

January 31, 2023

The Board of Directors of  
Brushy Creek Regional Utility Authority, Inc.  
P.O. Box 2692  
Cedar Park, Texas 78630

We have audited the financial statements of Brushy Creek Regional Utility Authority, Inc. (the BCRUA) as of and for the year ended September 30, 2022, and have issued our report thereon dated January 31, 2023. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated August 26, 2022, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the BCRUA solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

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

With respect to any nonaudit/nonattest services we perform as previously communicated to you in the engagement letter, BCRUA acknowledges and understands that BCRUA has the responsibility for (a) making all management decisions and performing management functions; (b) assigning an individual with suitable skills, knowledge, and experience to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and ( e) establishing and maintaining internal controls, including monitoring ongoing activities. Such nonaudit/nonattest services do not constitute an audit under Government Auditing Standards and such services will not be conducted in accordance with Government Auditing Standards.

### **Significant Risks**

We have identified significant risks during our planning phase of the audit related to revenue recognition of operating and capital contributions and management override of controls. There is a rebuttable presumption that there is a significant risk of fraud associated with revenue in all audits, as well as management override of controls. Based on testwork performed in these areas including substantial analyticals and tests of details, no material misstatements or significant deficiencies in internal controls were found.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the BCRUA is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are depreciable lives of capital assets and revenue true-ups.

Management's estimate of the depreciable lives of capital assets is based on management's assumption and historical knowledge of capital assets with similar lives. We evaluated the key factors and assumptions used to develop the depreciable lives of capital assets and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of revenue true-ups is based on management's assumption and budget from historical knowledge of expenses related to each city. We evaluated the key factors and assumptions used to develop the revenue true-ups and determined that it is reasonable in relation to the basic financial statements taken as a whole.

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

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the BCRUA's financial statements relate to cash and cash equivalents, long-term debt, and economic dependency.

### **Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. We encountered no significant unusual transactions during our audit.

### **Identified or Suspected Fraud**

We have not identified any indications that fraud may have occurred.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. We did not identify uncorrected misstatements during the audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the BCRUA's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated January 31, 2023.

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

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the BCRUA, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the BCRUA's auditors.

### **Modification of the Auditor's Report**

We have made the following modification to our auditor's report.

Our auditor's report includes an Emphasis of Matter paragraph regarding the BCRUA's dependency on the Cities of Cedar Park, Leander, and Round Rock, Texas for the continued funding of its operating activities. Our opinion is not modified with respect to either of these matters.

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

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

WEAVER AND TIDWELL, L.L.P.

Austin, Texas

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

Financial Report  
September 30, 2022

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# **Financial Section**



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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the business-type activities of Brushy Creek Regional Utility Authority, Inc. (BCRUA), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise BCRUA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of BCRUA, as of September 30, 2022, 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.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BCRUA 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.

#### Emphasis-of-Matter

As discussed in Note 6 to the financial statements, 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 BCRUA. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

BCRUA's 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 BCRUA'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.

### ***Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 BCRUA'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 BCRUA'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 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.

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 31, 2023

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

Management's Discussion and Analysis

September 30, 2022

### **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 2020 U.S. census estimates, is approximately 289,000. 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. While the three cities have other treated water sources, 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 afforded 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 (WTP) will have an ultimate capacity of 106 million gallons per day (mgd) and is being built in phases to better match the capacity with near-term needs. Phase 1A was substantially completed in July 2012 and Phase 1C was substantially complete in December 2020. These improvements include the full sized 106 mgd raw water and treated water pipelines, and a 32.5 mgd water treatment plant.

In December 2021, the BCRUA Board of Directors approved final design of Phase 1D, which will increase the plant capacity to 42 mgd. In May 2022, the Board of Directors approved a \$225 million contract with Thalle/SAK Joint Venture to construct the Phase 2 permanent deep-water intake with a capacity of 144.7 mgd. This intake will deliver raw water to the BCRUA regional water treatment plant as well as to the City of Cedar Park and City of Leander water treatment plants. Corresponding agreements for construction materials testing and engineering construction phase services were also approved for \$496,000 and \$22.6 million, respectively.

