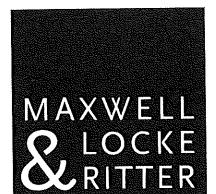


**Upper Brushy Creek  
Water Control And  
Improvement District**

**Financial Statements  
and Supplemental Information  
as of and for the Year Ended  
September 30, 2022 and  
Independent Auditors' Report**



# Upper Brushy Creek WCID

## Table of Contents

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	<u>Page</u>
Annual Filing Affidavit	1
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-11
 Basic Financial Statements:	
Statement of Net Position and Governmental Funds Balance Sheet	12
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	14
Notes to Basic Financial Statements	15-33
 Required Supplementary Information:	
Schedule of Changes in Net Pension Liability and Related Ratios	34
Schedule of District Contributions	35
Notes to Required Supplementary Information	36-37
 Texas Commission on Environmental Quality Supplementary Information:	
Index of Supplemental Schedules Required by the Texas Commission on Environmental Quality	38
Supplemental Schedules Required by the Texas Commission on Environmental Quality	39-47

## 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

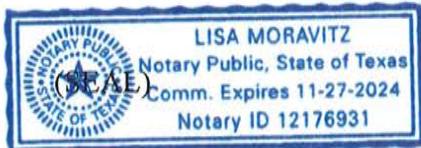
hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 15<sup>th</sup> day of December, 2022, its annual audit report for the fiscal year ended September 30, 2022, and that copies of the annual audit report have been 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 15, 2022. By:   
(Signature of District Representative)

Jeremiah D. Williams, Board President  
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 15<sup>th</sup> day of December, 2022.



  
(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.



## Independent Auditors' Report

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

### Opinions

We have audited the financial statements of the governmental activities and each major fund of Upper Brushy Creek Water Control and Improvement District (the "District"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2022, 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.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

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

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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. Such information 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. The 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 15, 2022

# **Upper Brushy Creek WCID**

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## **Management's Discussion and Analysis For the Year Ended September 30, 2022**

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, 2022. 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 “Governmental Funds Total” 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 \$91,863,534 (*net position*). Of this amount, \$47,224,649 (*unrestricted net position*) may be used to meet the District’s ongoing obligations.
- The District’s net property tax values increased by approximately \$7.7 billion from \$53,212,372,236 as of September 30, 2021 to \$60,939,777,143 as of September 30, 2022. Total tax revenue increased by approximately \$58 thousand during the year ended September 30, 2022.
- The District issued \$51,965,000 Unlimited Tax Bonds, Series 2022, in March 2022.

### **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 Funds Balance Sheet*
  - *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*
  - *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 Funds 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 12 of the report which includes a column (titled "Governmental Funds Total") 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 Funds Revenues, Expenditures, and Changes in Fund Balances* represents information showing how the District's net position changed during the most recent fiscal year which includes a column (titled "Governmental Funds Total") 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 Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*. 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 Funds Revenues, Expenditures, and Changes in Fund Balances* can be found on page 13 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		
	2022	2021	% Change
Current assets	\$ 96,689,472	\$ 39,119,384	147%
Capital and non-current assets	<u>49,363,689</u>	<u>46,884,606</u>	<u>1%</u>
Total assets	<u>146,053,161</u>	<u>86,003,990</u>	<u>66%</u>
Deferred outflows of resources	<u>46,367</u>	<u>47,318</u>	<u>(2%)</u>
Current liabilities	2,452,570	359,769	582%
Long-term liabilities	<u>51,712,177</u>	<u>-</u>	<u>100%</u>
Total liabilities	<u>54,164,747</u>	<u>359,769</u>	<u>14,955%</u>
Deferred inflows of resources	<u>71,247</u>	<u>29,560</u>	<u>141%</u>
Net investment in capital assets	44,638,885	46,860,060	(5%)
Unrestricted	<u>47,224,649</u>	<u>38,801,919</u>	<u>22%</u>
Total net position	<u>\$ 91,863,534</u>	<u>\$ 85,661,979</u>	<u>7%</u>

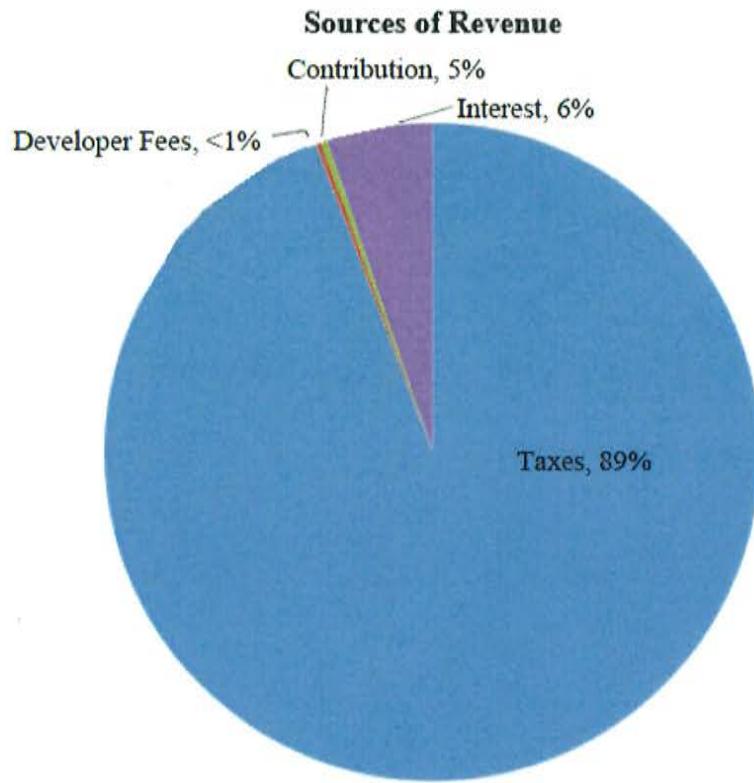
The District's total assets were approximately \$146.1 million as of September 30, 2022. Of this amount, approximately \$49.4 million was included in capital and intangible assets. The District had outstanding liabilities of approximately \$54.2 million. Of this amount, approximately \$52.4 million was related to long-term debt.

