

**Upper Brushy Creek
Water Control And
Improvement District**

**Financial Statements
and Supplemental Information
as of and for the Year Ended
September 30, 2021 and
Independent Auditors' Report**



Upper Brushy Creek WCID

Table of Contents

	<u>Page</u>
Annual Filing Affidavit	1
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-9
Basic Financial Statements:	
Statement of Net Position and Governmental Fund Balance Sheet	10
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	12
Notes to Basic Financial Statements	13-29
Required Supplementary Information:	
Schedule of Changes in Net Pension Liability and Related Ratios	30
Schedule of District Contributions	31
Notes to Required Supplementary Information	32-33
Texas Commission on Environmental Quality Supplementary Information:	
Index of Supplemental Schedules Required by the Texas Commission on Environmental Quality	34
Supplemental Schedules Required by the Texas Commission on Environmental Quality	35-41

Annual Filing Affidavit

The State of Texas

County of Williamson

I, Jeremiah D. Williams
(Name of Duly Authorized District Representative)

of the Upper Brushy Creek Water Control and Improvement District

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 16th day of December, 2021, its annual audit report for the fiscal year ended September 30, 2021, and that copies of the annual audit report have been filed in the District's office, located at 460 Texas Avenue, Round Rock, Texas, 78664.

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: December 16, 2021.

By: [Signature]
(Signature of District Representative)

Jeremiah D. Williams; Secretary
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 16th day of December, 2021.

[Signature]
(Signature of Notary)



Lisa Moravitz
(Printed Name of Notary)

My Commission Expires On: 11-27-2024
Notary Public in and for the State of Texas.



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Round Rock, TX 78664

Independent Auditors' Report

To the Board of Directors of
Upper Brushy Creek Water Control and Improvement District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Upper Brushy Creek Water Control and Improvement District (the "District"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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.

Auditors' 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 September 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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, the schedule of changes in net pension liability and related ratios, the schedule of district contributions, and the notes to required supplementary information on pages 5 through 9, 30, 31, and 32 through 33, respectively, 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 District's basic financial statements. The supplemental information required by the Texas Commission on Environmental Quality (the "TCEQ") listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Maxwell Locke + Ritter LLP

Austin, Texas
December 6, 2021

Upper Brushy Creek WCID

Management's Discussion and Analysis For the Year Ended September 30, 2021

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Upper Brushy Creek Water Control and Improvement District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2021. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent period by \$85,661,979 (*net position*). Of this amount, \$38,801,919 (*unrestricted net position*) may be used to meet the District's ongoing obligations.

The District's net property tax values increased by approximately \$2.6 billion or 5% from \$50,590,913,265 as of September 30, 2020 to \$53,212,372,236 as of September 30, 2021. Total tax revenue increased by approximately \$593 thousand during the year ended September 30, 2021.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
 - *Statement of Net Position and Governmental Fund Balance Sheet*
 - *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to Basic Financial Statements*

Other supplementary information is also included.

The *Basic Financial Statements* are designed to provide readers with an overview of the District’s finances, in a manner similar to the private sector business.

The *Statement of Net Position and Governmental Fund Balance Sheet* presents information on all the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. The statement of net position can be found on page 10 of the report which includes a column (titled “General Fund”) that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District’s net position will indicate financial health.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* represents information showing how the District’s net position changed during the most recent fiscal year which includes a column (titled “General Fund”) that derives the change in fund balance resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District’s adopted budget to its actual results.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods and some expenses are resulting from cash flows from prior periods. The increase or decrease in net position may serve as an indicator of the effect of the District’s current year operations on its financial position. The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* can be found on page 11 of this report.

Required supplementary information related to the District’s participation in the Texas County and District Retirement System pension plan and schedules required by the Texas Commission on Environmental Quality are presented immediately following the *Notes to Basic Financial Statements*.

Comparative Financial Statements

Statement of Net Position

	Governmental Activities		
	2021	2020	% Change
Current assets	\$ 39,119,384	\$ 37,203,878	5%
Capital and non-current assets	46,884,606	40,663,391	15%
Total assets	86,003,990	77,867,269	10%
Deferred outflows of resources	47,318	32,267	47%
Current liabilities	359,769	472,531	(24%)
Total liabilities	359,769	472,531	(24%)
Deferred inflows of resources	29,560	28,809	3%
Net investment in capital assets	46,860,060	40,628,773	15%
Unrestricted	38,801,919	36,769,423	6%
Total net position	\$ 85,661,979	\$ 77,398,196	11%

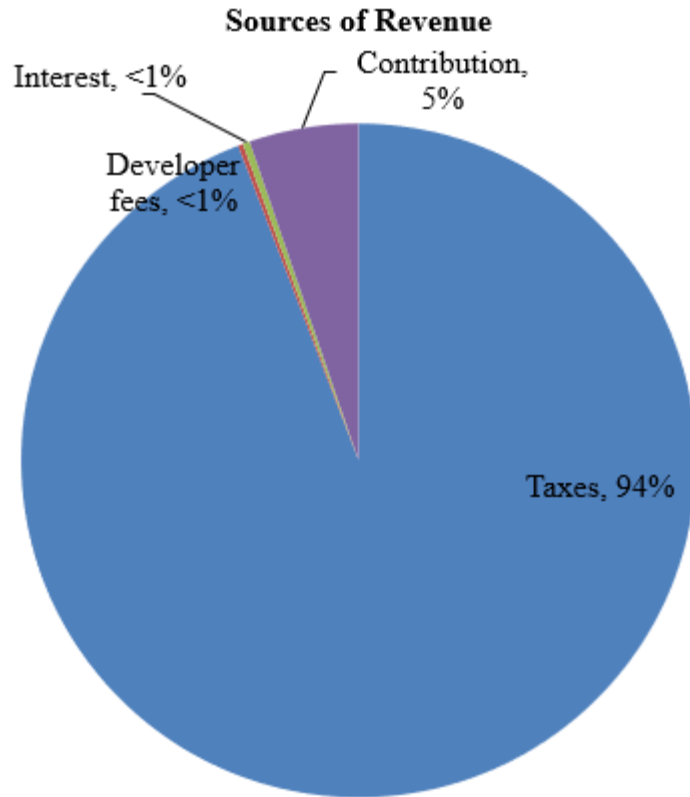
The District's total assets were approximately \$86.0 million as of September 30, 2021. Of this amount, approximately \$46.9 million was included in capital and intangible assets. The District had outstanding liabilities of approximately \$360 thousand.

