

# Brushy Creek Regional Utility Authority, Inc.

Financial Report  
September 30, 2019

# C O N T E N T S

Page

## Financial Section

Independent Auditor's Report.....	2
Management's Discussion and Analysis .....	5

## Basic Financial Statements

Statement of Net Position.....	14
Statement of Revenues, Expenses and Changes in Net Position .....	15
Statement of Cash Flows.....	16
Notes to the Financial Statements.....	17

## Supplementary Information

Combining Statement of Net Position.....	28
Combining Statement of Revenues, Expenses and Changes in Net Position .....	30
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	31

# Financial Section

## Independent Auditor's Report

To the Board of Directors  
Brushy Creek Regional Utility Authority, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Brushy Creek Regional Utility Authority, Inc. (the BCRUA) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the BCRUA's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the BCRUA as of September 30, 2019, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Board of Directors  
Brushy Creek Regional Utility Authority, Inc.

### **Emphasis-of-Matter**

#### *Change in Accounting Principle*

As discussed in Note 2 to the financial statements, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The guidance requires that interest cost incurred before the end of a construction period be recognized as an expense in the period incurred. The guidance is effective for reporting periods beginning after December 15, 2019, however early adoption is permitted. BCRUA adopted GASB statement No. 89 in the fiscal year 2019. The guidance has been applied prospectively. Our opinion is not modified with respect to this matter.

#### *Economic Dependency*

As discussed in Note 6 to the financial statements, the BCRUA is dependent on the Cities of Cedar Park, Leander, and Round Rock, Texas for the continued funding of its operating activities. The Cities annually budget funds for operational expenses and debt service requirements of the BCRUA. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BCRUA's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Board of Directors  
Brushy Creek Regional Utility Authority, Inc.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2020, on our consideration of the BCRUA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with government auditing standards in considering BCRUA's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Austin, Texas  
January 10, 2020

## **Brushy Creek Regional Utility Authority, Inc.**

Management's Discussion and Analysis

September 30, 2019

### **About BCRUA**

The Brushy Creek Regional Utility Authority (BCRUA) is a partnership among the Cities of Cedar Park, Leander and Round Rock, Texas to design, construct, and operate a regional water system that supplies treated water to the three communities.

Cedar Park, Leander and Round Rock are among the fastest growing cities in Texas. Their combined population, based on 2018 U.S. census estimates, is approximately 260,000. By 2040, their population is projected to exceed 500,000. In addition, the three cities provide potable water service to a variety of external subdivisions and municipal utility districts. This project provides facilities to access, treat and deliver water from Lake Travis to each partner city's customers. All three cities have other treated water sources and BCRUA will provide water for the cities' future growth. When completed, the project will meet the needs of Cedar Park, Leander and Round Rock to their ultimate build-out.

The regional concept ensures the responsible use of resources and the least impact on both the environment and neighboring communities. Rather than three communities building three separate water supply projects with three pipelines, three intakes, and three treatment plants, the BCRUA project streamlined the effort for minimum impact and maximum efficiency. The regional option affords the three cities the opportunity to realize "economy of scale" savings of approximately 30%, or more than \$90 million.

The BCRUA Board of Directors is composed of six members, two appointed from each of the partnering cities. A General Manager directs the day-to-day business of the BCRUA, and a Plant Superintendent oversees the operation of the system.

The regional water treatment plant will have an ultimate capacity of 106 million gallons per day (mgd) and is being built in three phases to better match the capacity with near-term needs. Phase 1A was substantially completed in July 2012 and includes the full sized 106 mgd raw water and treated water pipelines, and a 17 mgd water treatment plant, readily expandable to 42 mgd. Phase 1 operates with an interim floating intake on Lake Travis with an ultimate design capacity of 32.5 mgd, but a permanent deep-water intake with an ultimate capacity of 144.7 mgd will be required as part of Phase 2. The permanent deep-water intake will be sized to deliver raw water to existing City of Cedar Park and City of Leander water treatment plants, in addition to the BCRUA regional water treatment plant.

Plant operations officially began July 1, 2012. Operations for the project have been divided into three categories: plant staffing; General Manager/administrative support; and financial support/accounting services, with each city taking responsibility for one of the categories. Plant staffing is provided by Leander consisting of one plant superintendent and six plant operators. The General Manager and administrative support are provided by Round Rock. Finance and Accounting is provided by Cedar Park. While each city maintains responsibility for their own category, the Operations Committee (composed of engineering and finance staff from each city) provides oversight of each city's contribution in order to ensure appropriate controls are in place.

While substantial completion and start-up of the Phase 1A Project occurred in 2012, final project close-out had been delayed, due to several construction related issues that became evident prior to final completion. Final settlement and close-out were completed in FY 2019.

## **Brushy Creek Regional Utility Authority, Inc.**

Management's Discussion and Analysis

September 30, 2019

The BCRUA is working on final engineering, permitting and real-estate acquisition for Phase 2. In 2013, two sites were identified for the permanent deep-water intake structure (in the Village of Volente), and the permanent raw water pumping station (in Sandy Creek Park). Purchase of the Sandy Creek Park site from the Lower Colorado River Authority was finalized in April 2014. Purchase of the privately-owned parcel in the Village of Volente was completed in 2016. See construction phasing details and estimated costs for the project on pages 10-11.