The District's assessed value in 2022 was approximately \$60.9 billion compared to \$53.2 billion in 2021. 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		
	2022	2021	% Change
Property taxes	\$ 10,680,742	\$ 10,623,052	1%
Developer fees	45,986	26,400	74%
Contribution revenue	559,952	591,518	(5%)
Interest on temporary investments and other	714,934	38,317	1,766%
Penalties and interest on property taxes	33,668	21,971	53%
<b>Total revenues</b>	<b>12,035,282</b>	<b>11,301,258</b>	<b>6%</b>
Maintenance and repairs	582,332	901,244	(35%)
Engineering fees	386,745	524,416	(26%)
Contracted services	35,760	24,556	46%
Preparation of tax rolls	98,684	97,023	2%
Legal fees	51,176	54,071	(5%)
Salaries	467,140	478,575	(2%)
Other	342,397	478,766	(28%)
Bond issuance expense	1,480,684	-	100%
Debt service	778,000	-	100%
Depreciation	1,610,809	478,824	236%
<b>Total expenses</b>	<b>5,833,727</b>	<b>3,037,475</b>	<b>92%</b>
<b>Change in net position</b>	<b>6,201,555</b>	<b>8,263,783</b>	<b>(25%)</b>
<b>Beginning net position</b>	<b>85,661,979</b>	<b>77,398,196</b>	<b>11%</b>
<b>Ending net position</b>	<b>\$ 91,863,534</b>	<b>\$ 85,661,979</b>	<b>7%</b>

Operating revenues were approximately \$12.0 million for the fiscal year ended September 30, 2022, of which property taxes provided approximately \$10.7 million. Total expenses were approximately \$5.8 million for the fiscal year ended September 30, 2022. Net position increased approximately \$6.2 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 \$582 thousand and engineering fees of approximately \$387 thousand during the year ended September 30, 2022.



**Financial Analysis of Governmental Funds**

	2022	2021	2020
Cash	\$ 161,011	\$ 198,617	\$ 340,147
Temporary investments	96,295,436	38,620,264	36,457,403
Taxes receivable	111,240	97,097	78,949
Interfund receivable	293,927	-	-
Due from other governments	121,785	203,406	327,379
<b>Total assets</b>	<b>\$ 96,983,399</b>	<b>\$ 39,119,384</b>	<b>\$ 37,203,878</b>
<b>Total liabilities</b>	<b>\$ 1,314,346</b>	<b>\$ 359,769</b>	<b>\$ 472,531</b>
<b>Total deferred inflows of resources</b>	<b>111,240</b>	<b>97,097</b>	<b>78,949</b>
Restricted fund balance	47,714,468	-	-
Committed fund balance	798,429	798,429	825,000
Assigned fund balance	-	10,510,829	7,528,233
Unassigned fund balance	47,044,916	27,353,260	28,299,165
<b>Total fund balances</b>	<b>95,557,813</b>	<b>38,662,518</b>	<b>36,652,398</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 96,983,399</b>	<b>\$ 39,119,384</b>	<b>\$ 37,203,878</b>

The *General Fund* pays for daily operating expenditures. When comparing actual to budget, actual revenues were more than budgeted by approximately \$40 thousand primarily due to higher than anticipated property taxes. Actual expenditures were lower than budgeted by approximately \$19.7 million primarily due to the entire capital outlay contract costs being included in the annual budget when actual incurrence of costs will extend beyond the fiscal year and the majority of capital outlay will be paid with bond proceeds received during the year ended September 30, 2022. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

The Capital Projects Fund primarily purchases the District's infrastructure. Capital outlay expenditures were approximately \$3.5 million for the year ended September 30, 2022.

### **Capital Assets and Long-Term Debt Activity**

#### Capital Assets

	<u>2022</u>	<u>2021</u>
Earthen dams	\$ 46,214,470	\$ 39,826,537
Construction in progress	6,266,687	8,622,277
Buildings and improvements	1,961,828	1,961,828
Land	3,562,410	3,562,410
Furniture and equipment	<u>45,938</u>	<u>45,938</u>
Subtotal	58,051,333	54,018,990
Accumulated depreciation	<u>(9,255,639)</u>	<u>(7,664,830)</u>
Total	<u><u>\$ 48,795,694</u></u>	<u><u>\$ 46,374,160</u></u>

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*.

#### Long-Term Debt Activity

	<u>2022</u>	<u>2021</u>
Current portion	\$ 645,000	\$ -
Long-term portion	<u>51,320,000</u>	<u>-</u>
Total	<u><u>\$ 51,965,000</u></u>	<u><u>\$ -</u></u>

During the year, the District issued \$51,965,000 in unlimited tax bonds. More detailed information about the District's long-term debt is presented in the *Notes to Basic Financial Statements*.

### **Currently Known Facts, Decisions, or Conditions**

For fiscal year 2023, the tax rate has been set at \$0.0175 per \$100 of assessed valuation, which is comprised of a M&O tax rate of \$0.0137 per \$100 of assessed valuation and an I&S tax rate of \$0.0038 per \$100 of assessed valuation. The adopted budget for 2023 projects a increase in the fund balance of the General Fund of approximately \$7.4 million. When compared to the 2022 budget, revenues are expected to decrease by approximately 9% in 2023. Expenditures are expected to decrease by approximately 85% in 2023 when compared to the 2022 budget.

