

**Lower Brushy Creek
Water Control and
Improvement District**

**Financial Statements
and Supplemental Information
as of and for the Year Ended
September 30, 2023 and
Independent Auditors' Report**



Lower Brushy Creek Water Control and Improvement District

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Annual Filing Affidavit

The State of Texas

County of Williamson

I, Edmond Komandosky
(Name of Duly Authorized District Representative)

of the Lower Brushy Creek Water Control and Improvement District

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 19th day of February, 2024, its annual audit report for the fiscal year ended September 30, 2023, and that copies of the annual audit report have been filed in the District's office, located at 601 Quail Valley Drive, Suite 112, Georgetown, Texas, 78626.

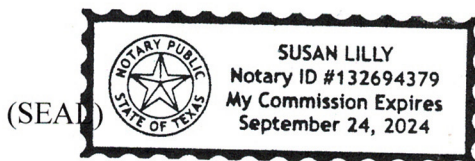
The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction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

Date: February 19, 2024.

By: Edmond S. Komandosky
(Signature of District Representative)

Edmond S. Komandosky, Board President
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 19th day of February, 2024.



Susan Lilly
(Signature of Notary)

Susan Lilly
(Printed Name of Notary)

My Commission Expires On: 9-24-24
Notary Public in and for the State of Texas.



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

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

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the General Fund of Lower Brushy Creek Water Control and Improvement District (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the District as of September 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information required by the Texas Commission on Environmental Quality (the "TCEQ") listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information required by the TCEQ listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke + Ritter LLP

Austin, Texas
February 19, 2024

Lower Brushy Creek Water Control and Improvement District

Management's Discussion & Analysis For the Year Ended September 30, 2023

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Lower Brushy Creek Water Control and Improvement District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2023. Please read it in connection with the District's financial statements that follow.

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

Financial Highlights

- The assets of the District at September 30, 2023 were \$12,204,560, and exceeded liabilities by \$12,065,123.
- Total net position decreased \$33,814 for the year ended September 30, 2023.
- The General Fund had fund balance of \$541,838 at September 30, 2023, a decrease of \$75,013 from the prior year.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

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

Other supplementary information is also included.

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

The *Statement of Net Position and Governmental Fund Balance Sheet* presents information on all the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. The statement of net position can be found on page 11 of the report and includes a column (titled “General Fund”) that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District’s net position will indicate financial health.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* represents information showing how the District’s net position changed during the most recent fiscal year which and a column (titled “General Fund”) that derives the change in fund balance resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods and some expenses are resulting from cash flows from prior periods. The increase or decrease in net position may serve as an indicator of the effect of the District’s current year operations on its financial position. The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* can be found on page 12 of this report.

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

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*.

Other supplementary information schedules required by the Texas Commission on Environmental Quality are presented immediately following the *Notes to Basic Financial Statements*.

Statement of Net Position

	Governmental Activities		
	2023	2022	% Change
Current assets	\$ 692,520	\$ 682,360	1%
Capital assets	11,512,040	11,465,305	<1%
Total assets	\$ 12,204,560	\$ 12,147,665	<1%
Current liabilities	\$ 139,437	\$ 48,728	186%
Total liabilities	139,437	48,728	186%
Net investment in capital assets	11,512,040	11,465,305	<1%
Unrestricted	553,083	633,632	(13%)
Total net position	\$ 12,065,123	\$ 12,098,937	(<1%)

