

**BRAZORIA COUNTY  
TOLL ROAD AUTHORITY**

ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended  
September 30, 2021



8 WEST WAY COURT  
LAKE JACKSON, TX 77566  
(979) 297-4075

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**BRAZORIA COUNTY  
TOLL ROAD AUTHORITY**

*Annual Financial Report  
For The Year Ended September 30, 2021*

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## **FINANCIAL SECTION**

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## Independent Auditor's Report

To the Board of Directors  
Brazoria County Toll Road Authority  
Brazoria County, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Brazoria County Toll Road Authority (the "Authority"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

**Lake Jackson**  
8 W Way Ct.  
Lake Jackson, TX 77566  
979-297-4075

**El Campo**  
201 W. Webb St.  
El Campo, TX 77437  
979-543-6836

**Angleton**  
2801 N. Velasco, Suite C  
Angleton, TX 77515  
979-849-8297

**Bay City**  
2245 Avenue G  
Bay City, TX 77414  
979-245-9236



To the Board of Directors  
Brazoria County Toll Road Authority  
Brazoria County, Texas

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows 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 on pages 11 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 that collectively comprise the Authority's basic financial statements. The other information and schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are also not a required part of the basic financial statements. The other information section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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



To the Board of Directors  
Brazoria County Toll Road Authority  
Brazoria County, Texas

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2022, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

***KM&L, LLC***

Lake Jackson, Texas  
February 17, 2022

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## **BRAZORIA COUNTY TOLL ROAD AUTHORITY**

### *Management's Discussion and Analysis*

Year Ended September 30, 2021

As management of the Brazoria County Toll Road Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2021.

### **Financial Highlights**

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 27,442,442 (net position). Of this amount, \$ 6,703,426 represents unrestricted net position.
- The Authority's total net position increased by \$ 1,400,808.

### **Enterprise Fund Financial Statements**

The Authority is a local government corporation and a component unit of Brazoria County (the "County"). It is a single-purpose government with one business-type activity. Because the Authority is a single-purpose government, this report only includes the required Management Discussion and Analysis, the Enterprise Fund financial statements and the notes to the financial statements. The Enterprise Fund financial statements consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The enterprise fund financial statements, which can be found on pages 15 through 17 of this report, are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to private-sector businesses.

### **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 enterprise fund financial statements. The notes to the financial statements can be found on pages 20 through 29 of this report.

### **Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 27,442,442 as of September 30, 2021.

The portion of the Authority's net position of \$ 20,312,318 reflects its investments in capital assets (e.g., land, land improvements, furniture, equipment & vehicles, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Authority uses capital assets to provide service to citizens and consequently these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net investment in capital assets increased by \$ 552,186 due to the completion of the construction of the toll road project in the current fiscal year.

**BRAZORIA COUNTY TOLL ROAD AUTHORITY***Management's Discussion and Analysis*

Year Ended September 30, 2021

**CONDENSED STATEMENT OF NET POSITION**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current and other assets	\$ 24,334,204	\$ 27,253,297
Capital assets	<u>122,826,202</u>	<u>121,424,608</u>
Total assets	<u>147,160,406</u>	<u>148,677,905</u>
<b>LIABILITIES</b>		
Current and other liabilities	28,823,737	32,245,729
Long-term liabilities	<u>90,894,227</u>	<u>90,390,542</u>
Total liabilities	<u>119,717,964</u>	<u>122,636,271</u>
<b>NET POSITION</b>		
Net investment in capital assets	20,312,318	19,760,132
Restricted	426,698	6,911,076
Unrestricted	<u>6,703,426</u>	<u>( 629,574)</u>
Total net position	<u>\$ 27,442,442</u>	<u>\$ 26,041,634</u>

As of September 30, 2021, the Authority had restricted net position of \$ 426,698, which represents funds held by a trustee for debt service. The remaining balance is unrestricted net position of \$ 6,703,426.