The District's assessed value in 2021 was approximately \$53.2 billion compared to \$50.6 billion in 2020. The tax rate is set after reviewing operations and maintenance requirements. The District's primary revenue source is property tax revenue.

Statement of Activities

	Governmental Activities		
	2021	2020	% Change
Property taxes	\$ 10,623,052	\$ 10,030,269	6%
Developer fees	26,400	48,423	(45%)
Contribution revenue	591,518	464,696	27%
Interest on temporary investments and other	38,317	351,985	(89%)
Penalties and interest on property taxes	21,971	23,889	(8%)
Other revenue	-	825,000	(100%)
Total revenues	11,301,258	11,744,262	(4%)
Maintenance and repairs	901,244	762,715	18%
Engineering fees	524,416	493,952	6%
Contracted services	24,556	25,630	(4%)
Preparation of tax rolls	97,023	96,171	1%
Legal fees	54,071	63,410	(15%)
Salaries	478,575	432,075	11%
Other	478,766	195,848	144%
Depreciation	478,824	481,479	(1%)
Total expenses	3,037,475	2,551,280	19%
Change in net position	8,263,783	9,192,982	(10%)
Beginning net position	77,398,196	68,205,214	13%
Ending net position	\$ 85,661,979	\$ 77,398,196	11%

Operating revenues were approximately \$11.3 million for the fiscal year ended September 30, 2021, of which property taxes provided approximately \$10.6 million. Total expenses were approximately \$3.0 million for the fiscal year ended September 30, 2021. Net position increased approximately \$8.3 million primarily due to the excess of property tax revenue over operating expenses, the majority of which was used to pay for maintenance and repairs for the dams of approximately \$901 thousand and engineering fees of approximately \$524 thousand during the year ended September 30, 2021.



Financial Analysis of Governmental Fund

	2021	2020	2019
Cash	\$ 198,617	\$ 340,147	\$ 224,322
Temporary investments	38,620,264	36,457,403	27,841,510
Taxes receivable	97,097	78,949	71,618
Grant funds receivable	-	-	20,930
Due from other governments	203,406	327,379	43,601
Total assets	\$ 39,119,384	\$ 37,203,878	\$ 28,201,981
Total liabilities	\$ 359,769	\$ 472,531	\$ 284,305
Total deferred inflows of resources	97,097	78,949	71,618
Committed fund balance	798,429	825,000	-
Assigned fund balance	10,510,829	7,528,233	12,015,334
Unassigned fund balance	27,353,260	28,299,165	15,830,724
Total fund balance	38,662,518	36,652,398	27,846,058
Total liabilities, deferred inflows of resources and fund balance	\$ 39,119,384	\$ 37,203,878	\$ 28,201,981

The *General Fund* pays for daily operating expenditures. When comparing actual to budget, actual revenues were more than budgeted by approximately \$220 thousand primarily due to higher than anticipated property taxes. Actual expenditures were lower than budgeted by approximately \$9.3 million primarily due to the entire capital outlay contract costs being included in the annual budget when actual incurrence of costs will extend beyond fiscal year 1. More detailed information about the District’s budgetary comparison is presented in the *Basic Financial Statements*.

Capital Assets Activity

	2021	2020
Earthen dams	\$ 39,826,537	\$ 39,826,537
Construction in progress	8,622,277	5,018,168
Buildings and improvements	1,961,828	1,961,828
Land	3,562,410	478,903
Furniture and equipment	45,938	53,591
Subtotal	54,018,990	47,339,027
Accumulated depreciation	(7,644,830)	(7,196,154)
Total	\$ 46,374,160	\$ 40,142,873

The District is in process of renovating additional dams. More detailed information about the District’s capital assets is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

For fiscal year 2022, the tax rate has been set at \$0.0175 per \$100 of assessed valuation. The adopted budget for 2022 projects a decrease in the fund balance of the General Fund of approximately \$10.5 million. When compared to the 2021 budget, revenues are expected to increase by approximately 2% in 2022. Expenditures are expected to increase by approximately 18% in 2022 when compared to the 2021 budget.

The impact from the outbreak of COVID-19 has been minimal to the District. The majority of revenue comes from property taxes which were based on appraisals performed before the pandemic; therefore, there was no immediate changes to revenue. There is substantial new growth to the tax base due to the additional development occurring in the area that is expected to offset any potential minor decrease in the next round of appraisals. The District’s O&M only requires 30% of that property tax revenue, so there are no concerns about keeping the operations of the District continuing. Additionally, due to the November 2020 voter approval of the new bond program, the District will be able to continue with the construction and rehabilitation projects.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances and to demonstrate the District’s accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at 460 Texas Avenue, Round Rock, Texas, 78664.