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 seven plant operator positions. 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.

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

Management's Discussion and Analysis

September 30, 2022

The existing BCRUA raw water delivery system consists of a floating intake on Lake Travis that conveys water to the WTP via a 36-inch diameter underwater pipeline to a 78-inch diameter transmission main. In December 2020, the underwater pipeline failed, rendering the BCRUA system inoperable until May 2021 when repairs could be completed. The pipeline repair cost approximately \$3 million. In September 2022, routine dive inspections revealed that the pipeline was leaking at the previously installed repair sleeve. BCRUA then executed a \$2.7 million construction contract with Thalle Construction Company to provide a more permanent repair. An investigation of the cause of the failure determined that the original pipe support for the pipeline is inadequate and must be addressed to provide reliable service until the Phase 2 Raw Water Delivery System comes online in mid-2027. A notice of claim was issued to both the design engineering firm and construction company. A contract for design of a replacement pipeline was awarded in January 2022 for \$277,000. Construction of the replacement pipeline is expected to commence in early 2023 and be completed in Spring 2024.

What follows is a discussion and analysis of the BCRUA's financial performance for the fiscal year ended September 30, 2022. Please read it in conjunction with the Independent Auditors' Report on pages 3 - 5 and BCRUA's Basic Financial Statements, which begin on page 16.

### **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 16), the Statement of Revenues, Expenses, and Changes in Net Position (page 17) and the Statement of Cash Flows (page 18). The BCRUA operates as an enterprise activity and consists of one proprietary fund.

The notes to the financial statements (starting on page 19) 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 BCRUA's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of BCRUA's assets and liabilities, with the difference between the two reported as net position. BCRUA's net position provides one measure of 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Management's Discussion and Analysis

September 30, 2022

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 19 through 27 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 and notes can be found on pages 30 through 33 of this report.

## **Financial Analysis**

### Financial Highlights

- Partner city contributions to net position for the year ended September 30, 2022 were \$26,988,866.
- Total net position at September 30, 2022 was \$47,924,337, an increase of \$12,857,842 from September 30, 2021. The increase in net position includes a \$126,829,403 increase in total assets due to a \$113,225,251 increase in total liabilities, both substantially due to the debt issued in November 2021.
- Total capital assets, net of depreciation, were \$192,603,142 as of September 30, 2022. This is an increase of \$10,701,762 from the prior year attributable to Phase 1D final design and the start of construction on Phase 2.
- \$115,310,000 in contract revenue bonds were issued in November 2021 for Phase 2 of the project providing \$114,840,613 in cash proceeds. Unspent funds at September 30, 2022 total \$114,132,096 which includes \$46,155,823 held in escrow.



## Brushy Creek Regional Utility Authority, Inc.

Management's Discussion and Analysis

September 30, 2022

The following condensed financial statements (Tables I and II) provide key financial data as of and for the years ended September 30, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Current assets	\$ 4,085,830	\$ 3,197,641
Restricted assets	132,727,983	17,488,531
Capital assets, net	<u>192,603,142</u>	<u>181,901,380</u>
Total assets	329,416,955	202,587,552
Deferred outflows of resources	11,824,408	12,570,718
Current liabilities	12,201,304	2,520,431
Current liabilities payable from restricted assets	11,655,980	7,575,439
Noncurrent liabilities	<u>269,459,742</u>	<u>169,995,905</u>
Total liabilities	<u>293,317,026</u>	<u>180,091,775</u>
Net position		
Unrestricted	7,592,168	739,446
Net investment in capital assets	<u>40,332,169</u>	<u>34,327,049</u>
<b>Total net position</b>	<u>\$ 47,924,337</u>	<u>\$ 35,066,495</u>