In November 2017, the Lower Colorado River Authority announced the discovery of Zebra Mussels in Lake Travis. Given their rapid rate of reproduction, combined with the significant damage these aquatic organisms can cause to raw water intakes and pumps, BCRUA commenced construction on a chemical injection system that could be used to treat the raw water intake facilities for BCRUA's, Cedar Park's, and Leander's water treatment plants. The construction contract was awarded in July 2018 for \$1.46 million, of which \$677 thousand is BCRUA's portion, and is nearing completion.

In December 2017, the City of Round Rock portion of BCRUA's debt received an upgraded rating to AAA, the highest rating of creditworthiness, from Standard and Poor's (S&P).

What follows is a discussion and analysis of the BCRUA's financial performance for the fiscal year ended September 30, 2019. Please read it in conjunction with the Independent Auditors' Report on pages 2 - 4 and the BCRUA's Basic Financial Statements, which begin on page 13.

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

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) basic financial statements, and (3) notes to the financial statements. This report also contains combining statements as supplementary information in addition to the basic financial statements.

#### *Basic Financial Statements*

The basic financial statements include the Statement of Net Position (page 14), the Statement of Revenues, Expenses, and Changes in Net Position (page 15) and the Statement of Cash Flows (page 16). The BCRUA operates as an enterprise activity and consists of one proprietary fund.

The notes to the financial statements (starting on page 17) provide narrative explanations or additional data needed for full disclosure in the basic financial statements.

The basic financial statements are designed to provide readers with a broad overview of the BCRUA's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the BCRUA's assets and liabilities, with the difference between the two reported as net position. The BCRUA's net position provides one measure of the BCRUA's financial health, or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BCRUA is improving or deteriorating. To fully assess the overall health of the BCRUA, however, nonfinancial factors should be considered as well, such as the condition of assets, and the total economic impact of the entity on the Cities of Cedar Park, Leander and Round Rock, Texas.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the BCRUA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.



## **Brushy Creek Regional Utility Authority, Inc.**

Management's Discussion and Analysis

September 30, 2019

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents cash receipts, cash disbursements and net changes in cash resulting from operating, financing and investing activities. This statement provides information such as where cash originated, how it was used and the net change in cash balances during the reporting period.

### Notes to the Financial Statements

The notes provide required disclosures and other additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements present information about the accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 17 through 25 of this report.

### Supplementary Information

The combining statements are presented for purposes of additional analysis and to provide an overview of the financial position and results of operations related to each partner City. The combining statements can be found on pages 28 through 30 of this report.

## **Financial Analysis**

### Financial Highlights

- Partner city contributions to net position for the year ended September 30, 2019 were \$13,086,198.
- Total net position at September 30, 2019 was \$27,979,143, an increase of \$4,829,941 from September 30, 2018.
- Total capital assets, net of depreciation, were \$163,708,296 as of September 30, 2019. This is an increase of \$5,816,547 from the prior year.
- Total noncurrent liabilities were \$188,157,957 and \$179,632,831 as of September 30, 2019 and 2018, respectively. Principal payments on this debt began in fiscal year 2012.

**Brushy Creek Regional Utility Authority, Inc.**  
Management's Discussion and Analysis  
September 30, 2019

The following condensed financial statements (Tables I and II) provide key financial data as of and for the years ended September 30, 2019 and 2018.

**Table I**  
**Net Position**

	<u>2019</u>	<u>2018</u>
Current assets	\$ 26,216,034	\$ 7,657,196
Restricted assets	21,319,939	31,165,412
Capital assets, net	<u>163,708,296</u>	<u>157,891,749</u>
Total assets	211,244,269	196,714,357
Deferred outflows of resources	14,065,382	14,811,692
Current liabilities	2,015,887	2,227,125
Current liabilities payable from restricted assets	7,156,664	6,516,891
Noncurrent liabilities	<u>188,157,957</u>	<u>179,632,831</u>
Total liabilities	<u>197,330,508</u>	<u>188,376,847</u>
Net position		
Unrestricted	24,200,147	4,368,180
Net investment in capital assets	<u>3,778,996</u>	<u>18,781,022</u>
<b>Total net position</b>	<u><u>\$ 27,979,143</u></u>	<u><u>\$ 23,149,202</u></u>

**Brushy Creek Regional Utility Authority, Inc.**  
Management's Discussion and Analysis  
September 30, 2019

**Table II**  
**Change in Net Position**

	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 2,038,329	\$ 1,859,004
Operating expenses		
Interest expense	6,453,393	6,554,224
Depreciation	3,984,142	3,979,911
Personnel	762,370	723,919
Power	329,236	452,678
Legal fees	187,425	290,083
Chemicals	159,513	218,112
Accounting services	76,819	29,743
Office supplies	70,551	70,295
Repairs and maintenance	65,207	138,180
Audit, investment, banking fees	54,268	51,674
Insurance	37,863	37,560
Miscellaneous expense	32,361	20,162
Contract services	<u>3,594</u>	<u>5,050</u>
Total operating expenses	<u>12,216,742</u>	<u>12,571,591</u>
Operating loss	(10,178,413)	(10,712,587)
Non-operating revenues(expenses)	<u>1,922,156</u>	<u>496,053</u>
Decrease in net position before capital contributions	(8,256,257)	(10,216,534)
Net position - beginning of year	23,149,202	21,319,648
Capital contributions from partner cities	<u>13,086,198</u>	<u>12,046,088</u>
<b>Net position - end of year</b>	<u><u>\$ 27,979,143</u></u>	<u><u>\$ 23,149,202</u></u>

**Capital Assets**

Capital assets at September 30, 2019 amounted to \$163,708,296 and consisted of land, easements, buildings, improvements, infrastructure and construction in progress. Construction in progress is made up of costs attributed to Phase 1C Water Treatment Plan Expansion and Phase 2 of the BCRUA Project. Phase 1C is near completion. The Phase 2 costs consists primarily of engineering and design and land and easement acquisition.