**STATEMENT OF CHANGES IN NET POSITION**

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues:</b>		
Toll revenue	\$ 7,489,712	\$ -
Miscellaneous revenue	<u>37,823</u>	<u>162,177</u>
Total operating income	<u>7,527,535</u>	<u>162,177</u>
<b>Operating Expenses:</b>		
Services and fees	651,778	195,339
Repairs and maintenance	633,887	-
Utilities	4,974	-
Transportation, travel and other admin	281,380	-
Depreciation	<u>2,498,670</u>	<u>-</u>
Total operating expenses	<u>4,070,689</u>	<u>195,339</u>
Operating income/(loss)	<u>3,456,846</u>	<u>( 33,162)</u>

(continued)

**BRAZORIA COUNTY TOLL ROAD AUTHORITY***Management's Discussion and Analysis*

Year Ended September 30, 2021

	<u>2021</u>	<u>2020</u>
Non-operating Revenues (Expenses):		
Investment income	\$ 16,441	\$ 352,027
Interest and fiscal charges	( 3,299,768)	( 3,029,252)
Debt issuance costs	<u>-</u>	<u>( 497,761)</u>
Total non-operating revenues (expenses)	<u>( 3,283,327)</u>	<u>( 3,174,986)</u>
Income/(loss) before capital grants and contributions	173,519	( 3,208,148)
Capital grants and contributions	<u>1,227,289</u>	<u>7,572,481</u>
Change in net position	1,400,808	4,364,333
Net position - beginning	<u>26,041,634</u>	<u>21,677,301</u>
Net position - ending	<u>\$ 27,442,442</u>	<u>\$ 26,041,634</u>

The Brazoria County Expressway opened in November 2020 and began revenue generation in December 2020. Net position increased by \$ 1,400,808. The key elements to the increase in net position were due to the following:

- Toll revenue of \$7,489,712
- Capital contributions of \$ 1,227,289 due to federal participation in the construction project
- Operating expenses of \$ 4,070,689
- Interest and fiscal charges of \$ 3,299,768

**Capital Assets** - As of September 30, 2021, the Authority had \$ 122,826,202 invested in land, construction in progress, land improvements, furniture, equipment & vehicles, and infrastructure, reflected in the following schedule:

**CAPITAL ASSETS**  
**Net of Accumulated Depreciation**

	<u>2021</u>	<u>2020</u>
Land	\$ 88,425	\$ 88,425
Construction in progress	-	121,336,183
Land improvements	9,719,604	-
Furniture, equipment & vehicles	3,822,353	-
Infrastructure	<u>109,195,820</u>	<u>-</u>
Total	<u>\$ 122,826,202</u>	<u>\$ 121,424,608</u>

Additions to infrastructure, land improvements, and furniture, equipment and vehicles were in conjunction with the completion of the Brazoria County Expressway. Additional information on the Authority's capital assets can be found in Note 4 on pages 26 through 27.

**BRAZORIA COUNTY TOLL ROAD AUTHORITY**

*Management's Discussion and Analysis*

Year Ended September 30, 2021

**Long-Term Debt** - As of September 30, 2021, the Authority had total bonds outstanding of \$ 82,417,159.

**LONG-TERM DEBT**

	<u>2021</u>	<u>2020</u>
Revenue bonds	\$ 82,417,159	\$ 81,512,961
Premium on bonds	<u>8,477,068</u>	<u>8,877,581</u>
Total	<u>\$ 90,894,227</u>	<u>\$ 90,390,542</u>

Brazoria County, Texas and the Authority received ratings of Aa1 and AA+ from Moody's and Fitch, respectively. Additional information on the Authority's long-term debt can be found in Note 5 on page 27 through 28.

**Economic Factors**

The County continues to enjoy growth. The population of the county is estimated at 385,018 and is projected to grow to 425,148 by 2025.

The most recent data available, which is from the 2020 Census, indicates the number of households has increased to 131,852 and is expected to grow to 147,683 by 2025. Estimated Average (Mean) Household Income is \$107,749 and is expected to grow to \$123,253 by 2025. Income per capita is currently at \$37,564 and is expected to grow to \$43,112.

**Request for Information**

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Brazoria County Auditor, 111 E. Locust, Room 303, Angleton, TX 77515, or call (979) 864-1275.

**BRAZORIA COUNTY TOLL ROAD AUTHORITY**  
**STATEMENT OF NET POSITION**  
September 30, 2021

Assets:

Cash and temporary investments	\$ 22,824,153
Receivables (net of allowance for uncollectibles):	
Due from other government	702,155
Tolls	795,154
Accrued interest	8
Prepaid expense	12,734
Capital Assets:	
Land	88,425
Land improvements, net	9,719,604
Furniture, equipment & vehicles, net	3,822,353
Infrastructure, net	<u>109,195,820</u>
 Total assets	 <u>147,160,406</u>

Liabilities:

Accounts payable	2,503,197
Accrued interest payable	232,229
Due to primary government	26,088,311
Noncurrent Liabilities:	
Due within one year	400,513
Due in more than one year	<u>90,493,714</u>
 Total liabilities	 <u>119,717,964</u>

Net Position:

Net investment in capital assets	20,312,318
Restricted:	
Debt service	426,698
Unrestricted	<u>6,703,426</u>
 Total net position	 <u>\$ 27,442,442</u>

The notes to the financial statements are an integral part of this statement.