## **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 Funds Balance Sheet September 30, 2022

	General Fund	Capital Projects Fund	Governmental Funds Total	Adjustments (Note 2)	Statement of Net Position
<b>Assets:</b>					
Cash	\$ 161,011	\$ -	\$ 161,011	\$ -	\$ 161,011
Temporary investments	47,672,661	48,622,775	96,295,436	-	96,295,436
Taxes receivable	111,240	-	111,240	-	111,240
Interfund receivable	293,927	-	293,927	(293,927)	-
Due from other governments	121,785	-	121,785	-	121,785
Intangible asset	-	-	-	485,900	485,900
Capital assets (net of accumulated depreciation):					
Earthen dams	-	-	-	37,184,153	37,184,153
Buildings and improvements	-	-	-	1,765,645	1,765,645
Construction in progress	-	-	-	6,266,687	6,266,687
Land	-	-	-	3,562,410	3,562,410
Furniture and equipment	-	-	-	16,799	16,799
Net pension asset	-	-	-	82,095	82,095
Total assets	<u>\$ 48,360,624</u>	<u>\$ 48,622,775</u>	<u>\$ 96,983,399</u>	<u>\$ 49,069,762</u>	<u>\$ 146,053,161</u>
<b>Deferred Outflows of Resources:</b>					
Pension contributions after measurement date	\$ -	\$ -	\$ -	\$ 27,771	\$ 27,771
Deferred outflows related to pension asset	-	-	-	18,596	18,596
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,367</u>	<u>46,367</u>
<b>Liabilities:</b>					
Accounts payable	406,039	519,061	925,100	-	925,100
Retainage payable	-	95,319	95,319	-	95,319
Interfund payable	-	293,927	293,927	(293,927)	-
Bond interest payable	-	-	-	787,151	787,151
Long-term liabilities:					
Due within one year	-	-	-	645,000	645,000
Due after one year	-	-	-	51,712,177	51,712,177
Total liabilities	<u>406,039</u>	<u>908,307</u>	<u>1,314,346</u>	<u>52,850,401</u>	<u>54,164,747</u>
<b>Deferred Inflows of Resources:</b>					
Deferred revenue - property taxes	111,240	-	111,240	(111,240)	-
Deferred inflows related to pension asset	-	-	-	71,247	71,247
Total deferred inflows of resources	<u>111,240</u>	<u>-</u>	<u>111,240</u>	<u>(39,993)</u>	<u>71,247</u>
<b>Fund Balances/Net Position:</b>					
Fund balances:					
Restricted for capital projects	-	47,714,468	47,714,468	(47,714,468)	-
Committed to Rattan Creek Regional Detention projects	798,429	-	798,429	(798,429)	-
Unassigned	47,044,916	-	47,044,916	(47,044,916)	-
Total fund balance	<u>47,843,345</u>	<u>47,714,468</u>	<u>95,557,813</u>	<u>(95,557,813)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 48,360,624</u>	<u>\$ 48,622,775</u>	<u>\$ 96,983,399</u>		
Net position:					
Net investment in capital assets				44,638,885	44,638,885
Unrestricted				47,224,649	47,224,649
Total net position				<u>\$ 91,863,534</u>	<u>\$ 91,863,534</u>

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

# Upper Brushy Creek WCID

## Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances Year Ended September 30, 2022

	General Fund	Capital Projects Fund	Governmental Funds Total	Adjustments (Note 2)	Statement of Activities
Expenditures/expenses:					
Service operations:					
Maintenance and repairs	\$ 582,332	\$ -	\$ 582,332	\$ -	\$ 582,332
Legal fees	51,176	-	51,176	-	51,176
Engineering fees	386,745	-	386,745	-	386,745
Contracted services	35,760	-	35,760	-	35,760
Preparation of tax rolls	98,684	-	98,684	-	98,684
Salaries	482,051	-	482,051	(14,911)	467,140
Directors' fees	7,950	-	7,950	-	7,950
Insurance	7,872	-	7,872	-	7,872
Bond issuance expense	-	1,480,684	1,480,684	-	1,480,684
Other	305,150	-	305,150	21,425	326,575
Capital outlay	541,134	3,512,634	4,053,768	(4,053,768)	-
Debt service-					
Interest	-	-	-	778,000	778,000
Depreciation	-	-	-	1,610,809	1,610,809
Total expenditures/expenses	2,498,854	4,993,318	7,492,172	(1,658,445)	5,833,727
Revenues:					
General revenues:					
Property taxes	10,666,599	-	10,666,599	14,143	10,680,742
Developer fees	45,986	-	45,986	-	45,986
Contribution revenue	559,952	-	559,952	-	559,952
Interest on temporary investments and other	373,476	341,458	714,934	-	714,934
Penalties and interest on property taxes	33,668	-	33,668	-	33,668
Total general revenues	11,679,681	341,458	12,021,139	14,143	12,035,282
Total revenues	11,679,681	341,458	12,021,139	14,143	12,035,282
Excess (deficiency) of revenues over (under) expenditures	9,180,827	(4,651,860)	4,528,967	(4,528,967)	-
Other Financing Sources (Uses):					
Issuance of bonds	-	51,965,000	51,965,000	(51,965,000)	-
Premium on sale of bonds	-	570,880	570,880	(570,880)	-
Discount on sale of bonds	-	(169,552)	(169,552)	169,552	-
Total Other Financing Sources, net	-	52,366,328	52,366,328	(52,366,328)	-
Net Change in Fund Balances	9,180,827	47,714,468	56,895,295	(56,895,295)	-
Change in net position				6,201,555	6,201,555
Fund balance/net position:					
Beginning of year	38,662,518	-	38,662,518	46,999,461	85,661,979
End of year	\$ 47,843,345	\$ 47,714,468	\$ 95,557,813	\$ (3,694,279)	\$ 91,863,534

