

# **West Keegan's Bayou Improvement District**

Harris and Fort Bend Counties, Texas

Independent Auditor's Report and Financial Statements

June 30, 2020



**West Keegan's Bayou Improvement District**  
**June 30, 2020**

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## Independent Auditor's Report

Board of Directors  
West Keegan's Bayou Improvement District  
Harris and Fort Bend Counties, Texas

We have audited the accompanying financial statements of the governmental activities and the general fund of West Keegan's Bayou Improvement District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements the collectively comprise the District's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**BKD, LLP**

Houston, Texas  
November 4, 2020

# **West Keegan's Bayou Improvement District**

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

### **June 30, 2020**

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of drainage services. Other activities are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### **Government-wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

# **West Keegan's Bayou Improvement District**

## **Management's Discussion and Analysis (Continued)**

### **June 30, 2020**

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

#### **Fund Financial Statements**

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

#### **Governmental Funds**

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

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

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

#### **Notes to Financial Statements**

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

**West Keegan's Bayou Improvement District**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2020**

**Financial Analysis of the District as a Whole**

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

**Summary of Net Position**

	<b><u>2020</u></b>	<b><u>2019</u></b>
Current and other assets	\$ 7,275,245	\$ 6,591,758
Capital assets	<u>7,774,252</u>	<u>7,614,983</u>
Total assets	<u>\$ 15,049,497</u>	<u>\$ 14,206,741</u>
Other liabilities	<u>\$ 73,203</u>	<u>\$ 108,701</u>
Net position:		
Net investment in capital assets	7,774,252	7,614,983
Unrestricted	<u>7,202,042</u>	<u>6,483,057</u>
Total net position	<u>\$ 14,976,294</u>	<u>\$ 14,098,040</u>

The total net position of the District increased by \$878,254, or about 6 percent. The majority of the increase in net position is related to property taxes in excess of service operations and depreciation expense.

**Summary of Changes in Net Position**

	<b><u>2020</u></b>	<b><u>2019</u></b>
Revenues:		
Property taxes	\$ 1,221,976	\$ 1,157,320
Other revenues	<u>110,494</u>	<u>154,772</u>
Total revenues	<u>1,332,470</u>	<u>1,312,092</u>
Expenses:		
Services	392,048	520,939
Depreciation	<u>62,168</u>	<u>62,168</u>
Total expenses	<u>454,216</u>	<u>583,107</u>
Change in net position	878,254	728,985
Net position, beginning of year	<u>14,098,040</u>	<u>13,369,055</u>
Net position, end of year	<u>\$ 14,976,294</u>	<u>\$ 14,098,040</u>

**West Keegan's Bayou Improvement District**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2020**

**Financial Analysis of the District's Funds**

The District's general fund's fund balance increased by \$711,149 because property tax revenues generated were greater than service operations and capital outlay expenditures.

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes revenues and contracted services expenditures being higher than anticipated and repairs and maintenance and capital outlay expenditures being lower than anticipated. The fund balance as of June 30, 2020, was expected to be \$5,945,139 and the actual end-of-year fund balance was \$7,118,415.

**Capital Assets and Related Debt**

**Capital Assets**

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

**Capital Assets (Net of Accumulated Depreciation)**

	<b>2020</b>	<b>2019</b>
Land and improvements	\$ 7,158,442	\$ 7,047,121
Construction in progress	204,992	94,876
Park and recreational facilities	407,401	468,430
Equipment	3,417	4,556
Total capital assets	\$ 7,774,252	\$ 7,614,983

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

Landscape architecture fees incurred for the hike and bike trail master plan, Phase 1	\$ 110,116
Backslope drain restoration, Phase 1	111,321
Total additions to capital assets	\$ 221,437



**West Keegan's Bayou Improvement District**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2020**

Debt

The District has no outstanding bonds at fiscal year ended June 30, 2020.