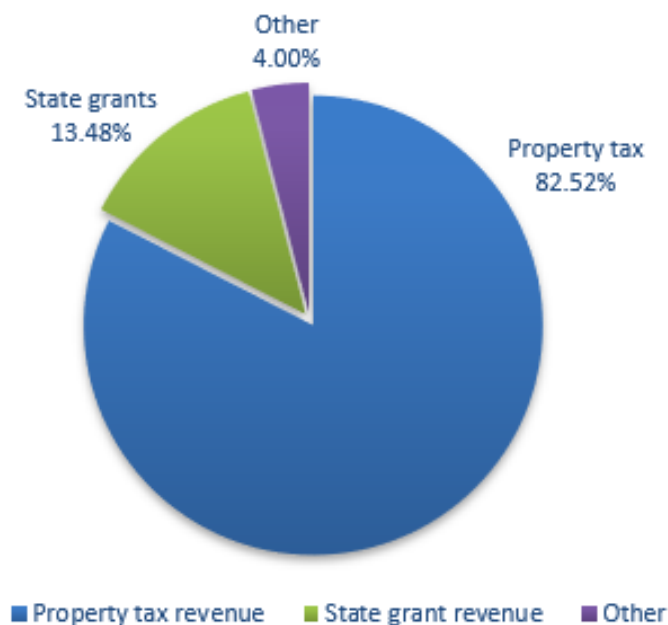
The District's total assets were \$12,204,560 as of September 30, 2023. Of this amount, \$11,512,040 was accounted for by capital assets. The District had outstanding liabilities of \$139,437 as of September 30, 2023, which represent current liabilities.

The District's primary source of revenue are property taxes and state grant revenues. The Statement of Activities for the years ended September 30, 2023 and 2022 are summarized as follows:

	Governmental Activities		
	2023	2022	% Change
Revenues:			
Property taxes	\$ 759,610	\$ 585,502	30%
State grant revenue	124,051	3,575,927	(97%)
Other	36,796	4,833	661%
Total revenues	920,457	4,166,262	(78%)
Expenses:			
Operating expenses	695,565	439,805	58%
Depreciation	258,706	174,052	49%
Total expenses	954,271	613,857	55%
Change in net position	(33,814)	3,552,405	(101%)
Beginning net position	12,098,937	8,546,532	42%
Ending net position	\$ 12,065,123	\$ 12,098,937	(<1%)

Operating revenues were \$920,457 for the fiscal year ended September 30, 2023, of which property taxes provided \$759,610 and state grants provided \$124,051. Total expenses were \$954,271 for the fiscal year ended September 30, 2023. Net position decreased \$33,814 primarily due to a decrease in state grant revenue during the fiscal year.

Sources of Revenue



Financial Analysis of Governmental Fund

	2023	2022
Cash	\$ 4,040	\$ 1,829
Temporary investments	677,235	642,292
Due from other governments	-	21,458
Taxes receivable	11,245	16,781
Total assets	\$ 692,520	\$ 682,360
Total liabilities	\$ 139,437	\$ 48,728
Total deferred inflows of resources	\$ 11,245	\$ 16,781
Assigned fund balance	217,250	-
Unassigned fund balance	324,588	616,851
Total fund balance	541,838	616,851
Total liabilities, deferred inflows of resources, and fund balance	\$ 692,520	\$ 682,360

The *General Fund* pays for daily operating expenditures. At September 30, 2023, the District's governmental fund reported a fund balance of \$541,838, which is a decrease of \$75,013 from the prior year. When comparing actual to final budget, actual revenues were less than budgeted by \$30,112 due to total grant revenue being less than expected. Actual expenditures were higher than budgeted by \$100,658 primarily due to capital outlay costs and professional fees being higher than expected. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

Capital Assets Activity

At September 30, 2023 and 2022, the District had the following capital assets in operation:

	2023	2022
Earthen dams	\$ 14,558,083	\$ 14,252,642
Accumulated depreciation	(3,046,043)	(2,787,337)
Total	\$ 11,512,040	\$ 11,465,305

More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

The adopted budget for 2024 projects an decrease in the fund balance of the General Fund of \$217,250. When compared to the 2023 budget, revenues are expected to decrease by approximately 3% in fiscal year 2024. Expenditures are expected to increase by approximately 4% in 2024 when compared to the 2023 budget.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at P.O. Box 467, Georgetown, Texas 78627.