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, 2022

	Original and Final Budget	Actual	Variance
<b>Revenues:</b>			
Property taxes	\$ 10,619,171	\$ 10,666,599	\$ 47,428
Developer fees	20,000	45,986	25,986
Contribution revenue	1,000,000	559,952	(440,048)
Interest on temporary investments and other	-	373,476	373,476
Penalties and interest on property taxes	-	33,668	33,668
<b>Total revenues</b>	<b>11,639,171</b>	<b>11,679,681</b>	<b>40,510</b>
<b>Expenditures:</b>			
Service operations:			
Maintenance and repairs	940,000	582,332	357,668
Legal fees	100,000	51,176	48,824
Engineering fees	750,000	386,745	363,255
Contracted services	30,000	35,760	(5,760)
Preparation of tax rolls	130,000	98,684	31,316
Salaries	615,000	482,051	132,949
Directors' fees	-	7,950	(7,950)
Insurance	10,000	7,872	2,128
Other	925,000	305,150	619,850
<b>Capital outlay</b>	<b>18,650,000</b>	<b>541,134</b>	<b>18,108,866</b>
<b>Total expenditures</b>	<b>22,150,000</b>	<b>2,498,854</b>	<b>19,651,146</b>
Excess (deficiency) of revenues over (under) expenditures	(10,510,829)	9,180,827	19,691,656
<b>Fund Balance:</b>			
Beginning of year	<b>38,662,518</b>	<b>38,662,518</b>	<b>-</b>
End of year	<b>\$ 28,151,689</b>	<b>\$ 47,843,345</b>	<b>\$ 19,691,656</b>

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

# **Upper Brushy Creek WCID**

## **Notes to Basic Financial Statements**

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### **Year Ended September 30, 2022**

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#### **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 “Governmental Funds Total” 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 government-wide financial statements report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

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. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include 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 funds:

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.

The Capital Projects Fund is used to account for financial resources restricted for authorized construction and other capital asset acquisitions.

### **Budgets and Budgetary Accounting**

Formal budgetary integration is employed as a management control device for the General Fund. Formal budgetary integration is not employed for the Capital Projects 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.

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.

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.

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, 2022.

Interfund Transactions - Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

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

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

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 12 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 13 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.

### **Change in Accounting Principle for Recently Adopted Accounting Pronouncement**

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. These changes were incorporated in the District's financial statements for the year ended September 30, 2022 but had no effect on beginning net position.

### **Recently Issued Accounting Pronouncements**

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	\$ 95,557,813
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	48,795,694
Net pension asset is not receivable in the current period and, therefore, is not reported in the funds.	82,095
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the governmental fund balance sheet	111,240
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, including premiums and discounts	(52,357,177)
Bond interest payable	(787,151)
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	27,771
Deferred outflows related to pension asset	18,596
Deferred inflows related to pension asset	<u>(71,247)</u>
Total net position	<u><u>\$ 91,863,534</u></u>

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

Net change in fund balances	\$ 56,895,295
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	4,053,768
Depreciation expense	(1,610,809)
Disposal of capital assets	(21,425)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds-	
Change in deferred tax revenue	14,143
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position-	
Bond proceeds, including premium and discount	(52,366,328)
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:	
Change in bond interest payable	(787,151)
Amortization of bond premium	13,017
Amortization of original issue discount	(3,866)
Pension contributions made before the measurement date	8,315
Pension contributions made after the measurement date	27,771
Adjustments for ending deferred inflows and outflows related to net pension asset	<u>(21,175)</u>
Change in net position	<u>\$ 6,201,555</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, 2022, 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, 2022, the District had investments in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), totaling \$96,295,436. 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, 2022, 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, 2022, 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, 2022, the District was not exposed to significant interest rate risk.

#### **4. Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of September 30, 2022 was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 293,927

#### **5. 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 16, 2021, the District levied a tax rate of \$0.0175 per \$100 of assessed valuation to finance the operating expenses of the District. The total 2021 tax levy was \$10,664,461 based on a taxable valuation of \$60,939,777,143.

#### **6. 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, 2022, the District had \$121,785 in costs incurred that are subject to reimbursement based on the terms of the interlocal agreement. See Note 11 for additional information.

#### **7. 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, 2022.

## 8. Capital Assets

Capital assets activity for the year ended September 30, 2022 was as follows:

	Balance September 30, 2021	Additions	Deletions/ Transfers	Balance September 30, 2022
Capital assets, not being depreciated:				
Construction in progress	\$ 8,622,277	4,053,768	(6,409,358)	6,266,687
Land	3,562,410	-	-	3,562,410
Total capital assets, not being depreciated	<u>12,184,687</u>	<u>4,053,768</u>	<u>(6,409,358)</u>	<u>9,829,097</u>
Capital assets, being depreciated:				
Earthen dams	39,826,537	-	6,387,933	46,214,470
Buildings and improvements	1,961,828	-	-	1,961,828
Furniture and equipment	45,938	-	-	45,938
Total capital assets, being depreciated	<u>41,834,303</u>	<u>-</u>	<u>6,387,933</u>	<u>48,222,236</u>
Less accumulated depreciation for:				
Earthen dams	(7,494,090)	(1,536,227)	-	(9,030,317)
Buildings and improvements	(130,789)	(65,394)	-	(196,183)
Furniture and equipment	(19,951)	(9,188)	-	(29,139)
Total accumulated depreciation	<u>(7,644,830)</u>	<u>(1,610,809)</u>	<u>-</u>	<u>(9,255,639)</u>
Total capital assets, being depreciated, net	<u>34,189,473</u>	<u>(1,610,809)</u>	<u>6,387,933</u>	<u>38,966,597</u>
Capital assets, net	<u>\$ 46,374,160</u>	<u>2,442,959</u>	<u>(21,425)</u>	<u>48,795,694</u>

## 9. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2022:

	Balance 9/30/2021	Additions	Retirements	Balance 9/30/2022
Unlimited Tax Bonds	\$ -	51,965,000	-	51,965,000
Discount on bonds	-	(169,552)	3,866	(165,686)
Premium on bonds	-	570,880	(13,017)	557,863
<b>Total</b>	<b>\$ -</b>	<b>52,366,328</b>	<b>(9,151)</b>	<b>52,357,177</b>

Bonds payable at September 30, 2022 consisted of the following:

Series	Description	Matures	Interest Rates	Balance 9/30/2022	Due within one year
2022	Unlimited Tax Bonds	8/15/2047	2% - 3%	\$ 51,965,000	\$ 645,000

On March 16, 2022, the District issued \$51,965,000 Unlimited Tax Bonds, Series 2022, to finance dam rehabilitation improvements, flood mitigation projects, contingencies, engineering, land acquisition/easements, and pay certain other costs related to the issuance of bonds. The net proceeds were \$50,885,644 (after payment of \$1,480,684 in underwriter fees and other bond related costs.)

