022, Brookwood has contributed \$630,000 of which \$114,756 is recorded as a liability on the District's financials. Approximately \$476,722 of the construction costs have been incurred as of August 31, 2022.

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 \$733,838 and a deficit unrestricted net position of \$665,399 for the year ending August 31, 2022. 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. 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, 2022, the District recorded an unrestricted and unassigned fund balance deficit in the General Fund of \$733,838 and an unrestricted net position deficit of \$665,399. The District's current 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 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 plans to implement another rate increase in fiscal year 2023. 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 year 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 plans to submit a Corrective Action Plan with the Texas Water Development Board. Management expects to be in compliance with all bond covenants in fiscal year 2023.

REQUIRED SUPPLEMENTARY INFORMATION

(This Page Intentionally Left Blank)

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, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Water and sewer service charges	\$ 2,005,000	\$ 2,005,000	\$ 1,939,872	\$ (65,128)
Penalties and interest	59,000	59,000	49,193	(9,807)
Tap connection and permit fees	230,000	230,000	266,235	36,235
Impact fees				
Investment earnings	1,000	1,000	1,249	249
Other	45,500	45,500	107,494	61,994
Total Revenues	<u>2,340,500</u>	<u>2,340,500</u>	<u>2,364,043</u>	<u>23,543</u>
<u>Expenditures</u>				
Current:				
Personnel services	384,870	384,870	320,936	(63,934)
Purchased and contracted	338,000	338,000	422,905	84,905
Consumable materials	126,800	126,800	77,677	(49,123)
Operating costs	376,700	376,700	342,956	(33,744)
Professional fees	154,200	154,200	152,034	(2,166)
Repairs and maintenance	701,000	701,000	983,556	282,556
Debt service			74,325	74,325
Capital Outlay				
Total Expenditures	<u>2,081,570</u>	<u>2,081,570</u>	<u>2,374,389</u>	<u>292,819</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	258,930	258,930	(10,346)	(269,276)
<u>Other Financing Sources (Uses)</u>				
Internal transfers related to impact fees			(1,533,678)	(1,533,678)
Internal transfers			(156,329)	(156,329)
Total Other Financing Sources (Uses)			<u>(1,690,007)</u>	<u>(1,690,007)</u>
Change in Fund Balance			(1,700,353)	(1,959,283)
Fund Balances - Beginning	966,515	966,515	966,515	
Fund Balances - Ending	<u>\$ 1,225,445</u>	<u>\$ 1,225,445</u>	<u>\$ (733,838)</u>	<u>\$ (1,959,283)</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, 2022

Year Ending December 31	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Total Pension Liability</u>				
Service cost	\$ 21,412	\$ 19,086	\$ 38,401	\$ 37,164
Interest on total pension liability	133,401	128,484	128,205	118,528
Effect of plan changes				
Effect of assumption changes or inputs	(2,958)	86,879		
Effect of economic/demographic gains or (losses)	16,453	6,051	(75,072)	8,513
Benefit payments	(71,123)	(76,247)	(61,571)	(30,996)
Net change in total pension liability	<u>97,185</u>	<u>164,253</u>	<u>29,963</u>	<u>133,209</u>
Total pension liability, beginning	1,768,773	1,604,520	1,574,557	1,441,348
Total Pension Liability, Ending (a)	<u><u>\$ 1,865,958</u></u>	<u><u>\$ 1,768,773</u></u>	<u><u>\$ 1,604,520</u></u>	<u><u>\$ 1,574,557</u></u>
<u>Fiduciary Net Position</u>				
Employer contributions	\$ 3,304	\$ 8,795	\$ 8,704	\$ 9,094
Member contributions	16,640	11,909	15,826	21,951
Investment income net of investment expenses	402,659	179,518	250,859	(29,013)
Benefit payments/refunds of contributions	(71,123)	(76,247)	(61,571)	(30,996)
Administrative expenses	(1,195)	(1,361)	(1,325)	(1,227)
Other	(938)	(1,471)	(1,026)	159
Net Change in Plan Fiduciary Net Position	<u>349,347</u>	<u>121,143</u>	<u>211,467</u>	<u>(30,032)</u>
Fiduciary net position, beginning	1,859,959	1,738,816	1,527,349	1,557,381
Fiduciary Net Position, Ending (b)	<u><u>\$ 2,209,306</u></u>	<u><u>\$ 1,859,959</u></u>	<u><u>\$ 1,738,816</u></u>	<u><u>\$ 1,527,349</u></u>
Net Pension Liability, Ending (a)-(b)	<u><u>\$ (343,348)</u></u>	<u><u>\$ (91,186)</u></u>	<u><u>\$ (134,296)</u></u>	<u><u>\$ 47,208</u></u>
Fiduciary Net Position as a % of total pension liability	118.40%	105.16%	108.37%	97.00%
Covered Payroll	\$ 237,712	\$ 170,125	\$ 226,080	\$ 313,586
Net Pension Liability as a % of Covered Payroll	-144.44%	-53.60%	-59.40%	15.05%