Upper Brushy Creek WCID

Statement of Net Position and Governmental Fund Balance Sheet September 30, 2021

	General Fund	Adjustments (Note 2)	Statement of Net Position
Assets:			
Cash	\$ 198,617	\$ -	\$ 198,617
Temporary investments	38,620,264	-	38,620,264
Taxes receivable	97,097	-	97,097
Due from other governments	203,406	-	203,406
Intangible asset	-	485,900	485,900
Capital assets (net of accumulated depreciation):			
Earthen dams	-	32,332,447	32,332,447
Buildings and improvements	-	1,831,039	1,831,039
Construction in progress	-	8,622,277	8,622,277
Land	-	3,562,410	3,562,410
Furniture and equipment	-	25,987	25,987
Net pension asset	-	24,546	24,546
Total assets	<u>\$ 39,119,384</u>	<u>\$ 46,884,606</u>	<u>\$ 86,003,990</u>
Deferred Outflows of Resources:			
Pension contributions after measurement date	\$ -	\$ 25,520	\$ 25,520
Deferred outflows related to pension asset	-	21,798	21,798
Total deferred outflows of resources	<u>-</u>	<u>47,318</u>	<u>47,318</u>
Liabilities:			
Current liabilities-			
Accounts payable	359,769	-	359,769
Total liabilities	<u>359,769</u>	<u>-</u>	<u>359,769</u>
Deferred Inflows of Resources:			
Deferred revenue - property taxes	97,097	(97,097)	-
Deferred inflows related to pension asset	-	29,560	29,560
Total deferred inflows of resources	<u>97,097</u>	<u>(67,537)</u>	<u>29,560</u>
Fund Balance/Net Position:			
Fund balance:			
Committed to Rattan Creek Regional Detention projects	798,429	(798,429)	-
Assigned to subsequent fiscal year's budget deficit	10,510,829	(10,510,829)	-
Unassigned	27,353,260	(27,353,260)	-
Total fund balance	<u>38,662,518</u>	<u>(38,662,518)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 39,119,384</u>		
Net position:			
Net investment in capital assets		46,860,060	46,860,060
Unrestricted		38,801,919	38,801,919
Total net position		<u>\$ 85,661,979</u>	<u>\$ 85,661,979</u>

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

Upper Brushy Creek WCID

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance Year Ended September 30, 2021

	General Fund	Adjustments (Note 2)	Statement of Activities
Expenditures/expenses:			
Service operations:			
Maintenance and repairs	\$ 698,725	\$ 202,519	\$ 901,244
Legal fees	54,071	-	54,071
Engineering fees	524,416	-	524,416
Contracted services	24,556	-	24,556
Preparation of tax rolls	97,023	-	97,023
Salaries	482,803	(4,228)	478,575
Directors' fees	12,300	-	12,300
Insurance	7,075	-	7,075
Other	459,391	-	459,391
Capital outlay	6,321,112	(6,321,112)	-
Depreciation	-	478,824	478,824
	<u>8,681,472</u>	<u>(5,643,997)</u>	<u>3,037,475</u>
Revenues:			
General revenues:			
Property taxes	10,604,904	18,148	10,623,052
Developer fees	26,400	-	26,400
Contribution revenue	-	591,518	591,518
Interest on temporary investments	38,317	-	38,317
Penalties and interest on property taxes	21,971	-	21,971
	<u>10,691,592</u>	<u>609,666</u>	<u>11,301,258</u>
	<u>10,691,592</u>	<u>609,666</u>	<u>11,301,258</u>
Excess of revenues over expenditures	2,010,120	(2,010,120)	-
Change in net position	-	8,263,783	8,263,783
Fund balance/net position:			
Beginning of year	36,652,398	40,745,798	77,398,196
End of year	<u>\$ 38,662,518</u>	<u>\$ 46,999,461</u>	<u>\$ 85,661,979</u>

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

Upper Brushy Creek WCID

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Year Ended September 30, 2021

	Original and Final Budget	Actual	Variance
Revenues:			
Property taxes	\$ 10,451,767	\$ 10,604,904	\$ 153,137
Developer fees	20,000	26,400	6,400
Interest on temporary investments	-	38,317	38,317
Penalties and interest on property taxes	-	21,971	21,971
Total revenues	<u>10,471,767</u>	<u>10,691,592</u>	<u>219,825</u>
Expenditures:			
Service operations:			
Maintenance and repairs	1,060,000	698,725	361,275
Legal fees	100,000	54,071	45,929
Engineering fees	500,000	524,416	(24,416)
Contracted services	54,000	24,556	29,444
Preparation of tax rolls	116,000	97,023	18,977
Salaries	560,000	482,803	77,197
Directors' fees	20,000	12,300	7,700
Insurance	9,000	7,075	1,925
Other	581,000	459,391	121,609
Capital outlay	<u>15,000,000</u>	<u>6,321,112</u>	<u>8,678,888</u>
Total expenditures	<u>18,000,000</u>	<u>8,681,472</u>	<u>9,318,528</u>
Excess (deficiency) of revenues over (under) expenditures	(7,528,233)	2,010,120	9,538,353
Fund Balance:			
Beginning of year	<u>36,652,398</u>	<u>36,652,398</u>	<u>-</u>
End of year	<u>\$ 29,124,165</u>	<u>\$ 38,662,518</u>	<u>\$ 9,538,353</u>

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

Upper Brushy Creek WCID

Notes to Basic Financial Statements Year Ended September 30, 2021

1. Summary of Significant Accounting Policies

In November 1956, the State Board of Water Engineers of Texas (predecessor to the Texas Water Development Board) created the district as the then Brushy Creek Water Control and Improvement District (“WCID”) No. 1 of Williamson and Milam Counties which was validated by the Texas State Legislature in the following year. In 2001, district voters approved a split of the district into two entities: Brushy Creek WCIDs No. 1A and No. 1B of Williamson and Milam Counties. The former district assets were allocated among the new entities. The district continued to be subject to the Texas Water Code Chapters 49 and 51.