## Brushy Creek Regional Utility Authority, Inc.

Management's Discussion and Analysis

September 30, 2022

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

	2022	2021
Operating revenues	\$ 3,463,968	\$ 2,240,361
Operating expenses		
Interest expense	7,146,280	5,585,304
Depreciation	4,323,987	3,996,870
Personnel	1,085,129	948,531
Power	852,720	453,377
Legal fees	12,613	-
Chemicals	553,085	157,663
Office supplies	76,152	52,943
Repairs and maintenance	211,248	268,514
Audit, investment, banking fees	75,868	82,842
Insurance	77,053	53,602
Miscellaneous expense	176,386	130,761
Contract services	87,942	84,331
Total operating expenses	<u>14,678,463</u>	<u>11,814,738</u>
Operating loss	(11,214,495)	(9,574,377)
Non-operating revenues(expenses)	<u>(2,916,529)</u>	<u>22,535</u>
Decrease in net position before capital contributions	(14,131,024)	(9,551,842)
Net position - beginning of year	35,066,495	31,980,751
Capital contributions from partner cities	<u>26,988,866</u>	<u>12,637,586</u>
<b>Net position - end of year</b>	<u><u>\$ 47,924,337</u></u>	<u><u>\$ 35,066,495</u></u>

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

### Phase 1:

#### Phase 1A: Complete

- 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)
- 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.

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

Management's Discussion and Analysis

September 30, 2022

### Phase 1B: Complete

- 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: Complete

- 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 in November 2017 through issuance of contract revenue bonds as part of the Texas Water Development Board (TWDB) SWIFT Loan program.
- Construction began in January 2019 and final completion was July 2021 at a cost of \$14.1 million.

### Phase 1D:

- Funding for the expansion of the BCRUA regional water treatment facilities to 42 mgd has been secured from a combination of cash contributions, unspent debt proceeds from Phase 1A savings, and contract revenue bonds issued in 2018 and 2021 as part of the TWDB SWIFT loan program.
- The cost of planning and design is estimated at \$1.4 million with construction estimated at \$20 million.
- Final design is completed, and construction is planned to commence in February 2023 with estimated completion in early 2025.

## **Phase 2:**

### Phase 2:

- 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 three locations (the Phase 1 raw water pipeline and the cities of Cedar Park and Leander water treatment plants).
- 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 Leander Water Plants.
- Total project cost is estimated at approximately \$293 million and is being funded with cash contributions and contract revenue bonds issued in 2021 and 2022 as well as future bond issuances as part of the TWDB SWIFT loan program.
- Final design began in early 2019 and was completed in mid-2021. Final design cost is estimated at \$14.1 million and was funded with unspent debt proceeds from Phase 1A savings and contract revenue bonds issued in 2018 from the TWDB SWIFT loan program.
- Construction began in mid-2022 with completion in mid-2027.

### Phase 2A:

- 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
- This phase will occur at a future date to be decided by the three partnering cities.

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

Management's Discussion and Analysis

September 30, 2022

### **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.
- This phase will occur at a future date to be decided by the three partnering cities.

### Restricted Assets

Restricted assets at September 30, 2022 were \$132,727,983, an increase from the September 30, 2021 balance of \$17,488,531. Restricted assets consist of escrow and construction funds arising from the proceeds of long-term debt. The increase reflects issuance of new revenue bonds.

### Long-Term Debt

Long-term debt consists of contract revenue bonds issued relative to the Texas Water Development Board loan programs.

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.

During the year ended September 30, 2022, BCRUA issued contract revenue bonds dated November 16, 2021, totaling \$115,310,000 for the construction of the second phase of the BCRUA project.

Additional information on long-term debt can be found in Note 5 to the financial statements.

### **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 2023 in the amount of \$4,322,163, an increase of reserves of \$107,893 in fiscal year 2023 and a debt service budget for fiscal year 2023 in the amount of \$20,707,108.