Lower Brushy Creek Water Control and Improvement District

Statement of Net Position and Governmental Fund Balance Sheet September 30, 2023

	General Fund	Adjustments (Note 2)	Statement of Net Position
Assets:			
Cash	\$ 4,040	\$ -	\$ 4,040
Temporary investments	677,235	-	677,235
Taxes receivable	11,245	-	11,245
Capital assets (net of accumulated depreciation)- Earthen dams	-	11,512,040	11,512,040
Total assets	<u>\$ 692,520</u>	11,512,040	12,204,560
Liabilities-			
Current liabilities-			
Accounts payable	139,437	-	139,437
Total liabilities	139,437	-	139,437
Deferred Inflows of Resources-			
Deferred revenue - property taxes	11,245	(11,245)	-
Total deferred inflows of resources	11,245	(11,245)	-
Fund Balance/Net Position:			
Fund balance:			
Assigned for subsequent year budget deficit	217,250	(217,250)	-
Unassigned	324,588	(324,588)	-
Total fund balance	541,838	(541,838)	-
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 692,520</u>		
Net position:			
Net investment in capital assets		11,512,040	11,512,040
Unrestricted		553,083	553,083
Total net position		<u>\$ 12,065,123</u>	<u>\$ 12,065,123</u>

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

Lower Brushy Creek Water Control and Improvement District

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance Year Ended September 30, 2023

	General Fund	Adjustments (Note 2)	Statement of Activities
Revenues:			
Property taxes	\$ 765,146	\$ (5,536)	\$ 759,610
State grant revenue	124,051	-	124,051
Other	36,796	-	36,796
Total revenues	925,993	(5,536)	920,457
Expenditures/expenses:			
Current:			
Maintenance and repairs	170,253	-	170,253
Professional fees	103,925	-	103,925
General manager	72,000	-	72,000
Engineering fees	300,949	-	300,949
Administrative	10,183	-	10,183
Tax collection	9,420	-	9,420
Directors' fees	4,500	-	4,500
Election expense	3,479	-	3,479
Insurance	1,331	-	1,331
Other	19,525	-	19,525
Capital outlay	305,441	(305,441)	-
Depreciation	-	258,706	258,706
Total expenditures/expenses	1,001,006	(46,735)	954,271
Deficiency of revenues under expenditures	(75,013)	75,013	-
Change in net position	-	(33,814)	(33,814)
Fund balance/net position:			
Beginning of year	616,851	11,482,086	12,098,937
End of year	\$ 541,838	\$ 11,523,285	\$ 12,065,123

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

Lower Brushy Creek Water Control and Improvement District

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Property taxes	\$ 730,000	\$ 730,000	\$ 765,146	\$ 35,146
State grant revenue	220,105	220,105	124,051	(96,054)
Other	6,000	6,000	36,796	30,796
Total revenues	956,105	956,105	925,993	(30,112)
Expenditures:				
Current:				
Maintenance and repairs	300,000	146,000	170,253	(24,253)
Professional fees	68,800	68,800	103,925	(35,125)
General manager	72,000	72,000	72,000	-
Engineering fees	310,564	464,564	300,949	163,615
Administrative	43,050	43,050	10,183	32,867
Tax collection	9,900	9,900	9,420	480
Directors' fees	7,500	7,500	4,500	3,000
Election expense	-	-	3,479	(3,479)
Insurance	2,200	2,200	1,331	869
Other	21,750	21,750	19,525	2,225
Capital outlay	265,900	265,900	305,441	(39,541)
Total expenditures	1,101,664	1,101,664	1,001,006	100,658
Excess (deficiency) of revenues over (under) expenditures	(145,559)	(145,559)	(75,013)	70,546
Fund balance:				
Beginning of year	616,851	616,851	616,851	-
End of year	\$ 471,292	\$ 471,292	\$ 541,838	\$ 70,546

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

Lower Brushy Creek Water Control and Improvement District

Notes to Basic Financial Statements Year Ended September 30, 2023

1. Summary of Significant Accounting Policies

Brushy Creek Water Control and Improvement District No. 1 of Williamson and Milam Counties was created November 1, 1956 by the State Board of Engineers (predecessor to the Texas Water Rights Commission) and operated pursuant to Chapters 49 and 51 of the Texas Water Code. In a November 2001 election, the voters of the district approved a proposal to split the district into two entities: Brushy Creek Water Control and Improvement District No. 1A of Williamson and Milam Counties and Brushy Creek Water Control and Improvement District No. 1B of Williamson and Milam Counties. The assets of the former district were allocated among the new entities. The Board of Directors of Brushy Creek Water Control and Improvement District No. 1B of Williamson and Milam Counties held its first meeting on February 4, 2002. On September 7, 2010, the Texas Commission on Environmental Quality approved a request by Brushy Creek Water Control and Improvement District No. 1B of Williamson and Milam Counties to change its name to Lower Brushy Creek Water Control and Improvement District (the “District”).