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 34,060	\$ 21,974	\$ 39,496	\$ 40,545	\$	\$
108,677	97,516	96,168	91,327		
		(3,794)			
10,261		14,292			
(4,086)	24,228	(75,421)	(20,583)		
(29,819)	(28,614)	(51,675)	(60,450)		
<u>119,093</u>	<u>115,104</u>	<u>19,066</u>	<u>50,839</u>		
1,322,255	1,207,151	1,188,085	1,137,246		
<u>\$ 1,441,348</u>	<u>\$ 1,322,255</u>	<u>\$ 1,207,151</u>	<u>\$ 1,188,085</u>	<u>\$</u>	<u>\$</u>
\$	\$ 7,301	\$ 9,283	\$ 21,286	\$	\$
19,216	18,596	17,328	24,670		
199,591	94,500	(18,190)	84,118		
(29,819)	(28,614)	(51,675)	(60,450)		
(1,036)	(1,027)	(939)	(1,002)		
995	(1,808)	(12,694)	1,268		
<u>188,947</u>	<u>88,948</u>	<u>(56,887)</u>	<u>69,890</u>		
1,368,434	1,279,486	1,336,373	1,266,483		
<u>\$ 1,557,381</u>	<u>\$ 1,368,434</u>	<u>\$ 1,279,486</u>	<u>\$ 1,336,373</u>	<u>\$</u>	<u>\$</u>
<u>\$ (116,033)</u>	<u>\$ (46,179)</u>	<u>\$ (72,335)</u>	<u>\$ (148,288)</u>	<u>\$</u>	<u>\$</u>
108.05%	103.49%	105.99%	112.48%		
\$ 274,509	\$ 265,654	\$ 247,536	\$ 352,424	\$	\$
-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, 2022

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll *	Contribution as a % of Covered Payroll
2012	\$ 15,602	\$ 15,623	\$ (21)	\$ 300,045	5.2%
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%

* 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

0.0 years (based on contribution rate calculated in 12/31/2021 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 110% 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

2021: 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, 2022

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability					
Service Cost	\$ 242	\$ 281	\$ 302	\$ 364	\$ 204
Interest (on the Total OPEB Liability)	460	477	524	486	439
Changes of assumptions or other inputs	90	2,991	4,591	(2,094)	1,027
Economic/demographic gains or losses	2,956	663	(720)	(3)	724
Benefit payments	(143)	(34)	(45)	(31)	(55)
Net Change in Total Liability	<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>21,537</u>	<u>17,159</u>	<u>12,507</u>	<u>13,785</u>	<u>11,446</u>
Total OPEB Liability, ending	<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	\$ 237,712	\$ 170,125	\$ 226,080	\$ 313,586	\$ 274,509
Net OPEB Liability as a Percentage of Covered Employee Payroll	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, 2022

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%

* 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

2.06% 20 year Bond GO Index published by bondbuyer.com as of December 31,2021

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, 2022

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>1,807</u>	<u>1,686</u>	x 1.0	<u>1,686</u>
1"	<u>55</u>	<u>55</u>	x 2.5	<u>138</u>
1.5"	<u>13</u>	<u>13</u>	x 5.0	<u>65</u>
2"	<u>49</u>	<u>49</u>	x 8.0	<u>392</u>
3"	<u>5</u>	<u>5</u>	x 15.0	<u>75</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>1,938</u>	<u>1,816</u>	<u> </u>	<u>2,636</u>
Total Wastewater	<u>1,740</u>	<u>1,618</u>	x 1.0	<u>1,618</u>

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

Gallons pumped into system:	251,799,000
Gallons billed to customers:	170,146,018
Percent of gallons billed to pumped	67.6%