The District bonds are secured by and payable from a first lien and pledge of ad valorem taxes of the District.

Debt service requirements to maturity for District's bonds are summarized as follows:

Fiscal Year	Principal	Interest	Total Requirement
2023	\$ 645,000	2,060,911	2,705,911
2024	1,400,000	1,444,719	2,844,719
2025	1,455,000	1,416,718	2,871,718
2026	1,510,000	1,387,619	2,897,619
2027	1,570,000	1,357,418	2,927,418
2028-2032	8,775,000	6,042,644	14,817,644
2033-2037	10,315,000	4,754,832	15,069,832
2038-2042	12,100,000	3,229,825	15,329,825
2043-2047	14,195,000	1,305,000	15,500,000
<b>Total</b>	<b>\$ 51,965,000</b>	<b>22,999,686</b>	<b>74,964,686</b>

At September 30, 2022, unlimited tax bonds of \$33,035,000 were authorized by the voters of the District, but unissued.

## **10. 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.

## **11. 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, 2022.

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 \$559,952 of reimbursements for costs incurred during the year ended September 30, 2022.

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 a prior fiscal year.

The District had remaining construction commitments of \$1,282,732 as of September 30, 2022.

## 12. 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 12.

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.

## 13. 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 830 active participating counties and districts throughout Texas. TCDRS in the aggregate issues an annual comprehensive annual financial report (“ACFR”) on a calendar year basis. The ACFR is available upon written request from the TCDRS, Finance Division, at Barton Oaks Plaza IV, Suite 500, 901 S. Mopac Expressway., Austin, Texas 78746.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS (“TCDRS Act”). Members can retire at ages 60 and above with 5 or more years of services, after 20 years of service regardless of age, 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, 2021, was as follows:

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

### 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 8.35% for 2022 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, 2022 equaled \$36,086.

## Net Pension Asset

### Actuarial Assumptions

The District's net pension asset was measured as of December 31, 2021 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, 2021 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	18.8 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation
Investment Rate of Return	7.50%
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 5.3% for age 40-49 to high of 27.5% 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	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The actuarial assumptions that determined the total pension liability as of December 31, 2021 were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, 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 2022 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.

Asset Class	Benchmark	Target Allocation (a)	Geometric Real Rate of Return (Expected minus Inflation) (b)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities - Developed	MSCI World Ex USA (net) Index	5.00%	3.80%
International Equities - Emerging	MSCI Emerging Markets (net) Index	6.00%	4.30%
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%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index (d)	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (e)	6.00%	5.1%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (c)	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

- (a) Target asset allocation adopted at the March 2022 TCDRS Board meeting.
- (b) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.60%, per Cliffwater's 2022 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, 2021 were as follows:

	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance as of December 31, 2020	\$ 354,394	\$ 378,940	\$ (24,516)
Changes for the year:			
Service cost	52,393	-	52,393
Interest on total pension liability (1)	30,901	-	30,901
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	2,180	-	2,180
Effect of assumptions changes or inputs	(711)	-	(711)
Refund of contributions	(398)	(398)	-
Benefit payments	-	-	-
Administrative expenses	-	(282)	282
Member contributions	-	18,045	(18,045)
Net investment income	-	89,152	(89,152)
Employer contributions	-	33,835	(33,835)
Other (3)	-	1,562	(1,562)
Balance as of December 31, 2021	<u>\$ 438,759</u>	<u>\$ 520,854</u>	<u>\$ (82,095)</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.

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	\$ 496,538	\$ 438,759	\$ 389,745
Fiduciary net position	<u>520,854</u>	<u>520,854</u>	<u>520,854</u>
Net pension liability / (asset)	<u>\$ (24,316)</u>	<u>\$ (82,095)</u>	<u>\$ (131,109)</u>

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

For the year ended September 30, 2022, the District recognized pension expense of \$21,175. As of September 30, 2022, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,092	\$ 18,776
Changes of assumptions	12,504	569
Net difference between projected and actual earnings	-	51,902
Contributions made subsequent to measurement date	27,771	-
Total	<u>\$ 46,367</u>	<u>\$ 71,247</u>

The \$27,771 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, 2023. The remaining amounts currently reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Year ended September 30:	
2023	\$ (10,556)
2024	(14,285)
2025	(11,532)
2026	(14,071)
2027	(2,689)
Thereafter	482
	<u>\$ (52,651)</u>