**Other Relevant Factors**

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

**West Keegan's Bayou Improvement District**  
**Statement of Net Position and Governmental Fund Balance Sheet**  
**June 30, 2020**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets</b>			
Cash	\$ 64,400	\$ -	\$ 64,400
Short-term investments	7,127,218	-	7,127,218
Property taxes receivable	51,834	-	51,834
Accrued penalty and interest	-	31,793	31,793
Capital assets (net of accumulated depreciation):			
Land and improvements	-	7,158,442	7,158,442
Construction in progress	-	204,992	204,992
Park and recreational facilities	-	407,401	407,401
Equipment	-	3,417	3,417
Total assets	<u>\$ 7,243,452</u>	<u>\$ 7,806,045</u>	<u>\$ 15,049,497</u>
<b>Liabilities</b>			
Accounts payable	\$ 67,023	\$ -	\$ 67,023
Due to others	6,180	-	6,180
Total liabilities	<u>73,203</u>	<u>0</u>	<u>73,203</u>
<b>Deferred Inflows of Resources</b>			
Deferred property tax revenues	<u>51,834</u>	<u>(51,834)</u>	<u>0</u>
<b>Fund Balance/Net Position</b>			
Fund balance:			
Assigned:			
Future expenditures	982,135	(982,135)	-
Ditch rehabilitation	2,000,000	(2,000,000)	-
Maintenance and repairs	500,000	(500,000)	-
Unassigned	<u>3,636,280</u>	<u>(3,636,280)</u>	<u>-</u>
Total fund balance	<u>7,118,415</u>	<u>(7,118,415)</u>	<u>0</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 7,243,452</u>		
Net position:			
Net investment in capital assets		7,774,252	7,774,252
Unrestricted		<u>7,202,042</u>	<u>7,202,042</u>
Total net position		<u>\$ 14,976,294</u>	<u>\$ 14,976,294</u>

**West Keegan's Bayou Improvement District**  
**Statement of Activities and Governmental Fund Revenues,**  
**Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2020**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Property taxes	\$ 1,217,038	\$ 4,938	\$ 1,221,976
Penalty and interest	14,258	2,898	17,156
Investment income	93,338	-	93,338
Total revenues	<u>1,324,634</u>	<u>7,836</u>	<u>1,332,470</u>
<b>Expenditures/Expenses</b>			
Service operations:			
Professional fees	190,607	-	190,607
Contracted services	79,068	-	79,068
Repairs and maintenance	77,280	5,208	82,488
Other expenditures	39,885	-	39,885
Capital outlay	226,645	(226,645)	-
Depreciation	-	62,168	62,168
Total expenditures/expenses	<u>613,485</u>	<u>(159,269)</u>	<u>454,216</u>
<b>Excess of Revenues Over Expenditures</b>	711,149	(711,149)	
<b>Change in Net Position</b>		878,254	878,254
<b>Fund Balance/Net Position</b>			
Beginning of year	<u>6,407,266</u>	-	<u>14,098,040</u>
End of year	<u>\$ 7,118,415</u>	<u>\$ 0</u>	<u>\$ 14,976,294</u>

# **West Keegan's Bayou Improvement District**

## **Notes to Financial Statements**

### **June 30, 2020**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

West Keegan's Bayou Improvement District (the District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective March 14, 1979, in accordance with the Texas Water Code, Chapter 51. The District operates in accordance with Chapters 49 and 51 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate drainage facilities and to provide such facilities and services to the landowners of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

#### ***Reporting Entity***

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

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

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of drainage services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

# West Keegan's Bayou Improvement District

## Notes to Financial Statements

### June 30, 2020

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental fund:

*General Fund* – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

#### ***Fund Balance – Governmental Fund***

The fund balance for the District's governmental fund can be displayed in up to five components:

*Nonspendable* – Amounts that are not in a spendable form or are required to be maintained intact.