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, 2022

TSI-2

Current

Personnel Services	<u>\$ 320,936</u>
Purchased and Contracted Services:	
Utilities	184,327
Sludge removal	93,524
Other	145,054
	<u>422,905</u>
Consumable Materials and Supplies:	
Materials and maintenance	10,326
Chemicals	28,776
Other	38,575
	<u>77,677</u>
Repairs and Maintenance	<u>983,556</u>
Operating Costs:	
Field office	31,752
Bluebonnet groundwater	12,238
Conferences	17,193
Directors fees	22,650
Insurance	23,393
Tap connections	65,920
Other	169,810
	<u>342,956</u>
Professional Fees:	
Legal	99,286
Engineering	17,323
Audit	15,500
Bookkeeper	19,925
	<u>152,034</u>
Capital Outlay	<u> </u>
Debt Service	<u>74,325</u>
Total Expenditures	<u><u>\$ 2,374,389</u></u>

Brookshire Municipal Water District

TSI-3

SCHEDULE OF CASH AND TEMPORARY INVESTMENTS

Year Ended August 31, 2022

Funds	Interest Rate (%)	Maturity Date	Balances at August 31, 2022	Accrued Interest
<u>General Fund</u>				
Checking	N/A	N/A	\$ 177,441	\$
TexPool	Variable	N/A	1,126	
Texas Class	Variable	N/A	209,181	
Total General Fund			387,748	
<u>Debt Service Fund</u>				
Checking	N/A	N/A	\$ 231,256	\$
Total Debt Service Fund			231,256	
<u>Capital Projects Fund</u>				
Checking	N/A	N/A	\$ 437,208	\$
Texas Class	Variable	N/A	1,183,920	
Total Capital Projects Fund			1,621,128	
Total - All Funds			\$ 2,240,132	\$ -0-

Brookshire Municipal Water District

TSI-4

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

Year Ended August 31, 2022

	General Fund	Debt Service Fund	Total
Taxes Receivable - September 01, 2021	\$	\$ 4,694	\$ 4,694
Adjustments		(57)	(57)
2021 Original Tax Roll		53,003	53,003
Additions and corrections		75	75
Adjusted tax roll		53,078	53,078
Total to be Accounted for		57,715	57,715
<u>Tax Collections</u>			
Current year		51,504	51,504
Prior years		1,741	1,741
Total Collections		53,245	53,245
Taxes Receivable - August 31, 2022	\$	\$ 4,470	\$ 4,470

Taxes Receivable - By Year

2021	\$	\$ 1,574	\$ 1,574
2020		976	976
2019		641	641
2018		554	554
2017 and prior		725	725
Taxes Receivable - August 31, 2022	\$	\$ 4,470	\$ 4,470

Assessed

	2021	2020	2019	2018	2017
<u>Property Valuations</u>					
Land, improvements and personal property	\$ 442,313,833	\$ 391,900,000	\$ 352,097,722	\$ 289,450,810	\$ 268,306,435
	\$ 442,313,833	\$ 391,900,000	\$ 352,097,722	\$ 289,450,810	\$ 268,306,435

Tax Rates Per \$100

<u>Valuations</u>					
Debt service	\$ 0.012	\$ 0.015	\$ 0.018	\$ 0.021	\$ 0.023
General operations					
Total Tax Rate per \$100 Valuation	\$ 0.012	\$ 0.015	\$ 0.018	\$ 0.021	\$ 0.023
Adjusted Tax Levy	\$ 53,078	\$ 58,785	\$ 63,378	\$ 60,785	\$ 61,710

Year Ended August 31, 2022

Percent of current taxes collected to current taxes levied (as adjusted)	97.0%
Percent of current and delinquent taxes collected to current levied (as adjusted) and delinquent taxes outstanding at the beginning of the year (as adjusted)	92.3%

(This Page Intentionally Left Blank)

Brookshire Municipal Water District

TSI-6

ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT

August 31, 2022

	Bond Issue			Total
	2013	2019A	2019B	
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	\$ 635,000	\$ 985,000	\$ 1,215,000	\$ 2,835,000
Bonds sold				
Bonds refunded				
Principal retirements	<u>(30,000)</u>	<u>(30,000)</u>	<u>(35,000)</u>	<u>(95,000)</u>
Bonds Payable at End of Year	<u><u>\$ 605,000</u></u>	<u><u>\$ 955,000</u></u>	<u><u>\$ 1,180,000</u></u>	<u><u>\$ 2,740,000</u></u>
 Interest Retirements	 <u><u>\$ 24,362</u></u>	 <u><u>\$</u></u>	 <u><u>\$ 9,325</u></u>	 <u><u>\$ 33,687</u></u>
 <u>Paying Agent/Registrar</u>				
2013	Bank of Texas			
2019A and 2019B	Zion Bank			
 Debt Service Fund Cash and Temporary Investment Balances at End of Year	 <u><u>\$ 231,256</u></u>			
Average Annual Debt Service Payment for Remaining Term of all Debt	 <u><u>\$ 119,345</u></u>			