### **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.

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# **Basic Financial Statements**

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

Statement of Net Position

September 30, 2022

	<b>2022</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 2,816,432
Due from partner cities	1,269,398
Total current assets	4,085,830
<b>NONCURRENT ASSETS</b>	
Restricted cash, cash equivalents and investments	
Escrow	124,779,023
Construction	7,948,960
Capital assets	
Land, easements and construction in progress	54,884,716
Capital assets being depreciated, net of accumulated depreciation of \$33,015,334	137,718,426
Total noncurrent assets	325,331,125
Total assets	329,416,955
<b>DEFERRED OUTFLOWS OF RESOURCES - REFUNDING</b>	11,824,408
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 341,241,363</b>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 10,559,822
Retainage payable	433,748
Due to partner cities	1,207,734
Total current liabilities	12,201,304
Current liabilities payable from restricted assets	
Current portion of revenue bonds payable	10,370,000
Accrued interest	1,285,980
Total current liabilities payable from restricted assets	11,655,980
<b>NONCURRENT LIABILITIES</b>	
Revenue bonds payable	269,459,742
Total noncurrent liabilities	269,459,742
Total liabilities	293,317,026
<b>NET POSITION</b>	
Unrestricted	7,592,168
Net investment in capital assets	40,332,169
<b>TOTAL NET POSITION</b>	<b>\$ 47,924,337</b>

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, 2022

	<u>2022</u>
<b>OPERATING REVENUES</b>	\$ 3,463,968
<b>OPERATING EXPENSES</b>	
Interest expense	7,146,280
Depreciation	4,323,987
Personnel	1,085,129
Power	852,720
Legal fees	12,613
Chemicals	553,085
Office supplies	76,152
Repairs and maintenance	211,248
Audit, investment, banking fees	75,868
Insurance	77,053
Miscellaneous expense	176,386
Contract services	<u>87,942</u>
Total operating expenses	<u>14,678,463</u>
<b>OPERATING INCOME (LOSS)</b>	(11,214,495)
<b>NON-OPERATING REVENUES(EXPENSES)</b>	
Other interest expense	(194,680)
Bond issuance costs	(468,237)
Contributed Asset	<u>(2,253,612)</u>
Total non-operating revenues(expenses)	<u>(2,916,529)</u>
Decrease in net position before capital contributions	(14,131,024)
Net position - beginning of year	35,066,495
Capital contributions from partner cities	<u>26,988,866</u>
<b>NET POSITION, end of year</b>	<u>\$ 47,924,337</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, 2022

**CASH FLOWS FROM OPERATING ACTIVITIES**

Service revenues received from partner cities	\$ 3,463,968
Interest Payments	(7,505,592)
Decrease in prepaid expenses	13,616
Increase in net operating receivables/payables	8,411,475
Payments to suppliers for goods and services	<u>(3,208,197)</u>
Net cash provided by operating activities	1,175,270

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

Construction of capital assets	(15,025,748)
Principal payments on bonds	(10,660,000)
Proceeds from issuance of bonds	115,310,000
Capital contributions from partner cities	26,988,866
Payments/contributions to third parties	<u>(2,916,529)</u>
Net cash provided by capital and related financing activities	<u>113,696,589</u>
Net change in cash and cash equivalents	114,871,859

**CASH AND CASH EQUIVALENTS, beginning of year** 20,672,556**CASH AND CASH EQUIVALENTS, end of year** \$ 135,544,415**RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION**

Cash and cash equivalents	\$ 2,816,432
Restricted cash and cash equivalents and investments	<u>132,727,983</u>

**TOTAL CASH AND CASH EQUIVALENTS** \$ 135,544,415**RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES**

Operating loss	\$ (11,214,495)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	4,323,987
Change in due from partner cities	(1,269,398)
Change in prepaid expenses	13,616
Change in accounts payable and retainage	9,838,572
Amortization and change in accrued interest	(359,313)
Change in due to partner cities	<u>(157,699)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** \$ 1,175,270

## **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.

##### **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.

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

### Notes to the Financial Statements

#### **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.

#### **Long-term Debt**

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The amount of deferred charge for refunding transactions is reported as a deferred outflow of resources and amortized using the straight-line method.