**BRAZORIA COUNTY TOLL ROAD AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
For the year ended September 30, 2021

Operating Revenues:	
Toll revenue	\$ 7,489,712
Miscellaneous revenue	<u>37,823</u>
Total operating revenues	<u>7,527,535</u>
Operating Expenses:	
Services and fees	651,778
Repairs and maintenance	633,887
Utilities	4,974
Transportation, travel and other admin	281,380
Depreciation	<u>2,498,670</u>
Total operating expenses	<u>4,070,689</u>
Operating income	<u>3,456,846</u>
Non-Operating Revenues (Expenses):	
Investment income	16,441
Interest and fiscal charges	<u>( 3,299,768 )</u>
Total non-operating revenues (expenses)	<u>( 3,283,327 )</u>
Net income before capital grants and contributions	173,519
Capital grants and contributions	<u>1,227,289</u>
Change in net position	1,400,808
Net position - beginning	<u>26,041,634</u>
Net position - ending	<u><u>\$ 27,442,442</u></u>

The notes to the financial statements are an integral part of this statement.



**BRAZORIA COUNTY TOLL ROAD AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
For the year ended September 30, 2021

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from tolls and other	\$ 6,704,383
Payment of toll operation expenses	<u>( 1,943,412)</u>
Net cash provided by operating activities	<u>4,760,971</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earned on investments	<u>16,445</u>
Net cash provided by investing activities	<u>16,445</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	( 5,804,931)
Loans from primary government	460,242
Interest and fiscal charges	<u>( 2,796,083)</u>
Net cash used by capital and related financing activities	<u>( 8,140,772)</u>
Net decrease in cash and temporary investments	( 3,363,356)
Cash and temporary investments - beginning	<u>26,187,509</u>
Cash and temporary investments - ending	<u>\$ 22,824,153</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Activities:	
Operating income	\$ 3,456,846
Adjustments to Operations:	
Depreciation	2,498,670
Changes in Assets and Liabilities:	
(Increase) Decrease In:	
Tolls receivable	( 785,329)
Prepaid expense	( 6,265)
Accounts payable	( 365,128)
Unearned revenue	<u>( 37,823)</u>
Net cash provided for operating activities	<u>\$ 4,760,971</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Bond accretion	\$( 904,198)
Bond premium amortization	400,513
Capital grants and contributions	<u>1,227,289</u>
	<u>\$ 723,604</u>

The accompanying notes are an integral part of these financial statements.

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**BRAZORIA COUNTY TOLL ROAD AUTHORITY**

*Notes to the Financial Statements*

Year Ended September 30, 2021

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# **BRAZORIA COUNTY TOLL ROAD AUTHORITY**

*Notes to the Financial Statements*

Year Ended September 30, 2021

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

### Reporting Entity

The Brazoria County Toll Road Authority (the "Authority") was created by order of Brazoria County, Texas on December 16, 2003, to aid, assist and act on behalf of Brazoria County, Texas in the development of transportation projects within the County, including the Brazoria County Expressway, which subsequently may be extended and pooled with other projects as part of the Brazoria County Toll Road System. The Authority is a local government corporation established under Chapter 284 and 431 of the Texas Transportation Code.

Based on criteria prescribed by generally accepted accounting principles, the Authority is considered a discretely presented component unit of Brazoria County, Texas (the "County"). The primary criteria for inclusion of the Authority in the County's financial reporting entity is that of financial accountability. The Commissioners Court, the elected governing body of the County, appoints the Authority's governing body. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will on the Authority. As such, the County is financially accountable for the Authority and the Authority is considered a discretely presented component unit of the County.

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations of these activities are included in the statement of net position.

Grants are considered earned to the extent of the expenditures are made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until the related and authorized expenditures have been made. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

### Cash and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the Authority. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value.

### Receivables

Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

# BRAZORIA COUNTY TOLL ROAD AUTHORITY

Notes to the Financial Statements

Year Ended September 30, 2021

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

### Capital Assets

Capital assets, which include land and construction in progress are used in the Authority's operations. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$ 5,000 or more and over two years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land improvements	10 Years
Furniture, equipment & vehicles	7-15 Years
Infrastructure	15-75 Years

### Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

### Long-Term Debt

Long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of the transaction.