## **Brushy Creek Regional Utility Authority, Inc.**

Management's Discussion and Analysis

September 30, 2019

The construction phasing and estimated costs for the project are planned as follows:

### **Phase 1:**

#### Phase 1a:

- Construction of an interim, floating intake structure near Cedar Park's existing plant on the Sandy Creek arm of Lake Travis
- New raw water pipeline within right-of-way along Trails End Road
- New treatment plant in Cedar Park to serve all three cities with an initial capacity of 17 million gallons per day (mgd) and a final Phase 1 capacity of 42 mgd
- Treated water transmission pipeline across the north side of Cedar Park, along West New Hope Road
- Construction began in late 2009 and was substantially complete in July 2012.
- Total cost of the project was approximately \$150 million.
- In August 2016, the Phase 1A construction contractor made a claim against BCRUA, and joined it to existing legal claims it holds against several of its sub-contractors on the project. The primary focus of the claims revolve around allegations of structural design defects made by the design engineer, and its structural engineering sub-consultant. BCRUA rejected the claims and enjoined the design engineer to the litigation, holding the position that any potential judicial award related to design defects would be the responsibility of the design engineer.
- Final resolution of the construction/design litigation was completed in May 2019. BCRUA was able to settle all claims, which included retaining \$2 million of the contractor's retainage.

#### Phase 1b:

- Rerating the capacity of treatment facilities to 22.6 mgd by engineering analysis and plant operational testing was approved by TCEQ in February 2018. The cost of the rerate was approximately \$110 thousand.

#### Phase 1c:

- Expansion of the floating intake and treatment facilities to 32.5 mgd. Design costs were funded with unspent debt proceeds from Phase 1A savings at a total cost of approximately \$1.8 million. Construction funding was secured through a Texas Water Development Board SWIFT Loan, which was funded in November 2017. Construction began in January 2019 and final completion is estimated to be August 2020 at an estimated cost of \$17 million.

#### Phase 1d:

- Funding for the design of expansion of the BCRUA regional water treatment facilities to 42 mgd has been secured from a combination of unspent debt proceeds from Phase 1A savings, 2018 SWIFT funds borrowed from the Texas Water Development Board, and cash contributions. The cost of planning and design is estimated at \$1.2 million. Final design is expected to commence in 2023 with completion in 2026.

## **Brushy Creek Regional Utility Authority, Inc.**

Management's Discussion and Analysis

September 30, 2019

### **Phase 2:**

#### Phase 2a:

- A permanent, deep-water intake structure on Lake Travis, a gravity tunnel to transmit the raw water to a new pump station, a raw water pipeline connecting the raw water pump station to two locations (the Phase 1 raw water pipeline and the City of Cedar Park water treatment plant)
- Final design began in early 2019 and will be completed in mid-2021. Final design cost is estimated at \$14 million and will be funded with unspent debt proceeds from Phase 1A savings and 2018 SWIFT funds borrowed from the Texas Water Development Board.
- Construction is estimated to begin in 2021 with completion in 2026.
- Total project cost is estimated at approximately \$180 million (subject to ENR/inflation adjustments)
- This phase is needed to provide increased capacity and a deep-water intake source during prolonged drought conditions for the BCRUA Regional Water Supply System and existing Cedar Park and Sandy Creek Water Plants.

#### Phase 2b:

- Expansion of the water treatment plant to 67 mgd
- Expansion of pumping capacity at the raw water pump station to deliver 67 mgd to the BCRUA water treatment plant
- Phase will occur at a future date to be decided by the three cities.

### **Phase 3:**

- Final expansion of water treatment plant to 106 mgd
- Expansion of pumping capacity at the raw water pump station to deliver 106 mgd to the BCRUA water treatment plant.
- Phase will occur at a future date to be decided by the three cities.

#### Restricted Assets

Restricted assets at September 30, 2019 were \$21,319,939, a decrease from the September 30, 2018 balance of \$31,165,412. Restricted assets consist of debt service, escrow and reserve funds arising from the proceeds of long-term debt. The decrease reflects the release of funds held in escrow by the Texas Water Development Board for executed construction contracts.

#### Long-Term Debt

In 2009, the BCRUA issued three series of contract revenue bonds totaling \$182,020,000 for construction and other costs related to Phase 1A of the BCRUA Project. Additionally, one refunding issuance was made in 2016, to reduce the total debt costs on two of the previously issued series, and another in 2017 for the same purpose. During the year ended September 30, 2018, BCRUA issued contract revenue bonds dated November 16, 2017, totaling \$16,995,000. During the year ended September 30, 2019, BCRUA issued contract revenue bonds dated November 14, 2018, totaling \$15,740,000 for the final design and electrical easements of the second phase of the BCRUA Project. Additional information on long-term debt can be found in Note 5 to the financial statements.

## **Brushy Creek Regional Utility Authority, Inc.**

Management's Discussion and Analysis

September 30, 2019

### **Economic Factors and Next Year's Budget and Rates**

The economy in the local area continues to grow, and the service areas which will be supplied by the BCRUA at project completion are positioned for continued customer growth. The BCRUA's board adopted an administrative operating budget for fiscal year 2020 in the amount of \$2,563,986, a reduction of reserves of \$600,368 in 2020 and a debt service budget for fiscal year 2020 in the amount of \$12,580,877.