*Restricted* – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed* – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

*Assigned* – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned* – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**West Keegan's Bayou Improvement District**  
**Notes to Financial Statements**  
**June 30, 2020**

***Measurement Focus and Basis of Accounting***

**Government-wide Financial Statements**

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

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

**Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

***Deferred Outflows and Inflows of Resources***

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

**West Keegan's Bayou Improvement District**  
**Notes to Financial Statements**  
**June 30, 2020**

***Pension Costs***

The District does not participate in a pension plan and, therefore, has no pension costs.

***Use of Estimates***

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

***Investments and Investment Income***

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

***Property Taxes***

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2020, include collections during the current period or within 60 days of year-end related to the 2019 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2020, the 2019 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

**West Keegan's Bayou Improvement District**  
**Notes to Financial Statements**  
**June 30, 2020**

***Capital Assets***

Capital assets, which include infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

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

***Net Position/Fund Balance***

Fund balance and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

***Reconciliation of Government-wide and Fund Financial Statements***

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental fund balance sheet are different because of items shown below.



**West Keegan's Bayou Improvement District**  
**Notes to Financial Statements**  
**June 30, 2020**

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 7,774,252
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	51,834
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	<u>31,793</u>
Adjustment to fund balance to arrive at net position.	<u><u>\$ 7,857,879</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balance in the governmental funds statement of revenues, expenditures and changes in fund balance because:

Change in fund balance.	\$ 711,149
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation and noncapitalized costs in the current year.	159,269
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	<u>7,836</u>
Change in net position of governmental activities.	<u><u>\$ 878,254</u></u>

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

**West Keegan's Bayou Improvement District**  
**Notes to Financial Statements**  
**June 30, 2020**

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At June 30, 2020, none of the District's bank balances were exposed to custodial credit risk.

**Investments**

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

At June 30, 2020, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 7,127,218	\$ 7,127,218	\$ 0	\$ 0	\$ 0

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

**West Keegan's Bayou Improvement District**  
**Notes to Financial Statements**  
**June 30, 2020**

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

**Summary of Carrying Values**

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at June 30, 2020, as follows:

Carrying value:		
Deposits	\$	64,400
Investments		<u>7,127,218</u>
Total	\$	<u><u>7,191,618</u></u>

**Investment Income**

Investment income of \$93,338 for the year ended June 30, 2020, consisted of interest income.

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2020, is presented below:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:			
Land and improvements	\$ 7,047,121	\$ 111,321	\$ 7,158,442
Construction in progress	<u>94,876</u>	<u>110,116</u>	<u>204,992</u>
Total capital assets, non-depreciable	<u>7,141,997</u>	<u>221,437</u>	<u>7,363,434</u>
Capital assets, depreciable:			
Park and recreational facilities	915,434	-	915,434
Equipment	<u>5,695</u>	<u>-</u>	<u>5,695</u>
Total capital assets, depreciable	<u>921,129</u>	<u>0</u>	<u>921,129</u>
Less accumulated depreciation:			
Park and recreational facilities	(447,004)	(61,029)	(508,033)
Equipment	<u>(1,139)</u>	<u>(1,139)</u>	<u>(2,278)</u>
Total accumulated depreciation	<u>(448,143)</u>	<u>(62,168)</u>	<u>(510,311)</u>
Total governmental activities, net	<u>\$ 7,614,983</u>	<u>\$ 159,269</u>	<u>\$ 7,774,252</u>

**West Keegan's Bayou Improvement District**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 4: Long-term Liabilities**

Bonds voted	\$ 11,300,000
Bonds sold	11,300,000
Refunding bonds voted	14,600,000
Refunding bonds authorization used	2,465,000

**Note 5: Maintenance Taxes**

At an election held April 7, 1979, voters authorized a maintenance tax not to exceed \$0.10 per \$100 valuation on all property within the District subject to taxation. During the year ended June 30, 2020, the District levied an ad valorem maintenance tax at the rate of \$0.0940 per \$100 of assessed valuation, which resulted in a tax levy of \$1,225,106 on the taxable valuation of \$1,303,303,076 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