#### **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, 2022, BCRUA's cash balance and sweep accounts deposited in banks totaled approximately \$51,690,000 and was adequately covered by FDIC insurance or secured by collateral pledged by the depository.

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.

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

Notes to the Financial Statements

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.

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, 2022	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 (NAV)					
TexSTAR	\$ 46,416,398	\$ -	\$ -	\$ -	1
Investments by Fair Value Level					
U.S. Agency Securities	37,438,980	37,438,980	-	-	146
<b>Total</b>	<b>\$ 83,855,378</b>	<b>\$ 37,438,980</b>	<b>\$ -</b>	<b>\$ -</b>	

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

Notes to the Financial Statements

BCRUA's portfolio balances were as follows at September 30, 2022:

	Carrying Amount
TexSTAR	\$ 46,416,398
US Agency Securities	37,438,980
Total investments	83,855,378
Cash and Sweep Accounts	51,689,037
<b>Total cash, cash equivalents and investments</b>	<b>\$ 135,544,415</b>

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	\$ 2,816,432
Restricted cash and cash equivalents and investments	
Escrow	124,779,023
Construction	7,948,960
<b>Total cash, cash equivalents and investments</b>	<b>\$ 135,544,415</b>

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.

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

Notes to the Financial Statements

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).

Standard & Poor's rates TexStar AAAM and US Agency Securities AA+

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.

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%
Flex in CIP funds	100%
LGIP	100%
Ownership in pool	10%
Money market funds	100%
in any one fund	20%
Commercial paper	25%
in any one issuer	10%

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

**Note 4. Capital Assets**

Capital asset activity for the year ended September 30, 2022 is as follows:

	Beginning Balance	Disposals	Additions	Transfers	Ending Balance
Capital assets, not being depreciated					
Land and easements	\$ 8,893,325	\$ -	\$ -	\$ -	\$ 8,893,325
Construction in progress	31,004,154	-	14,987,237	-	45,991,391
Total capital assets, not being depreciated	39,897,479	-	14,987,237	-	54,884,716
Capital assets, being depreciated					
Buildings and improvements	88,331,545	-	-	-	88,331,545
Infrastructure	82,050,438	-	-	-	82,050,438
Equipment	313,265	-	38,512	-	351,777
Total capital assets, being depreciated	170,695,248	-	38,512	-	170,733,760
Less accumulated depreciation					
Buildings and improvements	12,795,087	-	2,208,289	-	15,003,376
Infrastructure	15,635,890	-	2,100,349	-	17,736,239
Equipment	260,370	-	15,349	-	275,719
Total accumulated depreciation	28,691,347	-	4,323,987	-	33,015,334
Total capital assets, being depreciated, net	142,003,901	-	(4,285,475)	-	137,718,426
<b>Total capital assets, net</b>	<b>\$ 181,901,380</b>	<b>\$ -</b>	<b>\$ 10,701,762</b>	<b>\$ -</b>	<b>\$ 192,603,142</b>

**Note 5. Long-Term Debt**

During the year ended September 30, 2022, BCRUA issued contract revenue bonds dated November 16, 2021, totaling \$115,310,000. The bonds mature serially beginning August 1, 2022 through August 1, 2051, with coupon rates ranging from .160% to 2.720%. 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 each for Cedar Park and Leander, for each respective city's share of expected project costs. Leander issued a second tranche in November of 2022 to fully fund its share of costs, see note 7 for additional information. 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.