Brookshire Municipal Water District

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

Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
General Fund Revenues					
Water and sewer service	\$ 1,939,872	\$ 1,657,365	\$ 1,477,464	\$ 1,479,057	\$ 1,493,396
Tap connections, penalties interest and other	424,171	584,420	334,324	1,219,023	941,777
Total Revenues	<u>2,364,043</u>	<u>2,241,785</u>	<u>1,811,788</u>	<u>2,698,080</u>	<u>2,435,173</u>
General Fund Expenditures					
Current	2,374,389	2,624,836	2,268,419	2,455,736	1,909,601
Capital outlay			29,656		
Total Expenditures	<u>2,374,389</u>	<u>2,624,836</u>	<u>2,298,075</u>	<u>2,455,736</u>	<u>1,909,601</u>
Revenues Over (Under) Expenditures	<u>\$ (10,346)</u>	<u>\$ (383,051)</u>	<u>\$ (486,287)</u>	<u>\$ 242,344</u>	<u>\$ 525,572</u>
 Debt Service Fund Revenues					
Prop. taxes and penalties	\$ 55,218	\$ 60,116	\$ 63,317	\$ 59,562	\$ 63,791
Interest	68	10	130	154	34
Total Revenues	<u>55,286</u>	<u>60,126</u>	<u>63,447</u>	<u>59,716</u>	<u>63,825</u>
 Debt Service Fund Expenditures					
Tax collection	800	1,110	864	1,141	6,624
Debt service	54,362	50,112	54,075	51,588	52,275
Total Expenditures	<u>55,162</u>	<u>51,222</u>	<u>54,939</u>	<u>52,729</u>	<u>58,899</u>
Revenues Over (Under) Expenditures	<u>\$ 124</u>	<u>\$ 8,904</u>	<u>\$ 8,508</u>	<u>\$ 6,987</u>	<u>\$ 4,926</u>

Percent of Total Fund Revenues				
2022	2021	2020	2019	2018
82.1 %	73.9 %	81.5 %	54.8 %	61.3 %
17.9	26.1	18.5	45.2	38.7
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
100.4	117.1	125.2	91.0	78.4
		1.6		
<u>100.4</u>	<u>117.1</u>	<u>126.8</u>	<u>91.0</u>	<u>78.4</u>
<u>(0.4) %</u>	<u>(17.1) %</u>	<u>(26.8) %</u>	<u>9.0 %</u>	<u>21.6 %</u>
99.9 %	100.0 %	99.8 %	99.7 %	99.9 %
0.1		0.2	0.3	0.1
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
1.4	1.8	1.4	1.9	10.4
98.3	83.3	85.2	86.4	81.9
<u>99.7</u>	<u>85.1</u>	<u>86.6</u>	<u>88.3</u>	<u>92.3</u>
<u>0.3 %</u>	<u>14.9 %</u>	<u>13.4 %</u>	<u>11.7 %</u>	<u>7.7 %</u>

Brookshire Municipal Water District

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

August 31, 2022

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): 6/29/2022

<u>Name and Address</u>	<u>Term</u>	<u>Fees</u>	<u>Expenses</u>	<u>Title</u>	<u>Resident of District?</u>
<u>Board Members</u>					
Stephanie Green	5/22- 5/26	\$ 5,400	\$ 149	President	yes
LaKethia Connor	11/20- 5/24	5,250	315	Vice President	yes
Michael Whitaker	11/20- 5/24	5,100	690	Assistant Secretary	yes
Shirley Williams	11/20- 5/24	4,800	23	Investment Officer	yes
Erin Jackson	5/22- 5/26	1,950	406	Secretary	yes
Havanaugh Glover	5/18- 5/22	150			

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>
<u>Key Administrative Personnel</u>				
Tonya Pierre	6/06	\$ 78,015	General Manager	No
<u>Consultants</u>				
Radcliffe Bobbitt Adams Polley PLLC America Tower 2929 Allen Parkway, Ste. 3450 Houston, Texas 77019	8/06	101,231	Attorney	No
Municipal Operations & Consulting, Inc. 1825 N. Mason Road Katy, Texas 77449	7/10	885,258	Operating Services	No
Knox Cox & Co. 77 Sugar Creek Center Blvd. #215 Sugar Land, Texas 77478	8/16	15,500	Auditor	No
Clay & Leyendecker 1350 Avenue D Katy, Texas 77493	9/74	56,370	Engineer	No
Protocol Bookkeeping, Inc. 1506 Whispering Pines Houston, Texas 77055	8/16	19,925	Bookkeeper	No

(This Page Intentionally Left Blank)