The Board of Directors of Brushy Creek WCID No. 1A of Williamson and Milam Counties held its first meeting on March 12, 2002. On January 9, 2003, the Texas Commission on Environmental Quality approved the district requested name change to Upper Brushy Creek WCID (the “District”). On June 3, 2021, the Governor signed House Bill 1606 which updated the District’s enabling legislation by formalizing the split and name change and clarifying the District’s exemption from municipal regulations regarding the construction, maintenance, rehabilitation, or removal of dams.

The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five-member Board of Directors (the “Board”) which has been elected by District voters or appointed by the Board, as appropriate. The District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”), since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units which are included in the District’s reporting entity.

Government-Wide and Fund Financial Statements

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the “General Fund” column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net position and the statement of activities.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Major revenue sources considered susceptible to accrual includes interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

The District reports the following major governmental fund-

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. The budget is proposed by the District's General Manager for the fiscal year commencing the following October 1 and is adopted on a basis consistent with generally accepted accounting principles.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Investments - Temporary investments throughout the year consisted of investments in an external local government investment pool. The external local government investment pool is recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper, and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include earthen dams, construction in progress, land, buildings and improvements, and furniture and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight-line method over the following estimated useful lives: earthen dams - fifty years, buildings and improvements - thirty years, furniture and equipment - five to ten years.

Ad Valorem Property Taxes - Property taxes, penalties, and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Allowances for uncollectibles within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Intangible Asset - Rights to equipment are reported in the government-wide column in the statement of net position at historical cost and are evaluated for impairment on an annual basis. No impairment was required to be recognized during the year ended September 30, 2021.

Pensions - The fiduciary net position of the Texas County and District Retirement System ("TCDRS") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental fund. See Note 10 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 11 for additional information on deferred outflows and inflows of resources.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2022.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. The objective of GASB Statement No. 96 is to improve accounting and financial reporting by establishing a definition for a subscription-based information technology arrangement (“SBITA”) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. GASB Statement No. 96 will require a government to report a right-to-use subscription asset as an intangible asset and a corresponding subscription liability for a SBITA, and also require certain disclosures about the SBITA. GASB Statement No. 96 also provides capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. Management is evaluating the effects that the full implementation of GASB Statement No. 96 will have on its financial statements for the year ended September 30, 2023.

2. Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for governmental activities in the statement of net position are different because:

Governmental fund total fund balance	\$ 38,662,518
Rights to equipment are not current financial resources and are therefore not reported in the governmental fund balance sheet	485,900
Capital assets used in governmental activities are not current financial resources and are therefore not reported in the governmental fund balance sheet	46,374,160
Net pension asset is not receivable in the current period and, therefore, is not reported in the funds.	24,546
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the governmental fund balance sheet	97,097
The following deferred outflows and inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Pension contributions after measurement date	25,520
Deferred outflows related to pension asset	21,798
Deferred inflows related to pension asset	(29,560)
Total net position	<u>\$ 85,661,979</u>

Amounts reported for governmental activities in the statement of activities are different because:

Excess of revenues over expenditures	\$ 2,010,120
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or recorded as an intangible until determined to be impaired:	
Capital outlay	6,321,112
Depreciation expense	(478,824)
Disposal of capital assets	(202,519)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Contribution revenue	591,518
Change in deferred tax revenue	18,148
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Pension contributions made before the measurement date	8,112
Pension contributions made after the measurement date	25,520
Adjustments for ending deferred inflows and outflows related to net pension asset	(29,404)
Change in net position	<u>\$ 8,263,783</u>

3. Cash and Temporary Investments

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2021, such deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

The District is entitled to invest in obligations of the United States, the State of Texas and their agencies, or any state, county, city and any other political subdivisions of any state rated by a nationally recognized investment rating firm with a rating not less than A or its equivalent, certificates of deposit of state or national banks or savings and loan associations within the State, prime domestic bankers' acceptances, commercial paper with a stated maturity of 270 days or less from the date of its issuance, fully collateralized repurchase agreements, no-load money market mutual funds regulated by the United States Securities and Exchange Commission, and eligible public funds investment pools.

At September 30, 2021, the District had investments in an external local governmental investment pool, Texas Local Governmental Investment Pool (“TexPool”), totaling \$38,620,264. The funds invested in TexPool have a weighted average maturity of one day and a Standard & Poor’s rating of AAAM.

Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool’s investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the external local government investment pool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. This pool does not impose any liquidity fees or redemption gates.

Credit Risk - At September 30, 2021, investments were included in an external local governmental investment pool with a rating from Standard & Poor’s in compliance with the District’s investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the District’s name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty’s trust department or agent but not in the District’s name. At September 30, 2021, the District was not exposed to custodial credit risk.

Interest Rate Risk - The District considers the holdings in the external local governmental investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At September 30, 2021, the District was not exposed to significant interest rate risk.

4. Property Taxes

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Williamson Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

On September 17, 2020, the District levied a tax rate of \$0.02 per \$100 of assessed valuation to finance the operating expenses of the District. The total 2020 tax levy was \$10,624,797 based on a taxable valuation of \$53,212,372,236.

5. Due from Other Governments

The District has entered into an interlocal agreement with the City of Round Rock that includes reimbursements for certain costs incurred by the District related to its improvements of the earthen dams. At September 30, 2021, the District had \$203,406 in costs incurred that are subject to reimbursement based on the terms of the interlocal agreement. See Note 9 for additional information.