### **Contacting the BCRUA's Financial Management**

This financial report is designed to provide citizens of the partner cities, customers and creditors with a general overview of the BCRUA's finances and to show the BCRUA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the BCRUA at 450 Cypress Creek, Building 1, Cedar Park, Texas 78613.

# Basic Financial Statements

**Brushy Creek Regional Utility Authority, Inc.**  
Statement of Net Position  
September 30, 2019

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 26,216,034
Total current assets	<u>26,216,034</u>
<b>NONCURRENT ASSETS</b>	
Restricted cash and cash equivalents and investments	
Debt service	120,720
Escrow	21,199,203
Reserve	16
Capital assets	
Land, easements and construction in progress	33,901,592
Capital assets being depreciated, net of accumulated depreciation of \$20,730,711	<u>129,806,704</u>
Total noncurrent assets	<u>185,028,235</u>
Total assets	211,244,269
Deferred outflows of resources - refunding	<u>14,065,382</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 225,309,651</u></u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 1,547,784
Retainage payable	306,109
Due to partner cities	<u>161,994</u>
Total current liabilities	2,015,887
Current liabilities payable from restricted assets	
Current portion of revenue bonds payable	6,100,000
Accrued interest	<u>1,056,664</u>
Total current liabilities payable from restricted assets	7,156,664
<b>NONCURRENT LIABILITIES</b>	
Revenue bonds payable	<u>188,157,957</u>
Total noncurrent liabilities	<u>188,157,957</u>
Total liabilities	197,330,508
<b>NET POSITION</b>	
Unrestricted	24,200,147
Net investment in capital assets	<u>3,778,996</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 27,979,143</u></u>

The Notes to the Financial Statements are an integral part of this statement.



**Brushy Creek Regional Utility Authority, Inc.**  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended September 30, 2019

<b>OPERATING REVENUES</b>	\$ 2,038,329
<b>OPERATING EXPENSES</b>	
Interest expense	6,453,393
Depreciation	3,984,142
Personnel	762,370
Power	329,236
Legal fees	187,425
Chemicals	159,513
Accounting services	76,819
Office supplies	70,551
Repairs and maintenance	65,207
Audit, investment, banking fees	54,268
Insurance	37,863
Miscellaneous expense	32,361
Contract services	3,594
	<hr/>
Total operating expenses	12,216,742
	<hr/>
<b>OPERATING LOSS</b>	(10,178,413)
<b>NON-OPERATING REVENUES(EXPENSES)</b>	
Interest and investment revenue	978,066
Litigation settlement gain	1,069,103
Bond issuance costs	(125,013)
	<hr/>
Total non-operating revenues(expenses)	1,922,156
	<hr/>
Decrease in net position before capital contributions	(8,256,257)
Net position, beginning of year	23,149,202
Capital contributions from partner cities	13,086,198
	<hr/>
<b>NET POSITION, end of year</b>	<u><u>\$ 27,979,143</u></u>

The Notes to the Financial Statements are an integral part of this statement.

## Brushy Creek Regional Utility Authority, Inc.

### Statement of Cash Flows

Year Ended September 30, 2019

#### CASH FLOWS FROM OPERATING ACTIVITIES

Service revenues received from partner cities	\$ 2,038,329
Other revenues received from third parties	1,922,156 *
Interest	(6,492,184)
Payments to suppliers for goods and services	<u>(1,900,893)</u>
Net cash used by operating activities	(4,432,592)

#### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Construction of capital assets	(9,800,688)
Principal payments on bonds	(5,790,000)
Proceeds from issuance of bonds	15,740,000
Capital contributions from partner cities	<u>13,086,198</u>
Net cash provided by capital and related financing activities	<u>13,235,510</u>
Net change in cash and cash equivalents	8,802,918

#### CASH AND CASH EQUIVALENTS, beginning of year

38,733,055

#### CASH AND CASH EQUIVALENTS, end of year

\$ 47,535,973

#### RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION

Cash and cash equivalents	\$ 26,216,034
Restricted cash and cash equivalents and investments	<u>21,319,939</u>

#### TOTAL CASH AND CASH EQUIVALENTS

\$ 47,535,973

#### RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (10,178,413)
Adjustments to reconcile operating loss to net cash used by operating activities	
Income from third party	1,922,156 *
Depreciation	3,984,142
Change in accounts receivable	89,553
Change in accounts payable and retainage	(166,294) *
Amortization and change in accrued interest	(38,792)
Change in due to partner cities	<u>(44,944)</u>

#### NET CASH USED BY OPERATING ACTIVITIES

\$ (4,432,592)

\* Non-cash reduction of retainage for the settlement gain is included here.

## **Brushy Creek Regional Utility Authority, Inc.**

### Notes to the Financial Statements

#### **Note 1. Nature of Activities**

Brushy Creek Regional Utility Authority, Inc. (BCRUA) was incorporated in Texas in July 2007 as a local government corporation pursuant to Subchapter D of Chapter 431, Texas Transportation Code. The BCRUA was organized by the Cities of Cedar Park, Leander and Round Rock, Texas (the Cities) for the purpose of providing an efficient vehicle for the financing, construction, acquisition, ownership, maintenance and operation of a regional water and wastewater collection, transmission, treatment and distribution system on behalf of the Cities in performance of their governmental functions.

#### **Note 2. Summary of Significant Accounting Policies**

The financial statements of BCRUA have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental entities. The more significant of these accounting policies are described below.