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

### Notes to the Financial Statements

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

Long-term liability activity for the year ended September 30, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Series 2016 contract					
Revenue bonds					
City of Cedar Park	\$ 20,205,000	\$ -	\$ 815,000	\$ 19,390,000	\$ 840,000
City of Round Rock	49,945,000	-	1,990,000	47,955,000	2,085,000
Series 2017 contract					
Revenue bonds					
City of Leander	68,300,000	-	2,690,000	65,610,000	2,800,000
SWIFT 2017 contract					
Revenue bonds					
City of Cedar Park	3,620,000	-	200,000	3,420,000	205,000
City of Leander	6,625,000	-	375,000	6,250,000	375,000
City of Round Rock	3,620,000	-	200,000	3,420,000	205,000
SWIFT 2018 Contract					
Revenue bonds					
City of Cedar Park	6,030,000	-	310,000	5,720,000	310,000
City of Leander	8,770,000	-	-	8,770,000	-
Series 2021 Contract					
Revenue bonds					
City of Cedar Park	-	75,310,000	2,485,000	72,825,000	2,120,000
City of Leander	-	40,000,000	1,595,000	38,405,000	1,430,000
Total principal	167,115,000	115,310,000	10,660,000	271,765,000	10,370,000
Issuance premiums	9,460,905	-	1,396,163	8,064,742	-
<b>Total bonds payable</b>	<b>\$ 176,575,905</b>	<b>\$ 115,310,000</b>	<b>\$ 12,056,163</b>	<b>\$ 279,829,742</b>	<b>\$ 10,370,000</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	
2023	\$ 10,370,000	\$ 7,887,345	\$ 18,257,345
2024	10,700,000	7,609,714	18,309,714
2025	11,045,000	7,305,213	18,350,213
2026	12,080,000	6,980,040	19,060,040
2027	12,330,000	6,915,626	19,245,626
2028-2032	67,705,000	28,811,673	96,516,673
2033-2037	79,305,000	17,441,391	96,746,391
2038-2042	33,795,000	6,266,983	40,061,983
2043-2047	21,740,000	3,294,989	25,034,989
2048-2051	12,695,000	874,072	13,569,072
	<u>\$ 271,765,000</u>	<u>\$ 93,387,046</u>	<u>\$ 365,152,046</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. Subsequent Events**

The BCRUA has evaluated subsequent events after the balance sheet date of September 30, 2022 through January 31, 2023, the date these financial statements were available to be issued.

In November 2022, the BCRUA completed the issuance of approximately \$40,000,000 of contract revenue bonds notes payable to provide additional financing for future capital improvements.

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## **Supplementary Information**

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

Combining Statement of Net Position

September 30, 2022

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 249,714	\$ 1,824,714	\$ 742,004	\$ 2,816,432
Accounts Receivable	462,310	786,216	20,872	1,269,398
Total current assets	712,024	2,610,930	762,876	4,085,830
Noncurrent assets				
Restricted cash and cash equivalents and investments	75,753,902	43,681,896	13,292,185	132,727,983
Capital assets				
Land, easements and construction in progress	13,552,584	25,243,181	16,088,951	54,884,716
Capital assets being depreciated, net of accumulated depreciation of \$33,015,333	22,946,339	65,778,769	48,993,318	137,718,426
Total noncurrent assets	112,252,825	134,703,846	78,374,454	325,331,125
Total assets	112,964,849	137,314,776	79,137,330	329,416,955
Deferred outflows of resources - refunding	1,826,079	5,390,709	4,607,620	11,824,408
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 114,790,928</u>	<u>\$ 142,705,485</u>	<u>\$ 83,744,950</u>	<u>\$ 341,241,363</u>