### Estimates

The preparation of the 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

# BRAZORIA COUNTY TOLL ROAD AUTHORITY

Notes to the Financial Statements

Year Ended September 30, 2021

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

### Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on the use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. As of September 30, 2021, the Authority reported \$ 426,698 of net position restricted to debt service.

## NOTE 2 - DEPOSITS AND INVESTMENTS

The Authority classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased had a maturity date of three months or less. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures. Cash and temporary investments as reported on the financial statements at September 30, 2021 are as follows:

	<u>Total</u>
Cash and Temporary Investments:	
Financial Institution Deposits:	
Demand deposits	\$ 8,499,208
Local Government Investment Pools:	
Texpool	1,372,435
Texas CLASS	12,713,139
U.S. Bank Government Obligation Fund	<u>239,371</u>
Cash and temporary investments total	<u>\$ 22,824,153</u>

### Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to them. The Authority requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

At year-end, the carrying amount, of the Authority's deposits, were \$ 8,499,208, while the financial institution balances totaled \$ 8,587,137. Of the financial institution balances, \$ 250,000 was covered by federal depository insurance coverage, and \$ 8,337,137 was covered by collateral held by the Authority's agent in the Authority's name.

## **BRAZORIA COUNTY TOLL ROAD AUTHORITY**

*Notes to the Financial Statements*

Year Ended September 30, 2021

### **NOTE 2 - DEPOSITS AND INVESTMENTS - Continued**

#### Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the Authority to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The Authority's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Directors. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the Authority will deposit funds is addressed. The Authority's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The Authority's management believes it complied with the requirements of the PFIA and the Authority's investment policy.

The Authority's Investment Officer submits an investment report each quarter to the Board of Directors. The report details the investment positions of the Authority and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

The Authority is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. No-load money market mutual funds: regulated by SEC, with a dollar-weighted average stated maturity of 90 days or less, includes in its investment objectives the maintenance of a stable \$ 1.00 net asset value per each share, and limited in quantity to the requirements, set forth in Chapter 2256, Government Code Section 2256.014;
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
6. Certificates of deposit if issued by a state or national bank domiciled in the State of Texas and is: guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, secured in any manner and amount provided by law for deposits of the Authority;

## **BRAZORIA COUNTY TOLL ROAD AUTHORITY**

*Notes to the Financial Statements*

Year Ended September 30, 2021

### **NOTE 2 - DEPOSITS AND INVESTMENTS - Continued**

7. Fully collateralized repurchase agreements, if it: has a defined termination date, is secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act, requires the securities being purchased by the Authority to be pledged to the Authority, held in the Authority's name, and deposited at the time the investment is made with the Authority or with a third party selected and approved by the Authority, is placed through a primary government securities dealer, approved by the Authority, or a financial institution doing business in the State of Texas;
8. Commercial paper is an authorized investment, if the commercial paper: has a stated maturity of 270 days or fewer from the date of its issuance, and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit agencies or one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state;
9. Eligible investment pools if the Board of Directors, by resolution, authorizes investment in the particular pool. An investment pool shall invest funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. The Authority by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

The Authority participates in three Local Government Investment Pools (LGIPs): Texpool, Texas Class and U.S. Bank Government Obligation Fund. The State Comptroller oversees Texpool with Federated Securities Corporation managing the daily operations of the pool under a contract with the State Comptroller. Advisory boards consisting of participants or their designees, maintains oversight responsibility for Texas Class. The U.S. Bank Government Obligation Fund is managed by U.S. Bancorp Asset Management, Inc. for the daily operations. These external investment pools are not registered with the Securities and Exchange Commission, and the Authority's fair value of its position in these pools are not same as the value of the pool shares. These funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed.

The Authority invests in Texpool, Texas Class and U.S. Bank Government Obligation Fund to provide its liquidity needs. Texpool, Texas Class and U.S. Bank Government Obligation Fund are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool and Texas Class are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texpool, Texas Class and U.S. Bank Government Obligation Fund are rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

At September 30, 2021 Texpool, Texas Class and U.S. Bank Government Obligation Fund had a weighted average maturity of 34 days, 53 days and 14 days, respectively. Although Texpool, Texas Class and U.S. Bank Government Obligation Fund portfolios had a weighted average maturity of 34 days, 53 days and 14 days, respectively, the Authority considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.