**Note 6: 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 participates along with other entities in the Texas Municipal League's Intergovernmental Risk Pool (the Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The District has no additional risk or responsibility to the Pool, outside of payment of insurance premiums. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

**Note 7: Interlocal Agreement for Roadway Improvements (Bike/Pedestrian Trail)  
Sugar Land-Howell Road, Mobility Bond Project No. 13211**

On October 27, 2015, the District entered into an Interlocal Agreement for Roadway Improvements regarding the Sugar Land-Howell Road bike and pedestrian trail with Fort Bend County (the County). Under the agreement, the District is responsible for providing funding to the County for the construction of a bike and pedestrian trail under the Keegan's Bayou Bridge connecting the sidewalk on the east side of Sugar Land-Howell Road to the sidewalk on the west side of Sugar Land-Howell Road. During prior years, the District remitted an initial payment of \$66,057 to the County and the final payment of \$157,810 due to receipt of written notice from the County of the award of the contract to construct the project.

**West Keegan's Bayou Improvement District**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 8: Uncertainties**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

## **Required Supplementary Information**

**West Keegan's Bayou Improvement District**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended June 30, 2020**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 1,145,000	\$ 1,217,038	\$ 72,038
Penalty and interest	-	14,258	14,258
Investment income	110,400	93,338	(17,062)
	<u>1,255,400</u>	<u>1,324,634</u>	<u>69,234</u>
<b>Expenditures</b>			
Service operations:			
Professional fees	206,000	190,607	15,393
Contracted services	18,800	79,068	(60,268)
Repairs and maintenance	173,400	77,280	96,120
Other expenditures	49,968	39,885	10,083
Capital outlay	1,269,359	226,645	1,042,714
	<u>1,717,527</u>	<u>613,485</u>	<u>1,104,042</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(462,127)	711,149	1,173,276
<b>Fund Balance, Beginning of Year</b>	<u>6,407,266</u>	<u>6,407,266</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 5,945,139</u>	<u>\$ 7,118,415</u>	<u>\$ 1,173,276</u>

**West Keegan's Bayou Improvement District**  
**Notes to Required Supplementary Information**  
**June 30, 2020**

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2020.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.



## **Other Information**

**West Keegan's Bayou Improvement District**  
**Other Schedules Included Within This Report**  
**June 30, 2020**

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 10-19
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [ ] Schedule of Long-term Debt Service Requirements by Years – Not Applicable
- [ ] Changes in Long-term Bonded Debt – Not Applicable
- [X] Comparative Schedule of Revenues and Expenditures – General Fund – Five Years
- [X] Board Members, Key Personnel and Consultants

**West Keegan's Bayou Improvement District**  
**Schedule of Services and Rates**  
**Year Ended June 30, 2020**

1. Services provided by the District:

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation          |
| <input type="checkbox"/> Parks/Recreation   | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Security            |
| <input type="checkbox"/> Solid Waste/Garbage  | <input type="checkbox"/> Flood Control        | <input type="checkbox"/> Roads               |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |   |  |
| <input type="checkbox"/> Other _____  |   |  |
-