6. Intangible Asset

Per an agreement effective May 2013 with U.S. Geological Survey (“USGS”), the District purchased rights to benefits in water gauging equipment. Benefits include the installation of gauging equipment with instantaneous reporting of water levels and other metrics to the District’s management and website at various sites and the right to receive replacement equipment in the future should the current equipment become damaged or outdated without further cost to the District. The initial amount paid for these benefits was \$398,100, which was recorded as an intangible asset on the statement of net position during the fiscal year ended September 30, 2013. Additional equipment was installed during the fiscal year ended September 30, 2014 and the District paid an additional \$87,800 for these benefits. In exchange for the purchase price and ongoing annual maintenance fees of \$6,360 to \$15,450 per station (currently \$239,900 annually for 28 stations), USGS will operate and maintain the equipment and will replace any outdated or damaged equipment. The term of the agreement is indefinite, and accordingly, no amortization expense has been recorded as of September 30, 2021.

7. Capital Assets

Capital assets activity for the year ended September 30, 2021 was as follows:

	Balance September 30, 2020	Additions	Deletions/ Transfers	Balance September 30, 2021
Capital assets, not being depreciated:				
Construction in progress	\$ 5,018,168	3,806,628	(202,519)	8,622,277
Land	478,903	3,083,507	-	3,562,410
Total capital assets, not being depreciated	<u>5,497,071</u>	<u>6,890,135</u>	<u>(202,519)</u>	<u>12,184,687</u>
Capital assets, being depreciated:				
Earthen dams	39,826,537	-	-	39,826,537
Buildings and improvements	1,961,828	-	-	1,961,828
Furniture and equipment	53,591	22,495	(30,148)	45,938
Total capital assets, being depreciated	<u>41,841,956</u>	<u>22,495</u>	<u>(30,148)</u>	<u>41,834,303</u>
Less accumulated depreciation for:				
Earthen dams	(7,088,723)	(405,367)	-	(7,494,090)
Buildings and improvements	(65,395)	(65,394)	-	(130,789)
Furniture and equipment	(42,036)	(8,063)	30,148	(19,951)
Total accumulated depreciation	<u>(7,196,154)</u>	<u>(478,824)</u>	<u>30,148</u>	<u>(7,644,830)</u>
Total capital assets, being depreciated, net	<u>34,645,802</u>	<u>(456,329)</u>	<u>-</u>	<u>34,189,473</u>
Capital assets, net	<u>\$ 40,142,873</u>	<u>6,433,806</u>	<u>(202,519)</u>	<u>46,374,160</u>

8. Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool (“TML Pool”) to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established claims reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

9. Commitments and Contingencies

The District is involved in various legal proceedings which arise from time to time in the normal course of business. While the ultimate results of such matters generally cannot be predicted with certainty, management does not expect any such matters to have a material adverse effect on the financial position of the District or its results of operations as of and for the year ended September 30, 2021.

On December 18, 2014, the District contracted with the City of Round Rock (the “2014 agreement”) to construct a dam (the “Dam 101 Project”). Under the terms of the 2014 agreement, the District was required to contribute 25% of total Dam 101 Project costs plus the total cost of easements associated with the Dam 101 Project, for a total amount not to exceed \$6,000,000. Upon completion of the Dam 101 Project, the District shall own and maintain the dam. As of September 30, 2021, the District had contributed \$2,000,000 to the Dam 101 Project. Effective December 6, 2018, the 2014 agreement was terminated and a new agreement (the “2018 agreement”) was adopted. Under the terms of the 2018 agreement, the City of Round Rock reimbursed the District \$956,740 of the \$2,000,000 originally paid to the City of Round Rock pursuant to the 2014 agreement. The District will be reimbursed on a quarterly basis for costs incurred for engineering, design and permitting of the Dam 101 Project for a total amount not to exceed \$2,000,000. The District recognized \$591,518 of reimbursements for costs incurred during the year ended September 30, 2021.

In February 2020, the District entered into an agreement with Apple Inc. to allow Apple Inc. to participate in regional detention, in lieu of on-site detention, with the District. The agreement allows Apple Inc. to utilize one flood control structure, that is operated and maintained by the District, as regional detention. As part of the agreement, Apple Inc. purchased permanent capacity and the District will provide the capacity in perpetuity. The total detention fee of \$825,000 was recognized as revenue in the prior fiscal year.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the District's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. Management is actively managing the business to maintain the District's cash flow and believes that the District has adequate liquidity.

10. Fund Balances

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Fund Balance Sheet on page 10.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The Board has allocated a portion of unassigned fund balance for emergencies only, which are defined as risks and consequences associated with dam failure to ensure the safety and welfare of the public. Although this portion of unassigned fund balance has been allocated by the Board, it does not meet the requirements of committed or assigned fund balance as presented in GASB Statement No. 54, and therefore, cannot be reported as such.

11. Defined Benefit Pension Plan

Plan Description

The District provides retirement, disability, and death benefits for all of its non-temporary full-time employees through a nontraditional defined benefit pension plan administered by the Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 817 active participating counties and districts throughout Texas. TCDRS in the aggregate issues a comprehensive annual financial report (“CAFR”) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS (“TCDRS Act”). Members can retire after 20 years of service or when service time plus age equals 75 but must leave their accumulated contributions in the plan to receive any employer-finance benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefits Provided

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

Employee membership data related to the plan, as of the valuation date of December 31, 2020, was as follows:

Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to but not yet receiving benefits	2
Active plan members	4
Total	<u>6</u>

Contributions

The District has elected the annually determined contribution rate (“ADCR”) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 7.50% for 2021 as adopted by the governing body of the District. The employee contribution rate was 4.00%. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act. The required contribution and actual contributions for the year ended September 30, 2021 equaled \$33,632.

Net Pension Asset

Actuarial Assumptions

The District's net pension asset was measured as of December 31, 2020 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Amortization Period	20.0 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation
Investment Rate of Return	7.50%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the District are not considered to be automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB 68 calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Between ages 40 and 74 with various rates of service retirement by gender: low of 4.5% for age 40-44 to high of 25.0% for age 65-66 for males and females
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality:	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions that determined the total pension liability as of December 31, 2020 were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years and is set based on a long-term time horizon; the most recent analysis was performed in March 2021.