##### **Reporting Entity**

BCRUA is a joint venture among the Cities. The BCRUA operates as an enterprise activity. These financial statements present only BCRUA's activities and are not intended to present the financial position, results of operations or cash flows of any of the Cities.

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

The financial statements of BCRUA are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Revenues are recorded when earned and become measurable and expenses are recorded when a liability is incurred and measurable, regardless of the timing of related cash flows.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with BCRUA's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

##### **New Accounting Pronouncements**

The GASB issued GASB statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The guidance requires that interest cost incurred before the end of a construction period be recognized as an expense in the period incurred. The guidance is effective for reporting periods beginning after December 15, 2019, however early adoption is permitted. BCRUA adopted GASB statement No. 89 in the fiscal year 2019. The guidance has been applied prospectively.

## **Brushy Creek Regional Utility Authority, Inc.**

### Notes to the Financial Statements

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

For reporting purposes, cash and cash equivalents include demand deposits, investments with investment pools, and other short-term liquid investments with an original maturity of three months or less, regardless of whether restricted or unrestricted.

Cash and cash equivalents held in money market accounts and investment pools (which determine their net asset value based on fair value) are recorded at fair value.

#### **Restricted Assets**

Restricted funds consist of escrow funds derived from bond proceeds, debt service funds, reserve funds, and revenues that have been designated for specific purposes by the Board, or other funds with legal or contractual constraints. When both restricted and unrestricted resources are available for use, it is BCRUA's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Capital Assets**

Capital assets are stated at historical cost. To the extent construction is performed by the BCRUA, the cost includes certain general and administrative expenses. Maintenance and repairs are charged to operations as incurred. Improvements and betterments, which extend the useful lives of assets, are capitalized. Depreciation is recorded on a straight-line basis over estimated service lives ranging from 5 to 40 years. When capital assets are retired or otherwise disposed of, a gain or loss on disposal of assets is recognized.

#### **Note 3. Cash and Cash Equivalents and Investments**

Cash Deposits. BCRUA's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Public Funds Investment Act (the Act). The depository bank pledges securities that comply with state law and these securities are held for safekeeping and trust with the depository bank's agent bank. The pledged securities are to be in an amount sufficient to protect BCRUA's funds on a day-to-day basis during the period of the contract. The pledge of securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2019, BCRUA's cash balance deposited in banks total \$11,788,376 of which \$1,321,544 was uninsured and uncollateralized. The remaining balances were covered by FDIC insurance or secured by collateral pledged by the depository. BCRUA took steps to ensure that all funds were collateralized as of October 1, 2019.

## Brushy Creek Regional Utility Authority, Inc.

### Notes to the Financial Statements

Investments. The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the BCRUA to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the BCRUA to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the BCRUA to have independent auditors perform test procedures related to investment practices as provided by the Act. The BCRUA is in substantial compliance with the requirements of the Act.

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract of services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. TexSTAR's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. BCRUA has no unfunded commitments related to the investment pool. TexSTAR has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. TexSTAR's fair value is reported by BCRUA using the pool's net asset value (NAV).

Fair Value. BCRUA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

## Brushy Creek Regional Utility Authority, Inc.

### Notes to the Financial Statements

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement. BCRUA's investment balances and weighted average maturity of such investments are as follows:

Investment Type	September 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Weighted Average Maturity (Days)
Investments not subject to Fair Value (amortized cost)					
TexSTAR	\$ 19,390,495	\$ -	\$ -	\$ -	1
Investments by Fair Value Level					
U.S. Agency Securities	-	5,140,543	-	-	259
U.S. Treasury Bonds	-	3,006,080	-	-	81
Commercial Paper	-	-	9,568,340	-	87
<b>Total</b>	<b>\$ 19,390,495</b>	<b>\$ 8,146,623</b>	<b>\$ 9,568,340</b>	<b>\$ -</b>	

BCRUA's portfolio balances were as follows at September 30, 2019:

	Carrying Amount
TexSTAR	\$ 19,390,495
Commercial paper	9,568,340
US Treasury Bonds	3,006,080
US Agency Securities	5,140,543
Total investments	37,105,458
Cash in bank	10,430,515
<b>Total cash and cash equivalents and investments</b>	<b>\$ 47,535,973</b>

**Brushy Creek Regional Utility Authority, Inc.**

Notes to the Financial Statements

A reconciliation of cash and cash equivalents and investments to the presentation on the Statement of Net Position is as follows:

Statement of net position presentation		
Cash and cash equivalents	\$	26,216,034
Restricted cash and cash equivalents and investments		
Debt service		120,720
Escrow		21,199,203
Reserve		16
		<hr/>
<b>Total cash and cash equivalents and investments</b>	<b>\$</b>	<b>47,535,973</b>
		<hr/> <hr/>

Credit Risk and Custodial Credit Risk. A primary stated objective of the BCRUA's adopted Investment Policy is the safety of principal and avoidance of principal loss. Credit risk within BCRUA's portfolio among the authorized investments approved by BCRUA's adopted Investment Policy includes only time and demand deposits, obligations of states and their subdivisions, repurchase agreements and AAA rated SEC registered money market mutual funds. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the US Government, its agencies or instrumentalities.