#### **14. 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, 2022

	Year Ended December 31, 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*
<b>Total Pension Liability</b>							
Service cost	\$ 52,393	\$ 49,022	\$ 46,563	\$ 32,823	\$ 30,320	\$ 30,531	\$ 18,768
Interest on total pension liability	30,901	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	(711)	18,700	-	-	1,112	233	1,742
Effect on economic/demographic (gains) or losses	2,180	(1,281)	1,463	(26,568)	1,506	-	(7,791)
Benefit payments/refunds of contributions	(398)	-	-	-	-	-	-
Net change in total pension liability	84,365	91,691	67,928	22,840	45,625	39,045	16,678
Total pension liability, beginning	354,394	262,703	194,775	171,935	126,310	87,265	70,587
Total pension liability, ending (a)	<b>\$ 438,759</b>	<b>\$ 354,394</b>	<b>\$ 262,703</b>	<b>\$ 194,775</b>	<b>\$ 171,935</b>	<b>\$ 126,310</b>	<b>\$ 87,265</b>
<b>Fiduciary Net Position</b>							
Employer contributions	\$ 33,835	\$ 32,336	\$ 34,969	\$ 23,016	\$ 21,503	\$ 18,690	\$ 14,393
Member contributions	18,045	17,246	17,226	11,595	10,975	10,340	7,854
Investment income net of investment expenses	89,152	30,817	34,305	(2,904)	18,777	6,594	(2,559)
Benefit payments/refunds of contributions	(398)	-	-	-	-	-	-
Administrative expenses	(282)	(277)	(227)	(168)	(117)	(72)	(57)
Other	1,562	1,497	1,828	1,049	434	2,118	(7)
Net change in fiduciary net position	141,914	81,619	88,101	32,588	51,572	37,670	19,624
Fiduciary net position, beginning	378,940	297,321	209,220	176,632	125,060	87,390	67,766
Fiduciary net position, ending (b)	<b>\$ 520,854</b>	<b>\$ 378,940</b>	<b>\$ 297,321</b>	<b>\$ 209,220</b>	<b>\$ 176,632</b>	<b>\$ 125,060</b>	<b>\$ 87,390</b>
Net pension liability / (asset), ending = (a) - (b)	\$ (82,095)	\$ (24,546)	\$ (34,618)	\$ (14,445)	\$ (4,697)	\$ 1,250	\$ (125)
Fiduciary net position as a % of total pension liability	118.71%	106.93%	113.18%	107.42%	102.73%	99.01%	100.14%
Pensionable covered payroll	\$ 451,129	\$ 431,150	\$ 430,650	\$ 289,874	\$ 274,374	\$ 258,499	\$ 196,352
Net pension liability (asset) as a % of covered payroll	-18.20%	-5.69%	-8.04%	-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, 2022

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Pensionable Covered Payroll *	Actual Contribution as a % of Covered Payroll
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%
2022	36,086	36,086	-	443,453	8.1%

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

# Upper Brushy Creek WCID

## Notes to Required Supplementary Information Year Ended September 30, 2022

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### 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	18.8 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation
Investment Rate of Return	7.50%
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 5.3% for age 40-49 to high of 27.5% 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	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Disabled retirees	160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
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## 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 decreased from 20 years to 18.8 years
- Average salary increases increased from 4.6% to 4.7%
- Slightly adjusted all mortality rates by using mortality tables specific to public sector employees
- Adjusted service retirement rates to reflect people generally retiring at older ages

# Upper Brushy Creek WCID

## Index of Supplemental Schedules Required by the Texas Commission on Environmental Quality Year Ended September 30, 2022

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Schedule Included	Yes	No
	<u>X</u>	
		<u>X</u>
<u>X</u>		
	<u>X</u>	
TSI-0		Notes Required by the Water District Accounting Manual
TSI-1		Schedule of Services and Rates
TSI-2		Schedule of General Fund Expenditures
TSI-3		Schedule of Temporary Investments
TSI-4		Analysis of Taxes Levied and Receivable
TSI-5		Long-Term Debt Service Requirements by Years
TSI-6		Analysis of Changes in Long-Term Bonded Debt
TSI-7		Comparative Schedule of Revenues and Expenditures - General Fund - Five Years Ended September 30, 2022
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, 2022

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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 11 to basic financial statements.

(C) Pension Coverage

See Note 13 to basic financial statements.

(D) Pledge of Revenues

See Note 9 to basic financial statements.

(E) Compliance with Debt Service Requirements

See Note 9 to basic financial statements.

(F) Redemption of Bonds

See Note 9 to basic financial statements.

## Upper Brushy Creek WCID

### TSI-2 Schedule of General Fund Expenditures Year Ended September 30, 2022

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Personnel expenditures (including benefits)	\$ 482,051
Professional fees:	
Auditing	18,000
Legal	51,176
Engineering	386,745
Financial Advisor	-
Purchased services for resale -	
Bulk water and wastewater service purchases	-
Contracted services:	
Bookkeeping	17,760
General manager	-
Appraisal district	-
Tax collector	98,684
Other contracted services	-
Utilities	-
Repairs and maintenance	582,332
Administrative expenditures:	
Directors' fees	7,950
Office supplies	10,287
Insurance	7,872
Other administrative expenses	294,863
Capital outlay:	
Capitalized assets	541,134
Expenditures not capitalized	-
Tap connection expenditures	-
Solid waste disposal	-
Fire fighting	-
Parks and recreation	-
Other expenditures	-
Total expenditures	<u>\$ 2,498,854</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, 2022

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Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at 9/30/22	Accrued Interest Receivable at 9/30/22
<b>General Fund-</b>					
TexPool	XXX0001 - 0003	Variable	N/A	\$ 47,672,661	\$ -
Total				\$ 47,672,661	\$ -
<b>Capital Projects Fund-</b>					
TexPool	XXX0004	Variable	N/A	\$ 48,622,775	\$ -
Total				\$ 48,622,775	\$ -
<b>Total - All Funds</b>				<b>\$ 96,295,436</b>	<b>\$ -</b>

## Upper Brushy Creek WCID

### TSI-4 Analysis of Taxes Levied and Receivable Year Ended September 30, 2022

	Maintenance Taxes			
Taxes receivable, September 30, 2021	\$ 97,097			
2021 Original tax levy	10,664,461			
Adjustments	<u>16,281</u>			
Total to be accounted for	<u>10,777,839</u>			
Tax collections:				
Current year	10,634,509			
Prior years	911			
Rollbacks	<u>31,179</u>			
Total collections	<u>10,666,599</u>			
Taxes receivable, September 30, 2022	<u>\$ 111,240</u>			
Taxes receivable, by years				
2021	\$ 21,908			
2020 and prior	59,973			
Rollbacks	<u>29,359</u>			
Taxes receivable, September 30, 2022	<u>\$ 111,240</u>			
	2021	2020	2019	2018
Property valuations-				
Land, improvements, and personal property	\$ 60,939,777,143	\$ 53,212,372,236	\$ 50,590,913,265	\$ 46,433,831,195
Tax rates per \$100 valuation:				
Maintenance tax rates	0.0175	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>\$ 0.0175</u>	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.02</u>
Original tax levy	<u>\$ 10,664,461</u>	<u>\$ 10,624,797</u>	<u>\$ 10,062,717</u>	<u>\$ 9,269,475</u>
Percent of taxes collected to taxes levied	<u>99.8%</u>	<u>99.8%</u>	<u>99.9%</u>	<u>99.9%</u>