# BRAZORIA COUNTY TOLL ROAD AUTHORITY

Notes to the Financial Statements

Year Ended September 30, 2021

## NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

As of September 30, 2021, the County had the following investments:

<u>Investment Type</u>	<u>Interest Rate</u>	<u>Fair Value</u>	<u>Weighted Avg. Maturity (Days)</u>
Local Government Investment Pools:			
Texpool	Varies	\$ 1,372,435	34
Texas Class	Varies	12,713,139	53
U.S. Bank Government Obligation Fund	Varies	<u>239,371</u>	14
		<u>\$ 14,324,945</u>	51

Credit Risk - As of September 30, 2021, the LGIPs (which represent approximately 100.00% of the investment portfolio) are rated AAAM by Standard and Poor's or AAA by Finch.

Interest rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the County's cash flow requirements.

### Fair Value Measures

Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**BRAZORIA COUNTY TOLL ROAD AUTHORITY**

*Notes to the Financial Statements*

Year Ended September 30, 2021

**NOTE 2 - DEPOSITS AND INVESTMENTS - Continued**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Authority had no assets or liabilities that were required to be measured at fair value as of September 30, 2021.

**NOTE 3 - RECEIVABLES**

Receivables as of September 30, 2021 consists of toll revenue due from the Harris County Toll Road Authority.

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in capital assets for the year ended September 30, 2021, is as follows:

	Balance 10-01-20	Additions	Transfers	Balance 09-30-21
Capital Assets, Not Being Depreciated:				
Land	\$ 88,425	\$ -	\$ -	\$ 88,425
Construction in progress	<u>121,336,183</u>	<u>3,900,264</u>	<u>( 125,236,447)</u>	<u>-</u>
Total capital assets not being depreciated	<u>121,424,608</u>	<u>3,900,264</u>	<u>( 125,236,447)</u>	<u>88,425</u>
Capital Assets, Being Depreciated:				
Land improvements	-	-	10,231,162	10,231,162
Furniture, equipment & vehicles	-	-	3,960,137	3,960,137
Infrastructure	<u>-</u>	<u>-</u>	<u>111,045,148</u>	<u>111,045,148</u>
Total capital assets being depreciated	<u>-</u>	<u>-</u>	<u>125,236,447</u>	<u>125,236,447</u>
Less Accumulated Depreciation For:				
Land improvements	-	511,558	-	511,558
Furniture, equipment & vehicles	-	137,784	-	137,784
Infrastructure	<u>-</u>	<u>1,849,328</u>	<u>-</u>	<u>1,849,328</u>
Total accumulated depreciation	<u>-</u>	<u>2,498,670</u>	<u>-</u>	<u>2,498,670</u>
Total capital assets being depreciated, net	<u>-</u>	<u>( 2,498,670)</u>	<u>125,236,447</u>	<u>122,737,777</u>
Business-type activities capital assets, net	<u>\$ 121,424,608</u>	<u>\$ 1,401,594</u>	<u>\$ -</u>	<u>\$ 122,826,202</u>

Additions to infrastructure, land improvements, and furniture, equipment and vehicles were a result of completion of the Brazoria County Expressway.

# BRAZORIA COUNTY TOLL ROAD AUTHORITY

Notes to the Financial Statements

Year Ended September 30, 2021

## NOTE 4 - CAPITAL ASSETS - Continued

The contract commitments as of September 30, 2021 are as follows:

	<u>Projects Authorized</u>	<u>Expended to Date</u>	<u>Commitment</u>
Brazoria County Expressway	\$ 117,488,493	\$ 107,854,616	\$ 9,633,877

## NOTE 5 - LONG-TERM DEBT

The Authority issued limited contract tax and subordinate lien revenue bonds, which were issued in part as current interest bonds and in part as convertible capital appreciation bonds. The convertible capital appreciation bonds have a conversion date of March 1, 2025, where they will convert to current interest bonds. The Authority also issued limited contract tax and subordinate lien revenue bond anticipation notes. These subordinate lien revenue bonds and notes are paid through the Authority's Debt Service Fund from toll fees collected by the Authority.