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

Government-Wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The District reports the following major governmental fund-

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

Budgets and Budgetary Accounting

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

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

Investments - Investments throughout the year consisted of investments in an external local government investment pool. The external local government investment pool is recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District is entitled to invest any and all of its funds in obligations of, or guaranteed by, the United States of America or its agencies, certificates of deposit, and certain public fund investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

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

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

Fund Balance - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental fund. See Note 8 for additional information on those fund balance classifications.

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

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

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

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

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

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

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

Change in Accounting Principle for Recently Adopted Accounting Pronouncement

For the year ended September 30, 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of GASB Statement No. 96 is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (“SBITAs”), improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The adoption did not have an impact on the District’s statement of net position or statement of revenues, expenses and changes in net position as the District did not have any significant SBITAs.

2. Reconciliation of Government-Wide and Fund Financial Statements

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

Governmental fund total fund balance	\$ 541,838
Capital assets used in governmental activities are not current financial resources and are therefore not reported in the governmental fund balance sheet	11,512,040
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the governmental fund balance sheet	<u>11,245</u>
Total net position	<u><u>\$ 12,065,123</u></u>

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

Deficiency of revenues under expenditures	\$ (75,013)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital outlay	305,441
Depreciation expense	(258,706)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	<u>(5,536)</u>
Change in net position	<u><u>\$ (33,814)</u></u>

3. Cash and Temporary Investments

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2023, such deposits were not entirely covered by Federal Deposit Insurance Corporation insurance or secured by collateral pledged by the depository and were exposed to custodial credit risk.

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

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

At September 30, 2023, the District had investments in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), totaling \$677,235. The funds invested in TexPool have a weighted average maturity of one day and a Standard & Poor's rating of AAAM.

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

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

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

Credit Risk - At September 30, 2023, investments were included in an external local governmental investment pool with a rating from Standard & Poor's in compliance with the District's investment policy.

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

Interest Rate Risk - The District considers the holdings in the external local governmental investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At September 30, 2023, the District was not exposed to significant interest rate risk.

4. Property Taxes

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

In September 2022, the District levied a tax rate of \$0.017374 per \$100 of assessed valuation to finance the operating expenditures of the District. The total 2022 tax levy was \$752,501 based on a taxable valuation of \$4,391,223,275.

5. Capital Assets

Capital assets activity for the year ended September 30, 2023 was as follows:

	Balance September 30, 2022	Additions	Deletions/ Transfers	Balance September 30, 2023
Capital assets, being depreciated- Earthen dams	\$ 14,252,642	305,441	-	14,558,083
Total capital assets, being depreciated	14,252,642	305,441	-	14,558,083
Less accumulated depreciation for- Earthen dams	(2,787,337)	(258,706)	-	(3,046,043)
Total accumulated depreciation	(2,787,337)	(258,706)	-	(3,046,043)
Total capital assets, being depreciated, net	11,465,305	46,735	-	11,512,040
Capital assets, net	<u>\$ 11,465,305</u>	<u>46,735</u>	<u>-</u>	<u>11,512,040</u>

6. Risk Management

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

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

7. Commitments and Contingencies

The District participates in federal and state financial assistance programs and these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

8. Fund Balances

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

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

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

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

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

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

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 11.