## Upper Brushy Creek WCID

### TSI-5 Long-Term Debt Service Requirements - By Years September 30, 2022

Due During Fiscal Years Ending 9/30	Unlimited Tax Bonds Series 2022		
	Principal Due 8/15	Interest Due 2/15, 8/15	Total
2023	\$ 645,000	2,060,911	2,705,911
2024	1,400,000	1,444,719	2,844,719
2025	1,455,000	1,416,718	2,871,718
2026	1,510,000	1,387,619	2,897,619
2027	1,570,000	1,357,418	2,927,418
2028	1,635,000	1,310,319	2,945,319
2029	1,700,000	1,261,268	2,961,268
2030	1,755,000	1,210,269	2,965,269
2031	1,815,000	1,157,619	2,972,619
2032	1,870,000	1,103,169	2,973,169
2033	1,935,000	1,056,419	2,991,419
2034	2,000,000	1,005,625	3,005,625
2035	2,060,000	953,125	3,013,125
2036	2,125,000	899,050	3,024,050
2037	2,195,000	840,613	3,035,613
2038	2,270,000	780,250	3,050,250
2039	2,340,000	717,825	3,057,825
2040	2,415,000	650,550	3,065,550
2041	2,500,000	578,100	3,078,100
2042	2,575,000	503,100	3,078,100
2043	2,660,000	425,850	3,085,850
2044	2,745,000	346,050	3,091,050
2045	2,835,000	263,700	3,098,700
2046	2,930,000	178,650	3,108,650
2047	3,025,000	90,750	3,115,750
	\$ 51,965,000	22,999,686	74,964,686

## Upper Brushy Creek WCID

### TSI-6 Analysis of Changes in Long-Term Bonded Debt September 30, 2022

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	<u>Series 2022</u>
Interest rate	2.00 to 3.00%
Dates interest payable	2/15; 8/15
Maturity date	8/15/2047
Bonds outstanding, beginning of year	\$ -
Bonds issued during the current year	51,965,000
Bonds retired during the current year	<u>-</u>
Bonds outstanding, end of year	<u>\$ 51,965,000</u>
Interest paid during the current year	<u>\$ -</u>

Paying Agent's Name & Address:

BOKF, NA, Dallas, Texas

	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Bond Authority:			
Bond authorized by voters	\$ 85,000,000	-	-
Amount issued	<u>51,965,000</u>	<u>-</u>	<u>-</u>
Remaining to be issued	<u>\$ 33,035,000</u>	<u>-</u>	<u>-</u>

Debt Service Fund Cash and Temporary Investments balances  
as of September 30, 2022:

\$ -

Average annual debt service payment (principal & interest)  
for remaining term of all debt:

\$ 2,998,587

## Upper Brushy Creek WCID

### TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund Five Years Ended September 30, 2022

General Fund	Amounts					Percent of Fund Total Revenues				
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
<b>Revenues:</b>										
Property taxes	\$ 10,666,599	10,604,904	10,022,938	9,338,571	8,440,039	91.3 %	99.2	88.9	92.4	95.8
Developer fees	45,986	26,400	48,423	15,400	13,094	0.4	0.2	0.4	0.2	0.1
Contribution revenue	559,952	-	-	109,249	-	4.8	-	-	1.1	-
Interest on temporary investments and other	373,476	38,317	351,985	627,184	337,996	3.2	0.4	3.2	6.1	3.8
Penalties and interest on property taxes	33,668	21,971	23,889	20,172	18,553	0.3	0.2	0.2	0.2	0.2
Other revenue	-	-	825,000	-	84	-	-	7.3	-	0.1
<b>Total revenues</b>	<b>11,679,681</b>	<b>10,691,592</b>	<b>11,272,235</b>	<b>10,110,576</b>	<b>8,809,766</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Expenditures:</b>										
Service operations:										
Maintenance and repairs	582,332	698,725	762,715	868,017	546,742	5.0	6.5	6.8	8.6	6.2
Legal fees	51,176	54,071	63,410	38,665	33,849	0.4	0.5	0.6	0.4	0.4
Engineering fees	386,745	524,416	493,952	515,696	643,796	3.3	4.9	4.4	5.1	7.3
Contracted services	35,760	24,556	25,630	36,814	38,286	0.3	0.2	0.2	0.4	0.4
Preparation of tax rolls	98,684	97,023	96,171	78,378	101,895	0.8	0.9	0.9	0.8	1.2
Salaries	482,051	482,803	457,528	436,376	405,011	4.1	4.5	3.9	4.3	4.6
Directors' fees	7,950	12,300	13,050	14,400	25,800	0.1	0.1	0.1	0.1	0.3
Insurance	7,872	7,075	7,785	6,462	240	0.1	0.1	0.1	0.1	0.1
Other	305,150	459,391	175,013	139,149	441,970	2.6	4.3	1.5	1.4	5.0
Capital outlay	541,134	6,321,112	390,641	868,598	3,558,809	4.7	59.2	3.4	8.5	40.3
<b>Total expenditures</b>	<b>2,498,854</b>	<b>8,681,472</b>	<b>2,465,895</b>	<b>3,002,555</b>	<b>5,796,398</b>	<b>21.4</b>	<b>81.2</b>	<b>21.9</b>	<b>29.7</b>	<b>65.8</b>
Excess of revenues over expenditures	<b>\$ 9,180,827</b>	<b>2,010,120</b>	<b>8,806,340</b>	<b>7,108,021</b>	<b>3,013,368</b>	<b>78.6 %</b>	<b>18.8</b>	<b>78.1</b>	<b>70.3</b>	<b>34.2</b>