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

- (a) Target asset allocation adopted at the March 2021 TCDRS Board meeting.
- (b) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.00%, per Cliffwater's 2021 capital market assumptions.
- (c) Includes vintage years 2006-present of Quarter Pooled Horizon internal rates of return.
- (d) Includes vintage years 2005-present of Quarter Pooled Horizon internal rates of return.
- (e) Includes vintage years 2007-present of Quarter Pooled Horizon internal rates of return.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Changes in Net Pension Asset

Changes in the District's net pension asset for the valuation year ended December 31, 2020 were as follows:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance as of December 31, 2019	\$ 262,703	\$ 297,321	\$ (34,618)
Changes for the year:			
Service cost	49,022	-	49,022
Interest on total pension liability (1)	25,250	-	25,250
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(1,281)	-	(1,281)
Effect of assumptions changes or inputs	18,700	-	18,700
Administrative expenses	-	(277)	277
Member contributions	-	17,246	(17,246)
Net investment income	-	30,817	(30,817)
Employer contributions	-	32,336	(32,336)
Other (3)	-	1,497	(1,497)
Balance as of December 31, 2020	<u>\$ 354,394</u>	<u>\$ 378,940</u>	<u>\$ (24,546)</u>

- (1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
- (2) No plan changes valued.
- (3) Relates to allocation of system-wide items.

Sensitivity Analysis

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.60%</u>	<u>7.60%</u>	<u>8.60%</u>
Total pension liability	\$ 397,249	\$ 354,394	\$ 318,265
Fiduciary net position	<u>378,940</u>	<u>378,940</u>	<u>378,940</u>
Net pension liability / (asset)	<u>\$ 18,309</u>	<u>\$ (24,546)</u>	<u>\$ (60,675)</u>

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended September 30, 2021, the District recognized pension expense of \$29,405. As of September 30, 2021, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,298	\$ 22,633
Changes of assumptions	16,500	-
Net difference between projected and actual earnings	-	6,927
Contributions made subsequent to measurement date	<u>25,520</u>	<u>-</u>
Total	<u>\$ 47,318</u>	<u>\$ 29,560</u>

The \$25,520 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset during the year ended September 30, 2022. The remaining amounts currently reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount</u>
Year ended September 30:	
2022	\$ (643)
2023	827
2024	(2,902)
2025	(149)
2026	(2,688)
Thereafter	<u>(2,207)</u>
	<u>\$ (7,762)</u>

12. Deferred Compensation Plan

The District maintains the Upper Brushy Creek Water Control and Improvement District 457(b) Deferred Compensation Plan (the “Plan”) for all eligible employees. The plan is funded by voluntary employee salary deferrals in accordance with regulations established under Section 457(b) of the Internal Revenue Code. The funds of the Plan are held in trust in a separate account. The assets related to the Plan are not included in the accompanying statement of net position as the District has no ongoing control over these assets.

Upper Brushy Creek WCID

Schedule of Changes in Net Pension Liability and Related Ratios September 30, 2021

	Year Ended December 31, 2020*	Year Ended December 31, 2019*	Year Ended December 31, 2018*	Year Ended December 31, 2017*	Year Ended December 31, 2016*	Year Ended December 31, 2015*
Total Pension Liability						
Service cost	\$ 49,022	\$ 46,563	\$ 32,823	\$ 30,320	\$ 30,531	\$ 18,768
Interest on total pension liability	25,250	19,548	16,585	12,687	8,281	6,434
Effect of plan changes	-	354	-	-	-	(2,475)
Effect of assumption changes or inputs	18,700	-	-	1,112	233	1,742
Effect on economic/demographic (gains) or losses	(1,281)	1,463	(26,568)	1,506	-	(7,791)
Benefit payments/refunds of contributions	-	-	-	-	-	-
Net change in total pension liability	91,691	67,928	22,840	45,625	39,045	16,678
Total pension liability, beginning	262,703	194,775	171,935	126,310	87,265	70,587
Total pension liability, ending (a)	<u>\$ 354,394</u>	<u>\$ 262,703</u>	<u>\$ 194,775</u>	<u>\$ 171,935</u>	<u>\$ 126,310</u>	<u>\$ 87,265</u>
Fiduciary Net Position						
Employer contributions	\$ 32,336	\$ 34,969	\$ 23,016	\$ 21,503	\$ 18,690	\$ 14,393
Member contributions	17,246	17,226	11,595	10,975	10,340	7,854
Investment income net of investment expenses	30,817	34,305	(2,904)	18,777	6,594	(2,559)
Benefit payments/refunds of contributions	-	-	-	-	-	-
Administrative expenses	(277)	(227)	(168)	(117)	(72)	(57)
Other	1,497	1,828	1,049	434	2,118	(7)
Net change in fiduciary net position	81,619	88,101	32,588	51,572	37,670	19,624
Fiduciary net position, beginning	297,321	209,220	176,632	125,060	87,390	67,766
Fiduciary net position, ending (b)	\$ 378,940	\$ 297,321	\$ 209,220	\$ 176,632	\$ 125,060	\$ 87,390
Net pension liability / (asset), ending = (a) - (b)	\$ (24,546)	\$ (34,618)	\$ (14,445)	\$ (4,697)	\$ 1,250	\$ (125)
Fiduciary net position as a % of total pension liability	106.93%	113.18%	107.42%	102.73%	99.01%	100.14%
Pensionable covered payroll	\$ 431,150	\$ 438,932	\$ 289,874	\$ 274,374	\$ 258,499	\$ 196,352
Net pension liability (asset) as a % of covered payroll	-5.69%	-7.89%	-4.98%	-1.71%	0.48%	-0.06%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Upper Brushy Creek WCID