The following is a summary of the outstanding subordinate lien revenues bonds as of September 30, 2021:

	<u>Interest Rate %</u>	<u>Series Dates</u>			<u>Outstanding 09-30-21</u>
		<u>Issued</u>	<u>Maturity</u>	<u>Callable</u>	
Revenue Bonds:					
Limited Contract Tax Subordinate Lien 2017A Current Interest Bonds	5.000	2017	2049	2027	\$ 34,150,000
Limited Contract Tax Subordinate Lien 2017A Capital Appreciation Bonds	4.000	2017	2045	2030	23,282,159
Limited Contract Tax Subordinate Lien 2020 Refunding Bonds	5.000	2020	2049	2027	<u>24,985,000</u>
Total Revenue Bonds					<u>\$ 82,417,159</u>

Revenue bond transactions for the year ended September 30, 2021 were as follows:

Bonds outstanding, October 1, 2020	\$ 81,512,961
Accretion	<u>904,198</u>
Bonds outstanding, September 30, 2021	<u>\$ 82,417,159</u>

**BRAZORIA COUNTY TOLL ROAD AUTHORITY**

Notes to the Financial Statements

Year Ended September 30, 2021

**NOTE 5 - LONG-TERM DEBT - Continued**

On January 30, 2020, the Authority sold \$ 24,985,000 of Limited Contract Tax and Subordinate Lien Toll Road Revenue Refunding Bonds, Series 2020. The net proceeds of \$ 29,915,325 were placed in escrow for the defeasement of \$ 29,700,000 in the Limited Contract Tax and Subordinate Lien Toll Road Revenue Bond Anticipation Notes, Series 2017B. These refunding bonds (Series 2020) were issued to provide for long-term financing of the costs of the Brazoria County Expressway by refunding the Limited Contract Tax and Subordinate Lien Toll Road Revenue Bond Anticipation Notes, Series 2017B and to pay for the costs of issuance associated with the Series 2020 bonds. This refunding issue defeased all of the outstanding bond anticipation notes from the original issue of 2017. All future debt service payments on the original bonds were provided for by placing the proceeds of the refunding bonds in an irrevocable trust. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's basic financial statements. This is a conversion of old debt to new debt, therefore, there are no differences between cash flow required to service the old debt to service the new debt and there is no economic gain for the refunding of the old bonds to the new bonds.

On June 1, 2017, the Authority sold \$ 53,838,313 of Limited Contract Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2017A. These bonds were issued to finance the cost of the Brazoria County Expressway and to pay for the costs of the issuance associated with the bonds.

The following is a summary of revenue bond requirements by year as of September 30, 2021:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2022	\$ -	\$ 2,786,750	\$ 2,786,750
2023	-	2,786,750	2,786,750
2024	-	2,786,750	2,786,750
2025	-	3,320,750	3,320,750
2026	550,000	3,841,000	4,391,000
2027-2031	9,910,000	18,102,000	28,012,000
2032-2036	14,585,000	14,907,875	29,492,875
2037-2041	19,485,000	11,003,850	30,488,850
2042-2046	24,140,000	6,355,650	30,495,650
2047-2049	<u>17,165,000</u>	<u>1,126,100</u>	<u>18,291,100</u>
	<u>\$ 85,835,000</u>	<u>\$ 67,017,475</u>	<u>\$ 152,852,475</u>

The difference between bonds payable and the future principal payments is due to \$ 3,417,841 of accretion, which will occur in future years prior to payment.

A summary of the long-term liability transactions of the Authority for the year ended September 30, 2021 is as follows:

	<u>Balance 10-01-20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 09-30-21</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 81,512,961	\$ 904,198	\$ -	\$ 82,417,159	\$ -
Premium on bonds	<u>8,877,581</u>	<u>-</u>	<u>400,513</u>	<u>8,477,068</u>	<u>400,513</u>
Total governmental activities	<u>\$ 90,390,542</u>	<u>\$ 904,198</u>	<u>\$ 400,513</u>	<u>\$ 90,894,227</u>	<u>\$ 400,513</u>

**BRAZORIA COUNTY TOLL ROAD AUTHORITY**

*Notes to the Financial Statements*

Year Ended September 30, 2021

**NOTE 6 - CONTINGENCIES AND COMMITMENTS**

The Authority is contingently liable with respect to lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the Authority as of September 30, 2021.

**NOTE 7 - EVALUATION OF SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through February 17, 2022, the date which the financial statements were available to be issued.