# Upper Brushy Creek WCID

## TSI-8 Board Members, Key Personnel and Consultants September 30, 2022

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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:  
(TWC Sections 36.054 and 49.054) September 29, 2022

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

Name	Term of Office Elected & Expires or Date Hired	Fees 9/30/22	Expense Reimbursements 9/30/22	Title at 9/30/22
<b>Board Members:</b>				
Jeremiah D. Williams	Elected 11/20 - 5/24	\$ 2,100	\$ -	President
Casey Clawson	Elected 5/22 - 5/26	1,200	-	Vice President
Greg Brill	Elected 11/20 - 5/24	1,800	-	Secretary
Lyle Grimes	Appointed 11/21 - 5/24	1,200	-	Director
Ed Orlin	Elected 5/22 - 5/26	600	-	Director
<b>Former Board Members:</b>				
Mike Freeman	Elected 11/20 - 11/21	150	-	Former Director
Kathleen Cook	Elected 5/18 - 5/22	900	-	Former Director
<b>Key Administrative Personnel:</b>				
Alysha Girard	Hired 9/18	157,702	-	General Manager (employee)
Gregor Forbes	Hired 9/18	137,132	-	CIP Manager (employee)
Lisa Moravitz	Hired 9/12	104,937	-	District Clerk (employee)
Tiffany White	Hired 10/18	81,656	-	Executive Assistant (employee)

(continued)

## Upper Brushy Creek WCID

### TSI-8 Board Members, Key Personnel and Consultants (continued) September 30, 2022

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Name	Date Hired	Fees and Expense Reimbursements 9/30/22	Title at 9/30/22
<b>Consultants:</b>			
Sheets & Crossfield, P.C.	2002	\$ 115,356	Attorney
Bickerstaff Heath Delgado Acosta, LLP	2022	6,038	Attorney
Freese and Nichols, Inc.	2002	180,723	Engineer
AECOM (formerly known as URS Corporation)	2012	678,259	Engineer
HDR, Inc.	2015	105,981	Engineer
U.S. Geological Survey	2013	239,900	Water Gauge Operator
Maxwell Locke & Ritter LLP	2002	18,000	Auditor
Bott & Douthitt PLLC	2022	-	Accountant
Williamson Central Appraisal District	2002	56,945	Appraisal District



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250

[www.mlrpc.com](http://www.mlrpc.com)

Austin: 401 Congress Avenue, Suite 1100  
Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300  
Round Rock, TX 78664

December 15, 2022

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

We have audited the financial statements of the governmental activities and each major fund of Upper Brushy Creek Water Control and Improvement District (the “District”) as of and for the year ended September 30, 2022, and have issued our report thereon dated December 15, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District changed accounting policies related to leases by adopting Governmental Accounting Standards Board Statement No. 87, *Leases*, for the year ended September 30, 2022. There was no prior period impact recognized to the statement of net position as of October 1, 2021 as a result of these changes in accounting policies. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management’s estimate of the depreciable lives of capital and intangible assets is based on the expected useful lives of the assets.

Management’s estimates related to the net pension asset, deferred inflows and outflows related to pensions, and pension expense is based on information received from an external actuary.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*“A Registered Investment Advisor”*

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were detected as a result of our audit procedures.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the attached management representation letter dated December 15, 2022.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Matters**

We applied certain limited procedures to 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 supplemental information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplemental information required by the Texas Commission on Environmental Quality ("supplementary information"), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **Restriction on Use**

This information is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Maxwell Locke & Ritter LLP*

Enclosure 1: Management Representation Letter

December 15, 2022

Maxwell Locke & Ritter LLP  
401 Congress Ave., Suite 1100  
Austin, Texas 78701

This representation letter is provided in connection with your audit of the financial statements of Upper Brushy Creek Water Control and Improvement District (the “District”) which comprise the respective financial position of the governmental activities and each major fund as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of the auditors’ report, the following representations made to you during your audit.

### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 1, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.
- 10) We have reviewed certain identifiable intangibles for impairment whenever events or changes in circumstances have indicated that the carrying amount the assets might not be recoverable.
- 11) Pension payments made after the District's year-end are properly disclosed.
- 12) We believe the actuarial assumptions and methods used to measure pension liabilities (assets) and costs for financial accounting purposes are appropriate in the circumstances.
- 13) We agree with the findings of actuarial firm (the "specialist") used in evaluating the Texas County and District Retirement System pension liability (asset) and have adequately considered the qualifications of the specialist in determining the amounts and disclosure used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence of objectivity of the specialists.

### **Information Provided**

- 14) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 15) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 16) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 17) We have no knowledge of any fraud or suspected fraud that affects the District and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 18) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 19) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

- 20) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 21) We have disclosed to you the names of the District's related parties and all the related party relationships and transactions, including any side agreements.

**Government-specific**

- 22) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 23) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 24) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 25) The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 27) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 28) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 29) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 32) The financial statements include all fiduciary activities required by GASBS No. 84 , as amended.
- 33) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended.
- 34) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 35) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

36) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.

37) Provisions for uncollectible receivables have been properly identified and recorded.

38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

39) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

41) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.

42) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

43) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

44) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

46) With respect to the supplementary information required by the Texas Commission on Environmental Quality ("supplementary information"),

- a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

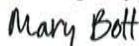
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 Alysha L. Girard

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Alysha Girard  
General Manager  
October 2021-April 2022

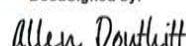
DocuSigned by:

 Mary Bott

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Mary Bott  
District Bookkeeper  
May 2022-September 2022

DocuSigned by:

 Allen Douthitt

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Allen Douthitt  
District Bookkeeper  
May 2022-September 2022