Schedule of District Contributions September 30, 2021

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Pensionable Covered Payroll *	Actual Contribution as a % of Covered Payroll
2012	\$ 8,078	\$ 8,078	- \$	111,419	7.3%
2013	10,941	10,941	-	148,000	7.4%
2014	11,037	11,037	-	151,402	7.3%
2015	12,852	12,852	-	175,908	7.3%
2016	18,920	18,920	-	260,585	7.3%
2017	20,487	20,487	-	266,499	7.7%
2018	17,239	17,239	-	259,013	6.7%
2019	34,736	34,736	-	430,150	8.1%
2020	32,939	32,939	-	430,650	7.6%
2021	33,632	33,632	-	451,428	7.5%

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

Upper Brushy Creek WCID

Notes to Required Supplementary Information Year Ended September 30, 2021

1. Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The following methods and assumptions were used to determine the contributions rates:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Amortization Period	20.0 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation
Investment Rate of Return	7.50%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the District are not considered to be automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB 68 calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Between ages 40 and 74 with various rates of service retirement by gender: low of 4.5% for age 40-44 to high of 25.0% for age 65-66 for males and females
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality:	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

2. Change in Assumptions

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- Amortization period increased from 1.6 years to 20 years
- Inflation assumption decreased from 2.75% per year to 2.50% per year, with a corresponding decrease in the general wage growth assumption from 4.9% to 4.6%.
- Investment rate of return decreased from 8.10% to 7.50%

Upper Brushy Creek WCID

Index of Supplemental Schedules Required by the Texas Commission on Environmental Quality Year Ended September 30, 2021

Schedule Included		
<u>Yes</u>	<u>No</u>	
<u>X</u>	<u> </u>	TSI-0 Notes Required by the Water District Accounting Manual
<u> </u>	<u>X</u>	TSI-1 Schedule of Services and Rates
<u>X</u>	<u> </u>	TSI-2 Schedule of General Fund Expenditures
<u>X</u>	<u> </u>	TSI-3 Schedule of Temporary Investments
<u>X</u>	<u> </u>	TSI-4 Analysis of Taxes Levied and Receivable
<u> </u>	<u>X</u>	TSI-5 Long-Term Debt Service Requirements by Years
<u> </u>	<u>X</u>	TSI-6 Analysis of Changes in Long-Term Bonded Debt
<u>X</u>	<u> </u>	TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund - Five Years Ended September 30, 2021
<u>X</u>	<u> </u>	TSI-8 Board Members, Key Personnel and Consultants

Upper Brushy Creek WCID

TSI-0 Notes Required by the Water District Accounting Manual Year Ended September 30, 2021

The notes which follow are not necessarily required for fair presentation of the audited basic financial statements of the District which are contained in the preceding section of this report. They are presented in conformity with requirements of the Texas Commission on Environmental Quality to assure disclosure of specifically required facts.

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

See Note 9 to basic financial statements.

(C) Pension Coverage

See Note 11 to basic financial statements.

(D) Pledge of Revenues

Not applicable.

(E) Compliance with Debt Service Requirements

Not applicable.

(F) Redemption of Bonds

Not applicable.

Upper Brushy Creek WCID

TSI-2 Schedule of General Fund Expenditures Year Ended September 30, 2021

Personnel expenditures (including benefits)	\$	482,803
Professional fees:		
Auditing		17,500
Legal		54,071
Engineering		524,416
Financial Advisor		-
Purchased services for resale -		
Bulk water and wastewater service purchases		-
Contracted services:		
Bookkeeping		7,056
General manager		-
Appraisal district		-
Tax collector		97,023
Other contracted services		-
Utilities		-
Repairs and maintenance		698,725
Administrative expenditures:		
Directors' fees		12,300
Office supplies		12,368
Insurance		7,075
Other administrative expenses		447,023
Capital outlay:		
Capitalized assets		6,321,112
Expenditures not capitalized		-
Tap connection expenditures		-
Solid waste disposal		-
Fire fighting		-
Parks and recreation		-
Other expenditures		-
Total expenditures	\$	<u>8,681,472</u>

Number of persons employed by the District: 4 Full-Time 5 Part-Time
(Does not include independent contractors or consultants)

Upper Brushy Creek WCID

TSI-3 Schedule of Temporary Investments September 30, 2021

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 9/30/21</u>	<u>Accrued Interest Receivable at 9/30/21</u>
General Fund- TexPool	12526, 19445, 21127	Variable	N/A	<u>\$ 38,620,264</u>	<u>\$ -</u>
Total				<u><u>\$ 38,620,264</u></u>	<u><u>\$ -</u></u>

Upper Brushy Creek WCID

TSI-4 Analysis of Taxes Levied and Receivable Year Ended September 30, 2021

	<u>Maintenance Taxes</u>
Taxes receivable, September 30, 2020	\$ 78,949
2020 Original tax levy	10,624,797
Adjustments	<u>(1,745)</u>
Total to be accounted for	<u>10,702,001</u>
Tax collections:	
Current year	10,582,121
Prior years	<u>22,783</u>
Total collections	<u>10,604,904</u>
Taxes receivable, September 30, 2021	<u><u>\$ 97,097</u></u>
Taxes receivable, by years	
2020	\$ 34,172
2019	17,414
2018	7,732
2017	5,954
2016 and prior	<u>31,825</u>
Taxes receivable, September 30, 2021	<u><u>\$ 97,097</u></u>