**West Keegan's Bayou Improvement District**  
**Schedule of General Fund Expenditures**  
**Year Ended June 30, 2020**

<b>Personnel (including benefits)</b>		\$	-
<b>Professional Fees</b>			
Auditing	\$ 16,600		
Legal	120,360		
Engineering	53,647		
Financial advisor	-		
	<hr/>		190,607
<b>Purchased Services for Resale</b>			
Bulk water and wastewater service purchases			-
<b>Regional Water Fee</b>			-
<b>Contracted Services</b>			
Bookkeeping	20,269		
General manager	-		
Appraisal district	9,067		
Tax collector	49,732		
Security	-		
Other contracted services	-		
	<hr/>		79,068
<b>Utilities</b>			-
<b>Repairs and Maintenance</b>			77,280
<b>Administrative Expenditures</b>			
Directors' fees	11,550		
Office supplies	1,458		
Insurance	6,218		
Other administrative expenditures	20,659		
	<hr/>		39,885
<b>Capital Outlay</b>			
Capitalized assets	221,437		
Expenditures not capitalized	5,208		
	<hr/>		226,645
<b>Tap Connection Expenditures</b>			-
<b>Solid Waste Disposal</b>			-
<b>Fire Fighting</b>			-
<b>Parks and Recreation</b>			-
<b>Other Expenditures</b>			-
			<hr/>
Total expenditures		\$	<u>613,485</u>

**West Keegan's Bayou Improvement District**  
**Schedule of Temporary Investments**  
**June 30, 2020**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
TexPool	0.21%	Demand	<u>\$ 7,127,218</u>	<u>\$ 0</u>

**West Keegan's Bayou Improvement District**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended June 30, 2020**

	<b>Maintenance Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 46,896
Additions and corrections to prior years' taxes	(3,130)
Adjusted receivable, beginning of year	43,766
<b>2019 Original Tax Levy</b>	1,207,634
Additions and corrections	17,472
Adjusted tax levy	1,225,106
Total to be accounted for	1,268,872
Tax collections: Current year	(1,202,151)
Prior years	(14,887)
Receivable, end of year	\$ 51,834
<b>Receivable, by Years</b>	
2019	\$ 22,955
2018	6,854
2017	4,449
2016	2,653
2015	1,732
2014	1,193
2013	1,103
2012	1,163
2011	1,005
2010	927
2009	825
2008	845
2007	1,423
2006	541
2005	890
2004	574
2003	287
2002 and prior	2,415
Receivable, end of year	\$ 51,834

**West Keegan's Bayou Improvement District**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended June 30, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Property Valuations</b>				
Land	\$ 290,545,655	\$ 270,766,564	\$ 259,101,024	\$ 258,724,829
Improvements	1,252,487,290	1,197,924,773	1,118,148,070	1,056,790,294
Personal property	35,693,926	35,265,374	36,591,992	39,122,363
Exemptions	<u>(275,423,795)</u>	<u>(270,684,146)</u>	<u>(256,554,534)</u>	<u>(260,293,381)</u>
Total property valuations	<u>\$ 1,303,303,076</u>	<u>\$ 1,233,272,565</u>	<u>\$ 1,157,286,552</u>	<u>\$ 1,094,344,105</u>
<b>Tax Rates per \$100 Valuation</b>				
Maintenance tax rates*	<u>\$ 0.0940</u>	<u>\$ 0.0940</u>	<u>\$ 0.0940</u>	<u>\$ 0.0940</u>
<b>Tax Levy</b>	<u>\$ 1,225,106</u>	<u>\$ 1,159,276</u>	<u>\$ 1,087,850</u>	<u>\$ 1,028,685</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>				
	<u>98%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

\*Maximum tax rate approved by voters: \$0.10 on April 7, 1979

\*\*Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

**West Keegan's Bayou Improvement District**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Five Years Ended June 30,**