State law and the BCRUA's adopted Investment Policy restricts both time and demand deposits, including certificates of deposit (CD's) to those banks doing business in the State of Texas and further requires full insurance or collateralization from these depositories (banks only). Certificates of deposit are limited to a stated maturity of one year. Collateral is required at a 102% margin with securities priced at market on a daily basis as a contractual responsibility of the bank. Collateral is restricted to obligations of the US Government, its agencies or instrumentalities or direct obligations of any state, its subdivisions or agencies rated at least A, or equivalent, as to investment quality by two nationally recognized statistical rating agencies. Independent safekeeping is required outside the bank holding company with monthly reporting.

Repurchase agreements are limited to those with defined termination dates with a primary dealer (as defined by the Federal Reserve) and require an industry standard written master repurchase agreement and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed one year to stated maturity with the exception of flex repurchase agreements with a stated termination date not to exceed the planned completion date of the project(s).

TexStar is rated AAAM by Standard & Poor's, US Agency Securities and US Treasury Bonds are rated AAA and Commercial Paper is rated A1.

Interest Rate Risk. In order to limit interest and market rate risk from changes in interest rates, the BCRUA's adopted Investment Policy sets a maximum stated maturity limit of two years for Operating Funds and three years for Construction Funds. For Escrow Funds, the maximum maturity shall not exceed three years and each fund's weighted average maturity (WAM) shall not exceed one year. The WAM of the total Operating Funds portfolio is restricted to a maximum of twelve months and compared to the one-year Treasury Bill. There is no maximum WAM for Construction funds.

## Brushy Creek Regional Utility Authority, Inc.

### Notes to the Financial Statements

Concentration of Credit Risk. The BCRUA recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. BCRUA's adopted Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types that are monitored on at least a monthly basis. Diversification limits are set by Policy as:

U. S. obligations	80%
U. S. agencies / instrumentalities	75%
State and local obligations	50%
Certificates of deposit	40%
in any one bank	10%
Repurchase agreements	50%
with any one dealer	20%
FlexRepo with CIP funds	100%
LGIP	100%
Ownership in pool	10%
Money market mutual funds	100%
Ownership in fund	20%

#### Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2019 is as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Capital assets, not being depreciated				
Land and easements	\$ 8,893,325	\$ -	\$ -	\$ 8,893,325
Construction in progress	15,965,454	9,800,688	(757,875)	25,008,267
Total capital assets, not being depreciated	24,858,779	9,800,688	(757,875)	33,901,592
Capital assets, being depreciated				
Buildings and improvements	71,185,354	-	-	71,185,354
Infrastructure	78,334,379	757,875	-	79,092,254
Equipment	259,807	-	-	259,807
Total capital assets, being depreciated	149,779,540	757,875	-	150,537,415
Less accumulated depreciation				
Buildings and improvements	7,425,782	1,804,293	-	9,230,075
Infrastructure	9,094,559	2,162,918	-	11,257,477
Equipment	226,229	16,930	-	243,159
Total accumulated depreciation	16,746,570	3,984,141	-	20,730,711
Total capital assets, being depreciated, net	133,032,970	(3,226,266)	-	129,806,704
<b>Total capital assets, net</b>	<b>\$ 157,891,749</b>	<b>\$ 6,574,422</b>	<b>\$ (757,875)</b>	<b>\$ 163,708,296</b>



**Brushy Creek Regional Utility Authority, Inc.**  
Notes to the Financial Statements

**Note 5. Long-Term Debt**

During the year ended September 30, 2019, BCRUA issued contract revenue bonds dated November 14, 2018, totaling \$15,740,000. The bonds mature serially beginning August 1, 2019 through August 1, 2038, with coupon rates ranging from 1.210% to 4.000%. Proceeds from the bond issue are restricted for the construction and equipment of the second phase of the BCRUA Regional Water Treatment and Distribution Project. The bonds were issued in two series, one series for two of the partner cities share of expected project costs. Each bond series is payable solely from and secured, in part, by an assignment of the bond payments made under the Master Contract Agreement dated September 2, 2008 by and between each city. Each city is solely responsible for bond payments on its series of bonds. No city has any liability or responsibility for any bond payment on a series of bonds issued for another city.

During the year ended September 30, 2018, BCRUA issued contract revenue bonds dated November 16, 2017, totaling \$16,995,000. The bonds mature serially beginning August 1, 2018 through August 1, 2037, with coupon rates ranging from .580% to 2.290%. Proceeds from the bond issue are restricted for the construction and equipment of the second phase of the BCRUA Regional Water Treatment and Distribution Project. The bonds were issued in three series, one series for each partner city's share of expected project costs. Each bond series is payable solely from and secured, in part, by an assignment of the bond payments made under the Master Contract Agreement dated September 2, 2008 by and between each city. Each city is solely responsible for bond payments on its series of bonds. No city has any liability or responsibility for any bond payment on a series of bonds issued for another city.

During the year ended September 30, 2017, BCRUA issued contract revenue refunding bonds dated April 19, 2017, totaling \$80,505,000. The bonds mature in 2017 through 2038, with coupon rates ranging from 2.0% to 5.0%. The bonds were issued by the City of Leander, to refund bonds outstanding for the City of Leander. Each bond series is payable solely from and secured, in part, by an assignment of the bond payments made under the Master Contract Agreement dated September 2, 2008, as amended, by and between each city. The City of Leander is solely responsible for bond payments on its series of bonds. No city has any liability or responsibility for any bond payment on a series of bonds issued for another city. The refunding reduced BCRUA's total debt service payments over the next 22 years by \$17,898,892 and generated an economic gain of \$12,596,769 and a deferred charge on refunding of \$7,246,648.