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Property valuations- Land, improvements, and personal property	\$ 53,212,372,236	\$ 50,590,913,265	\$ 46,433,831,195	\$ 42,320,791,952
Tax rates per \$100 valuation:				
Maintenance tax rates	0.02	0.02	0.02	0.02
Debt service tax rates	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total tax rates per \$100 valuation	<u><u>\$ 0.02</u></u>	<u><u>\$ 0.02</u></u>	<u><u>\$ 0.02</u></u>	<u><u>\$ 0.02</u></u>
Original tax levy	<u><u>\$ 10,624,797</u></u>	<u><u>\$ 10,062,717</u></u>	<u><u>\$ 9,269,475</u></u>	<u><u>\$ 8,431,110</u></u>
Percent of taxes collected to taxes levied	<u><u>99.7%</u></u>	<u><u>99.8%</u></u>	<u><u>99.9%</u></u>	<u><u>99.9%</u></u>

Upper Brushy Creek WCID

TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund Five Years Ended September 30, 2021

	Amounts					Percent of Fund Total Revenues				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
General Fund										
Revenues:										
Property taxes	\$ 10,604,904	10,022,938	9,338,571	8,440,039	7,765,880	99.2 %	88.9	92.4	95.8	97.6
Developer fees	26,400	48,423	15,400	13,094	8,601	0.2	0.4	0.2	0.1	0.1
Grant revenue	-	-	109,249	-	10,277	-	-	1.1	-	0.1
Interest on temporary investments	38,317	351,985	627,184	337,996	160,385	0.4	3.2	6.1	3.8	2.0
Penalties and interest on property taxes	21,971	23,889	20,172	18,553	18,592	0.2	0.2	0.2	0.2	0.2
Other revenue	-	825,000	-	84	-	-	7.3	-	0.1	-
Total revenues	10,691,592	11,272,235	10,110,576	8,809,766	7,963,735	100.0	100.0	100.0	100.0	100.0
Expenditures:										
Service operations:										
Maintenance and repairs	698,725	762,715	868,017	546,742	423,266	6.5	6.8	8.6	6.2	5.3
Legal fees	54,071	63,410	38,665	33,849	49,364	0.5	0.6	0.4	0.4	0.6
Engineering fees	524,416	493,952	515,696	643,796	367,133	4.9	4.4	5.1	7.3	4.6
Contracted services	24,556	25,630	36,814	38,286	37,895	0.2	0.2	0.4	0.4	0.5
Preparation of tax rolls	97,023	96,171	78,378	101,895	85,710	0.9	0.9	0.8	1.2	1.1
Salaries	482,803	437,528	436,376	405,011	274,213	4.5	3.9	4.3	4.6	3.4
Directors' fees	12,300	13,050	14,400	25,800	25,800	0.1	0.1	0.1	0.3	0.3
Insurance	7,075	7,785	6,462	240	4,827	0.1	0.1	0.1	0.1	0.1
Other	459,391	175,013	139,149	441,970	98,996	4.3	1.5	1.4	5.0	1.2
Capital outlay	6,321,112	390,641	868,598	3,558,809	10,676,952	59.2	3.4	8.5	40.3	134.1
Total expenditures	8,681,472	2,465,895	3,002,555	5,796,398	12,044,156	81.2	21.9	29.7	65.8	151.2
Excess (deficiency) of revenues over (under) expenditures	\$ 2,010,120	8,806,340	7,108,021	3,013,368	(4,080,421)	18.8 %	78.1	70.3	34.2	(51.2)

Upper Brushy Creek WCID

TSI-8 Board Members, Key Personnel and Consultants September 30, 2021

Complete District Mailing Address: 460 Texas Avenue
Round Rock, Texas 78664

District Business Telephone Number: (512) 284-7685

Submission date of the most recent
District Registration Form: July 12, 2021
(TWC Sections 36.054 and 49.054)

Limit on fees of office that a director
may receive during a fiscal year: \$7,200
(Set by Board Resolution - TWC Sections 49.060)

<u>Name</u>	<u>Term of Office Elected & Expires or Date Hired</u>	<u>Fees 9/30/21</u>	<u>Expense Reimbursements 9/30/21</u>	<u>Title at 9/30/21</u>
Board Members:				
Mike Freeman	Elected 11/20 - 11/21	\$ 3,300	\$ -	President
Casey Clawson	Elected 5/18 - 5/22	1,500	-	Vice President
Jeremiah D. Williams	Elected 11/20 - 5/24	3,000	-	Secretary
Kathleen Cook	Elected 5/18 - 5/22	1,950	-	Treasurer
Greg Brill	Elected 11/20 - 5/24	2,250	-	Vice Treasurer
Former Board Member:				
Miguel Villareal	Elected 5/16 - 9/20	300	-	Treasurer
Key Administrative Personnel:				
Alysha Girard	Hired 9/18	171,317	-	General Manager (employee)
Gregor Forbes	Hired 9/18	143,818	-	CIP Manager (employee)
Lisa Moravitz	Hired 9/12	89,154	-	District Clerk (employee)
Tiffany White	Hired 10/18	66,326	-	Executive Assistant (employee)

(continued)

Upper Brushy Creek WCID

TSI-8 Board Members, Key Personnel and Consultants (continued) September 30, 2021

<u>Name</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements 9/30/21</u>	<u>Title at 9/30/21</u>
Consultants:			
Sheets & Crossfield, P.C.	2002	\$ 88,393	Attorney
Freese and Nichols, Inc.	2002	265,541	Engineer
AECOM (formerly known as URS Corporation)	2012	908,688	Engineer
HDR, Inc.	2015	193,033	Engineer
U.S. Geological Survey	2013	239,900	Water Gauge Operator
Maxwell Locke & Ritter LLP	2002	17,500	Auditor
Richard A. Crow & Associates	2015	1,725	Accountant
Williamson Central Appraisal District	2002	59,827	Appraisal District