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

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

Lower Brushy Creek Water Control and Improvement District

Index of Supplemental Schedules Required by the Texas Commission on Environmental Quality Year Ended September 30, 2023

Schedule Included		
Yes	No	
<u>X</u>	<u> </u>	TSI-0 Notes Required by the Water District Accounting Manual
<u> </u>	<u>X</u>	TSI-1 Schedule of Services and Rates
<u>X</u>	<u> </u>	TSI-2 Schedule of General Fund Expenditures
<u>X</u>	<u> </u>	TSI-3 Schedule of Temporary Investments
<u>X</u>	<u> </u>	TSI-4 Analysis of Taxes Levied and Receivable
<u> </u>	<u>X</u>	TSI-5 Long-Term Debt Service Requirements by Years
<u> </u>	<u>X</u>	TSI-6 Analysis of Changes in Long-Term Bonded Debt
<u>X</u>	<u> </u>	TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund - Five Years Ended September 30, 2023
<u>X</u>	<u> </u>	TSI-8 Board Members, Key Personnel and Consultants

Lower Brushy Creek Water Control and Improvement District

TSI-0 Notes Required by the Water District Accounting Manual Year Ended September 30, 2023

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

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

See Note 7 to basic financial statements.

(C) Pension Coverage

Not applicable.

(D) Pledge of Revenues

Not applicable.

(E) Compliance with Debt Service Requirements

Not applicable.

(F) Redemption of Bonds

Not applicable.

Lower Brushy Creek Water Control and Improvement District

TSI-2 Schedule of General Fund Expenditures Year Ended September 30, 2023

Personnel Expenditures (including benefits)	\$	-
Professional Fees:		
Auditing		16,000
Legal		9,900
Engineering		300,949
Other Professional Fees		49,825
Purchased Services For Resale-		
Bulk Water and Wastewater Service Purchases		-
Contracted Services:		
Bookkeeping		4,800
General Manager		72,000
Appraisal District		9,420
Tax Collector		-
Other Contracted Services		23,400
Utilities		-
Repairs and Maintenance		170,253
Administrative Expenditures:		
Directors' Fees		4,500
Office Supplies		1,302
Insurance		1,331
Other Administrative Expenses		31,885
Capital Outlay:		
Capitalized Assets		305,441
Expenditures not Capitalized		-
Tap Connection Expenditures		-
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
Total expenditures	\$	<u>1,001,006</u>

Number of persons employed by the District: 0 Full-Time 5 Part-Time
(Does not include independent contractors or consultants)

Lower Brushy Creek Water Control and Improvement District

TSI-3 Schedule of Temporary Investments September 30, 2023

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at 9/30/23	Accrued Interest Receivable at 9/30/23
General Fund- TexPool	7968100001	Variable	N/A	\$ 677,235	\$ -
Total				\$ 677,235	\$ -

Lower Brushy Creek Water Control and Improvement District

TSI-4 Analysis of Taxes Levied and Receivable Year Ended September 30, 2023

	Maintenance Taxes
Taxes receivable, September 30, 2022	\$ 16,781
2022 Original tax levy	752,501
Adjustments	720
Total to be accounted for	<u>770,002</u>
Tax collections:	
Current year	747,075
Prior years	11,682
Total collections	<u>758,757</u>
Taxes receivable, September 30, 2023	<u><u>\$ 11,245</u></u>
Taxes receivable, by years:	
2022	\$ 6,584
2021	2,068
2020	1,531
2019	1,062
Taxes receivable, September 30, 2023	<u><u>\$ 11,245</u></u>

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property valuations-				
Land, improvements, and personal property	\$ 4,391,223,275	\$ 2,998,986,220	\$ 2,482,549,033	\$ 2,204,485,361
Tax rates per \$100 valuation:				
Maintenance tax rates	0.017374	0.019139	0.020000	0.020000
Debt service tax rates	-	-	-	-
Total tax rates per \$100 valuation	<u>\$ 0.017374</u>	<u>\$ 0.019139</u>	<u>\$ 0.020000</u>	<u>\$ 0.020000</u>
Original tax levy	<u>\$ 752,501</u>	<u>\$ 575,650</u>	<u>\$ 484,742</u>	<u>\$ 440,890</u>
Percent of taxes collected to taxes levied	<u>99.1%</u>	<u>99.6%</u>	<u>99.7%</u>	<u>99.8%</u>

Lower Brushy Creek Water Control and Improvement District

TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund Five Years Ended September 30, 2023