During the year ended September 30, 2016, BCRUA issued contract revenue refunding bonds dated August 15, 2016, totaling \$75,890,000. The bonds mature in 2017 through 2038, with coupon rates ranging from 2.0% to 5.0%. The bonds were issued in two series, to refund bonds outstanding for two of the partner cities. Each bond series is payable solely from and secured, in part, by an assignment of the bond payments made under the Master Contract Agreement dated September 2, 2008, as amended, by and between each city. Each city is solely responsible for bond payments on its series of bonds. No city has any liability or responsibility for any bond payment on a series of bonds issued for another city. The refunding reduced BCRUA's total debt service payments over the next 22 years by \$17,433,680 and generated an economic gain of \$10,922,929 and a deferred charge on refunding of \$8,881,242.

## Brushy Creek Regional Utility Authority, Inc.

### Notes to the Financial Statements

During the year ended September 30, 2009, BCRUA issued contract revenue bonds dated July 6, 2009, totaling \$182,020,000. The bonds mature serially beginning August 1, 2012 through August 1, 2019, with coupon rates ranging from 2.254% to 5.084%. Proceeds from the bond issue are restricted for the construction and equipment of the first phase of the BCRUA Regional Water Treatment and Distribution Project. The bonds were issued in three series, one series for each partner city's share of expected project costs. Each bond series is payable solely from and secured, in part, by an assignment of the bond payments made under the Master Contract Agreement dated September 2, 2008 by and between each city. Each city is solely responsible for bond payments on its series of bonds. No city has any liability or responsibility for any bond payment on a series of bonds issued for another city.

Defeased debt. In April of 2017, BCRUA legally defeased outstanding bonds totaling \$80,505,000 by depositing approximately \$89,711,000 in trust with a bond escrow agent, which will be used to pay off older bond issuances.

Long-term liability activity for the year ended September 30, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Series 2009 contract					
Revenue bonds					
City of Cedar Park	\$ 660,000	\$ -	\$ 660,000	\$ -	\$ -
City of Round Rock	1,660,000	-	1,660,000	-	-
Series 2016 contract					
Revenue bonds					
City of Cedar Park	21,755,000	-	-	21,755,000	760,000
City of Round Rock	53,625,000	-	-	53,625,000	1,785,000
Series 2017 contract					
Revenue bonds					
City of Leander	75,745,000	-	2,375,000	73,370,000	2,485,000
SWIFT 2017 contract					
Revenue bonds					
City of Cedar Park	4,215,000	-	195,000	4,020,000	200,000
City of Leander	7,730,000	-	365,000	7,365,000	370,000
City of Round Rock	4,220,000	-	200,000	4,020,000	200,000
SWIFT 2018 Contract					
Revenue bonds					
City of Cedar Park	-	6,970,000	335,000	6,635,000	300,000
City of Leander	-	8,770,000	-	8,770,000	-
Total principal	169,610,000	15,740,000	5,790,000	179,560,000	6,100,000
Issuance premiums	15,477,831	-	779,874	14,697,957	-
<b>Total bonds payable</b>	<b>\$ 185,087,831</b>	<b>\$ 15,740,000</b>	<b>\$ 6,569,874</b>	<b>\$ 194,257,957</b>	<b>\$ 6,100,000</b>

## Brushy Creek Regional Utility Authority, Inc.

### Notes to the Financial Statements

Debt service requirements are as follows:

Years Ended September 30,	Bonds		Total Requirements
	Principal	Interest	
2020	\$ 6,100,000	\$ 6,480,877	\$ 12,580,877
2021	6,345,000	6,032,300	12,377,300
2022	6,580,000	6,105,352	12,685,352
2023	6,820,000	5,917,313	12,737,313
2024	7,145,000	5,647,704	12,792,704
2025-2029	43,405,000	24,305,576	67,710,576
2030-2034	53,255,000	16,017,133	69,272,133
2035-2038	49,910,000	4,815,781	54,725,781
	<u>\$ 179,560,000</u>	<u>\$ 75,322,036</u>	<u>\$ 254,882,036</u>

#### Note 6. Economic Dependency

The BCRUA is dependent on the Cities of Cedar Park, Leander, and Round Rock, Texas for the continued funding of its operating activities. The Cities annually budget funds for operational and overhead expenses and debt service requirements in accordance with the Master Contract Agreement and the System Operating Agreement between the Cities. Fixed operations and maintenance expenses are allocated among the Cities based upon each city's reserved capacity in the BCRUA Project components, and variable expenses are allocated based upon the volume of treated water delivered to each city in relation to the total delivered volume. Overhead expenses are paid by each city based upon certain formulas and reserve capacities in the BCRUA Project and/or the quantity of treated water actually delivered to each city. Each city is responsible for bond principal and interest payments due on the bond series issued by BCRUA for each respective city.

#### Note 7. Contingency

A contract dispute between the BCRUA and the general contractor arose during the year ended September 30, 2013, during the inspection of Phase I construction concerning defects in the construction and design of the plant. The retainage balance held by BCRUA in relation to this contingency as of September 30, 2018 was approximately \$1,580,000. In May of 2019, the dispute was settled and BCRUA recognized a gain of \$1,069,103.

#### Note 8. Subsequent Events

The BCRUA has evaluated subsequent events after the balance sheet date of September 30, 2019 through January 10, 2020, the date these financial statements were available to be issued and determined that no significant events occurred that warrant additional disclosure.