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**OTHER INFORMATION (UNAUDITED)**

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**BRAZORIA COUNTY TOLL ROAD AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**LAST FIVE FISCAL YEARS**  
(Unaudited)

Table 1

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Operating Revenues</b>					
Toll Revenue	\$ -	\$ -	\$ -	\$ -	\$ 7,489,712
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,177</u>	<u>37,823</u>
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,177</u>	<u>7,527,535</u>
<b>Operating Expenses</b>					
Services and fees	3,227	60,637	371,828	195,339	651,778
Repairs and maintenance	-	-	-	-	633,887
Utilities	-	-	-	-	4,974
Transportation, travel and other administrative	-	-	-	-	281,380
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,498,670</u>
Total operating expenses	<u>3,227</u>	<u>60,637</u>	<u>371,828</u>	<u>195,339</u>	<u>4,070,689</u>
Operating income/(loss)	( 3,227)	( 60,637)	( 371,828)	( 33,162)	3,456,846
<b>Non-Operating Revenues (Expenses)</b>					
Investment income	300,241	1,465,825	1,360,175	352,027	16,441
Interest and fiscal charges	( 663,470)	( 2,552,156)	( 2,589,758)	( 3,029,252)	( 3,299,768)
Debt issuance costs	<u>( 1,435,527)</u>	<u>-</u>	<u>-</u>	<u>( 497,781)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>( 1,798,756)</u>	<u>( 1,086,331)</u>	<u>( 1,229,583)</u>	<u>( 3,174,986)</u>	<u>( 3,283,327)</u>
Net income/(loss) before capital grants and contributions	( 1,801,983)	( 1,146,968)	( 1,601,411)	( 3,208,148)	173,519
Capital grants and contributions	<u>17,532,672</u>	<u>2,311,462</u>	<u>6,383,529</u>	<u>7,572,481</u>	<u>1,277,289</u>
Change in net position	15,730,689	1,164,494	4,782,118	4,364,333	1,400,808
Net position - beginning	<u>-</u>	<u>15,730,689</u>	<u>16,895,183</u>	<u>21,677,301</u>	<u>26,041,634</u>
Net position - ending	<u>\$ 15,730,689</u>	<u>\$ 16,895,183</u>	<u>\$ 21,677,301</u>	<u>\$ 26,041,634</u>	<u>\$ 27,442,442</u>

Note: The Brazoria County Expressway became operational in November 2020.

**BRAZORIA COUNTY TOLL ROAD AUTHORITY**  
**REVENUES BY TOLL ROAD COMPONENTS/SEGMENTS**  
**LAST ONE FISCAL YEAR**  
(Unaudited)

Table 2

	<u>2021</u>
<b>Brazoria County Expressway</b>	
Croix Northbound	\$ 477,334
Croix Southbound	536,226
McHard Northbound	3,031,058
McHard Southbound	<u>2,701,979</u>
 Total Brazoria County Expressway	 <u>6,746,597</u>
<b>Revenues not allocated due to timing differences</b>	
Toll violations	<u>743,115</u>
 Total revenues	 \$ <u>7,489,712</u>

**BRAZORIA COUNTY TOLL ROAD AUTHORITY**  
TRAFFIC COUNT TABLE  
LAST ONE FISCAL YEAR  
(Unaudited)

Table 3

	<u>2021</u>
<b>Brazoria County Expressway</b>	
Croix Northbound	905,103
Croix Southbound	1,014,238
McHard Northbound	2,432,009
McHard Southbound	<u>2,127,240</u>
 Total Brazoria County Expressway	 <u><u>6,478,590</u></u>

**BRAZORIA COUNTY TOLL ROAD AUTHORITY**  
**HISTORICAL TOLL ROAD OPERATING RESULTS AND COVERAGES**  
**LAST ONE FISCAL YEAR**  
(Unaudited)

Table 4

<u>Fiscal Year Ending</u>	<u>Project Revenues</u>	<u>Other Earnings</u>	<u>O &amp; M Expenses</u>	<u>Revenues Available for Unlimited Subordinate Lien Tax Bonds</u>	<u>Debt Service Bonds</u>	<u>Coverage Ratio On Unlimited Subordinate Lien Tax Bonds</u>
2021	\$ 7,489,712	\$ 54,264	\$ 1,572,019	\$ 5,971,957	\$ 2,796,083	2.136

**BRAZORIA COUNTY TOLL ROAD AUTHORITY**  
TOLL RATE SCHEDULE  
(Unaudited)

Table 5

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Toll Rate Schedule Effective as of November 16, 2020

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Two-Axle Vehicles

Croix Toll Plaza	\$	0.50
McHard Toll Plaza	\$	1.30

Three to Six Axle Vehicles

Croix Toll Plaza	\$	1.00 - 2.50
McHard Toll Plaza	\$	2.60 - 6.50

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**FEDERAL AWARDS SECTION**

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### Independent Auditor's Report