	Amounts				
	2020	2019	2018	2017	2016
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 1,217,038	\$ 1,151,857	\$ 1,080,371	\$ 1,025,289	\$ 950,451
Penalty and interest	14,258	15,721	11,817	11,165	9,783
Investment income	93,338	136,053	67,240	26,524	9,960
Total revenues	<u>1,324,634</u>	<u>1,303,631</u>	<u>1,159,428</u>	<u>1,062,978</u>	<u>970,194</u>
<b>Expenditures</b>					
Service operations:					
Professional fees	190,607	211,817	154,998	167,348	250,659
Contracted services	79,068	80,838	78,147	77,752	78,530
Repairs and maintenance	77,280	76,640	149,530	189,080	167,515
Other expenditures	39,885	49,395	52,509	35,526	43,823
Capital outlay	226,645	202,820	157,810	108,830	66,646
Total expenditures	<u>613,485</u>	<u>621,510</u>	<u>592,994</u>	<u>578,536</u>	<u>607,173</u>
<b>Excess of Revenues Over Expenditures</b>	711,149	682,121	566,434	484,442	363,021
<b>Other Financing Sources</b>					
Interfund transfers in	-	-	-	1,929	-
<b>Excess of Revenues and Transfers In Over Expenditures and Transfers Out</b>	711,149	682,121	566,434	486,371	363,021
<b>Fund Balance, Beginning of Year</b>	<u>6,407,266</u>	<u>5,725,145</u>	<u>5,158,711</u>	<u>4,672,340</u>	<u>4,309,319</u>
<b>Fund Balance, End of Year</b>	<u>\$ 7,118,415</u>	<u>\$ 6,407,266</u>	<u>\$ 5,725,145</u>	<u>\$ 5,158,711</u>	<u>\$ 4,672,340</u>
<b>Total Active Retail Water Connections</b>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Total Active Retail Wastewater Connections</b>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>



**Percent of Fund Total Revenues**

<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
91.9 %	88.4 %	93.2 %	96.5 %	98.0 %
1.0	1.2	1.0	1.0	1.0
<u>7.1</u>	<u>10.4</u>	<u>5.8</u>	<u>2.5</u>	<u>1.0</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
14.4	16.2	13.4	15.7	25.8
5.9	6.2	6.8	7.3	8.5
5.8	5.9	12.9	17.8	17.3
3.0	3.8	4.5	3.3	4.1
<u>17.1</u>	<u>15.5</u>	<u>13.6</u>	<u>10.3</u>	<u>6.9</u>
<u>46.2</u>	<u>47.6</u>	<u>51.2</u>	<u>54.4</u>	<u>62.6</u>
<u><u>53.8 %</u></u>	<u><u>52.4 %</u></u>	<u><u>48.8 %</u></u>	<u><u>45.6 %</u></u>	<u><u>37.4 %</u></u>

**West Keegan's Bayou Improvement District**  
**Board Members, Key Personnel and Consultants**  
**Year Ended June 30, 2020**

Complete District mailing address:	West Keegan's Bayou Improvement District c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	July 10, 2019
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Bobby Reed	Elected 05/18- 05/22	\$ 3,300	\$ 743	President
Miriam Beck	Appointed 02/19- 05/22	2,700	12	Vice President
Chris IGwilo	Elected 05/16-** 11/20	3,150	1,043	Secretary
Gerald F. Kallina	Elected 05/18- 05/22	0	0	Treasurer
Amarjit Verma	Elected 05/16-** 11/20	2,400	12	Director

\*Fees are the amounts actually paid to a director during the District's fiscal year.

\*\*May 2020 director election was deferred until November 2020.

**West Keegan's Bayou Improvement District**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended June 30, 2020**

Consultants	Date Hired	Fees and Expense Reimbursements	Title
AECOM	06/30/95	\$ 19,169	Former Engineer
Allen Boone Humphries Robinson LLP	08/13/03	115,681	General Counsel
BKD, LLP	Prior to 06/30/95	16,600	Auditor
Harris County Appraisal District and Fort Bend Central Appraisal District	Legislative Action	9,067	Appraisers
Bob Leared Interests	10/22/75	58,890	Tax Assessor/ Collector
McLennan & Associates, LP	03/18/04	22,722	Bookkeeper
Miller & Associates Engineers	06/12/19	78,269	Engineer
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	10/16/95	4,678	Delinquent Tax Attorney
Rathmann & Associates, L.P.	12/18/95	0	Financial Advisor
<b>Investment Officer</b>			
Jorge Diaz	12/14/16	N/A	Bookkeeper