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## Supplementary Information

**Brushy Creek Regional Utility Authority, Inc.**  
Combining Statement of Net Position  
September 30, 2019

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 5,730,052	\$ 11,388,942	\$ 9,097,040	\$ -	\$ 26,216,034
Total current assets	5,730,052	11,388,942	9,097,040	-	26,216,034
Noncurrent assets					
Restricted cash and cash equivalents and investments					
Debt service	19,477	57,865	43,378	-	120,720
Escrow	4,930,916	8,699,445	7,568,842	-	21,199,203
Reserve	-	16	-	-	16
Capital assets					
Land, easements and construction in progress	7,407,740	16,590,646	9,903,206	-	33,901,592
Capital assets being depreciated, net of accumulated depreciation of \$20,730,711	19,652,853	62,114,100	48,039,751	-	129,806,704
Total noncurrent assets	32,010,986	87,462,072	65,555,177	-	185,028,235
Total assets	37,741,038	98,851,014	74,652,217	-	211,244,269
Deferred outflows of resources - refunding	2,172,160	6,412,361	5,480,861	-	14,065,382
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 39,913,198</b>	<b>\$ 105,263,375</b>	<b>\$ 80,133,078</b>	<b>\$ -</b>	<b>\$ 225,309,651</b>

**Brushy Creek Regional Utility Authority, Inc.**  
Combining Statement of Net Position – Continued  
September 30, 2019

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Eliminations</u>	<u>Total</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 562,369	\$ 806,895	\$ 340,514	\$ (161,994)	\$ 1,547,784
Retainage payable	97,368	137,148	71,593	-	306,109
Due to partner cities	-	-	-	161,994	161,994
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	659,737	944,043	412,107	-	2,015,887
Current liabilities payable from restricted assets					
Current portion of revenue bonds payable	1,260,000	2,855,000	1,985,000	-	6,100,000
Accrued interest	163,801	529,071	363,792	-	1,056,664
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities payable from restricted assets	1,423,801	3,384,071	2,348,792	-	7,156,664
Noncurrent liabilities					
Revenue bonds payable	33,350,400	92,456,708	62,350,849	-	188,157,957
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	33,350,400	92,456,708	62,350,849	-	188,157,957
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	35,433,938	96,784,822	65,111,748	-	197,330,508
<b>NET POSITION</b>					
Unrestricted	5,073,915	10,457,327	8,668,905	-	24,200,147
Net investment in capital assets	(594,655)	(1,978,774)	6,352,425	-	3,778,996
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL NET POSITION</b>	<u>\$ 4,479,260</u>	<u>\$ 8,478,553</u>	<u>\$ 15,021,330</u>	<u>\$ -</u>	<u>\$ 27,979,143</u>

**Brushy Creek Regional Utility Authority, Inc.**  
Combining Statement of Revenues, Expenses  
And Changes in Net Position  
Year Ended September 30, 2019

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
<b>OPERATING REVENUES</b>	\$ 636,055	\$ 960,347	\$ 441,927	\$ 2,038,329
<b>OPERATING EXPENSES</b>				
Interest expense	979,220	3,273,928	2,200,245	6,453,393
Depreciation	627,723	1,877,061	1,479,358	3,984,142
Personnel	300,461	374,733	87,176	762,370
Power	171,420	157,769	47	329,236
Legal fees	33,695	88,239	65,491	187,425
Chemicals	79,757	79,756	-	159,513
Accounting services	29,529	37,700	9,590	76,819
Office supplies	28,628	34,744	7,179	70,551
Repairs and maintenance	26,283	32,091	6,833	65,207
Audit, investment, banking fees	9,709	24,183	20,376	54,268
Insurance	5,668	17,871	14,324	37,863
Miscellaneous expense	9,880	15,545	6,936	32,361
Contract services	1,797	1,797	-	3,594
	<u>2,303,770</u>	<u>6,015,417</u>	<u>3,897,555</u>	<u>12,216,742</u>
<b>OPERATING LOSS</b>	(1,667,715)	(5,055,070)	(3,455,628)	(10,178,413)
<b>NON-OPERATING REVENUES(EXPENSES)</b>				
Interest and investment revenue	181,015	363,517	433,534	978,066
Litigation settlement gain	198,097	474,076	396,930	1,069,103
Bond issuance costs	(69,243)	(55,770)	-	(125,013)
	<u>309,869</u>	<u>781,823</u>	<u>830,464</u>	<u>1,922,156</u>
Increase in net position before capital contributions	(1,357,846)	(4,273,247)	(2,625,164)	(8,256,257)
Net position, beginning of year	3,468,460	6,373,809	13,306,933	23,149,202
Capital contributions from partner cities	<u>2,368,646</u>	<u>6,377,991</u>	<u>4,339,561</u>	<u>13,086,198</u>
<b>NET POSITION, end of year</b>	<u>\$ 4,479,260</u>	<u>\$ 8,478,553</u>	<u>\$ 15,021,330</u>	<u>\$ 27,979,143</u>



**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

To the Board of Directors  
Brushy Creek Regional Utility Authority, Inc.

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Brushy Creek Regional Utility Authority, Inc. (the BCRUA) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the BCRUA's basic financial statements, and have issued our report thereon dated January 10, 2020.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the BCRUA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*. At September 30, 2019 BCRUA cash deposits of \$1,321,544 were uninsured and uncollateralized. The BCRUA took steps to ensure that all funds were collateralized as of October 1, 2019.

The Board of Directors  
Brushy Creek Regional Utility Authority, Inc.

**Purpose of this Report**

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Austin, Texas  
January 10, 2020