On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors  
Brazoria County Toll Road Authority  
Brazoria County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brazoria County Toll Road Authority (the "Authority"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 17, 2022.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Lake Jackson  
8 W Way Ct.  
Lake Jackson, TX 77566  
979-297-4075

El Campo  
201 W. Webb St.  
El Campo, TX 77437  
979-543-6836

Angleton  
2801 N. Velasco, Suite C  
Angleton, TX 77515  
979-849-8297

Bay City  
2245 Avenue G  
Bay City, TX 77414  
979-245-9236



The Board of Directors  
Brazoria County Toll Road Authority  
Brazoria County, Texas

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

***KM&L, LLC***

Lake Jackson, Texas  
February 17, 2022



### Independent Auditor's Report

On Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors  
Brazoria County Toll Road Authority  
Brazoria County, Texas

### **Report on Compliance for Each Major Federal Program**

We have audited Brazoria County Toll Road Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

**Lake Jackson**  
8 W Way Ct.  
Lake Jackson, TX 77566  
979-297-4075

**El Campo**  
201 W. Webb St.  
El Campo, TX 77437  
979-543-6836

**Angleton**  
2801 N. Velasco, Suite C  
Angleton, TX 77515  
979-849-8297

**Bay City**  
2245 Avenue G  
Bay City, TX 77414  
979-245-9236



The Board of Directors  
Brazoria County Toll Road Authority  
Brazoria County, Texas

### ***Opinion on Each Major Federal Program***

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

### **Report on Internal Control over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

***KM&L, LLC***

Lake Jackson, Texas  
February 17, 2022

**BRAZORIA COUNTY TOLL ROAD AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2021

I. Summary of auditor's results:

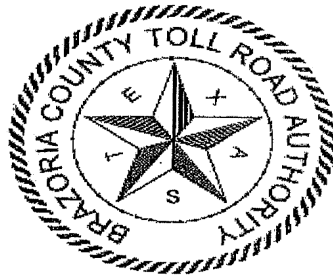
1. Type of auditor's report issued on the financial statements: Unmodified.
2. No internal control findings, that were required to be reported in this schedule, was disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None.
4. No internal control findings, that were required to be reported in this schedule, were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a): No
7. Major Programs Include:
  - 20.205 Highway Planning and Construction Program
8. Dollar threshold used to distinguish between Type A and Type B programs: Federal \$ 750,000
9. Low Risk Auditee: Yes

II. Findings related to the financial statements

None.

III. Findings and questioned costs related to the federal awards.

None.

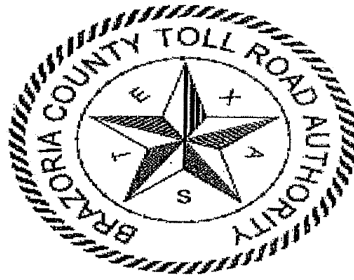


In accordance with Title 2 U.S. Code of Federal Regulations §200.511, the auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. This summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

The schedule of status of prior audit findings is as follows:

None.



In accordance with Title 2 U.S. Code of Federal Regulations §200.511, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan must be presented to address each finding included in the current year auditor's reports. The corrective action plan is as follows:

None.

**BRAZORIA COUNTY TOLL ROAD AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Contract/ Program Number	Expenditures Indirect Costs or Award Amount
U.S. Department of Transportation:			
Passed Through Texas Department of Transportation:			
Highway Planning and Construction Program	20.205	CSJ 0598-02-117	\$ 939,759
Highway Planning and Construction Program	20.205	CSJ 0598-02-122	<u>287,530</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>\$ 1,227,289</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,227,289</u>
TOTAL MAJOR PROGRAMS			<u>\$ 1,227,289</u>
TYPE A PROGRAM			<u>\$ 750,000</u>



**BRAZORIA COUNTY TOLL ROAD AUTHORITY**  
*NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS*  
Year Ended September 30, 2021

1. The Authority uses a proprietary fund to account for activities similar to those found in the private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing services be financed primarily through user charges, or where periodic determination of net income is appropriate. Federal financial assistance for the benefiting enterprise operations generally is accounted for in the Enterprise Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. Net total position is segregated into net investment in capital assets and restricted components for proprietary funds. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position. Federal grant funds were accounted for in the Enterprise Fund.

The accrual basis of accounting is used for the proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Federal grant funds are considered to be earned to the extent of expenditures/expenses made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

3. The period of availability for federal and state grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal and state project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Compliance Supplement.
4. The Authority has elected to use the 10 percent de minimis indirect cost rate.

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