**Brushy Creek Regional Utility Authority, Inc.**  
Combining Statement of Net Position – Continued  
September 30, 2022

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 2,856,286	\$ 4,670,958	\$ 3,032,578	\$ 10,559,822
Retainage payable	118,970	187,093	127,685	433,748
Due to partner cities	116,076	629,867	461,791	1,207,734
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	3,091,332	5,487,918	3,622,054	12,201,304
Current liabilities payable from restricted assets				
Current portion of revenue bonds payable	3,475,000	4,605,000	2,290,000	10,370,000
Accrued interest	375,001	587,852	323,127	1,285,980
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities payable from restricted assets	3,850,001	5,192,852	2,613,127	11,655,980
Noncurrent liabilities				
Revenue bonds payable	99,040,820	117,742,340	52,676,582	269,459,742
	<hr/>	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	99,040,820	117,742,340	52,676,582	269,459,742
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	105,982,153	128,423,110	58,911,763	293,317,026
<b>NET POSITION</b>				
Unrestricted	(227,441)	856,819	6,962,790	7,592,168
Net investment in capital assets	9,036,216	13,425,556	17,870,397	40,332,169
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL NET POSITION</b>	<u>\$ 8,808,775</u>	<u>\$ 14,282,375</u>	<u>\$ 24,833,187</u>	<u>\$ 47,924,337</u>

## Brushy Creek Regional Utility Authority, Inc.

Combining Statement of Revenues, Expenses  
and Changes in Net Position  
Year Ended September 30, 2022

	<u>Cedar Park</u>	<u>Leander</u>	<u>Round Rock</u>	<u>Total</u>
<b>OPERATING REVENUES</b>	\$ 581,244	\$ 2,226,588	\$ 656,136	\$ 3,463,968
<b>OPERATING EXPENSES</b>				
Interest expense	2,044,479	3,391,084	1,710,717	7,146,280
Depreciation	718,130	2,064,365	1,541,492	4,323,987
Personnel	185,473	714,709	184,947	1,085,129
Power	149,810	593,215	109,695	852,720
Legal fees	3,364	5,885	3,364	12,613
Chemicals	97,197	387,699	68,189	553,085
Accounting services	-	-	-	-
Office supplies	13,589	53,113	9,450	76,152
Repairs and maintenance	34,757	135,897	40,594	211,248
Audit, investment, banking fees	15,370	34,178	26,320	75,868
Insurance	11,535	36,369	29,149	77,053
Miscellaneous expense	41,526	91,801	43,059	176,386
Contract services	14,165	50,305	23,472	87,942
Total operating expenses	<u>3,329,395</u>	<u>7,558,620</u>	<u>3,790,448</u>	<u>14,678,463</u>
<b>OPERATING LOSS</b>	(2,748,151)	(5,332,032)	(3,134,312)	(11,214,495)
<b>NON-OPERATING REVENUES(EXPENSES)</b>				
Interest and investment revenue	(360,553)	95,116	70,757	(194,680)
Bond issuance costs	(328,390)	(139,847)	-	(468,237)
Contributed Asset	(651,548)	(967,500)	(634,564)	(2,253,612)
Total non-operating revenues(expenses)	<u>(1,340,491)</u>	<u>(1,012,231)</u>	<u>(563,807)</u>	<u>(2,916,529)</u>
Decrease in net position before capital contributions	(4,088,642)	(6,344,263)	(3,698,119)	(14,131,024)
Net position, beginning	6,728,929	11,247,522	17,090,044	35,066,495
Capital contributions from partner cities	<u>6,168,488</u>	<u>9,379,116</u>	<u>11,441,262</u>	<u>26,988,866</u>
<b>NET POSITION, end of year</b>	<u>\$ 8,808,775</u>	<u>\$ 14,282,375</u>	<u>\$ 24,833,187</u>	<u>\$ 47,924,337</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 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. (BCRUA) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise BCRUA's basic financial statements, and have issued our report thereon dated January 31, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered BCRUA's internal control over financial reporting (internal control) as a basis for designing 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 BCRUA's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

WEAVER AND TIDWELL, L.L.P.

Austin, Texas  
January 31, 2023