	Amounts					Percent of Fund Total Revenues				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
General fund revenues:										
Property taxes	\$ 765,146	574,660	485,925	440,284	-	82.6 %	13.7	17.7	35.1	-
Federal grant revenue	-	-	323,437	428,856	403,990	-	-	11.9	34.2	45.1
State grant revenue	124,051	3,575,927	1,919,482	384,263	443,487	13.4	86.1	70.3	30.6	49.5
Other	36,796	4,833	190	1,400	48,674	4.0	0.2	0.1	0.1	5.4
Total revenues	925,993	4,155,420	2,729,034	1,254,803	896,151	100.0	100.0	100.0	100.0	100.0
General fund expenditures:										
Current:										
Maintenance and repairs	170,253	120,696	193,244	163,348	216,490	18.4	2.9	7.1	13.0	24.2
Professional fees	103,925	35,430	31,767	30,230	34,133	11.2	0.9	1.2	2.4	3.8
General manager	72,000	72,000	40,676	36,000	31,500	7.8	1.7	1.5	2.9	3.5
Engineering fees	300,949	167,727	155,686	55,478	21,436	32.5	4.0	5.7	4.4	2.4
Election expenses	3,479	-	-	536	14,044	0.4	-	-	0.1	1.6
Administrative	10,183	10,048	11,529	9,612	2,573	1.1	0.2	0.4	0.8	0.3
Tax collection	9,420	3,066	6,995	6,573	-	1.0	0.1	0.3	0.5	-
Directors' fees	4,500	6,000	4,400	3,800	1,050	0.5	0.1	0.2	0.3	0.1
Insurance	1,331	1,331	964	963	963	0.1	0.1	0.1	0.1	0.1
Other	19,525	23,507	9,062	4,110	2,606	2.1	0.6	0.3	0.3	0.3
Capital outlay	305,441	3,515,279	2,113,068	659,778	598,120	33.0	84.6	77.4	52.6	66.7
Total expenditures	1,001,006	3,955,084	2,567,391	970,428	922,915	108.1	95.2	94.2	77.4	103.0
Excess (deficiency) of revenues over (under) expenditures	\$ (75,013)	200,336	161,643	284,375	(26,764)	(8.1) %	4.8	5.8	22.6	(3.0)

Lower Brushy Creek Water Control and Improvement District

TSI-8 Board Members, Key Personnel and Consultants September 30, 2023

Complete District Mailing Address:

P.O. Box 467

Georgetown, Texas 78627

District Business Telephone Number:

n/a

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

February 28, 2023

Limit on fees of office that a director
may receive during a fiscal year:

\$7,200

(Set by Board Resolution - TWC Sections 49.060)

Name	Term of Office Elected & Expires or Date Hired	Fees of Office Paid 9/30/2023	Expense Reimbursements 9/30/2023	Title at 9/30/2023
Board Members:				
Edmond S. Komandosky	Elected 6/20 - 5/24	\$ 800	\$ 115	President
Scott A. Ging	Elected 6/22 - 5/26	\$ 600	\$ -	Vice President
Monica P. Masters	Elected 6/20 - 5/24	\$ 700	\$ -	Secretary/Treasurer
Allen R. David	Elected 6/22 - 5/26	\$ 800	\$ -	Director
Jeffrey Holman	Appointed 2/23 - 5/26	\$ 400	\$ -	Director
Former Board Member-				
Mike Schneider	Elected 6/22 - 1/23	\$ -	\$ -	
Consultants:				
Clarno Consulting, LLC	2010	\$ 72,000	\$ 6,000	General Manager
Freese-Nichols, Inc.	2019	\$ 129,462	\$ -	Engineer
Hejl & Schroeder, P.C.	2012	\$ 8,610	\$ -	Attorney
Clark L. Jackson, CPA, P.C.	2002	\$ 4,750	\$ -	Bookkeeper
Maxwell Locke & Ritter LLP	2018	\$ 16,000	\$ -	Auditor
Williamson County Tax Assessor Collector	2019	\$ 8,447	\$ -	Tax Collector



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

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

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

Independent Auditors' 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 of

Lower Brushy Creek Water Control and Improvement District:

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 governmental activities and the General Fund of Lower Brushy Creek Water Control and Improvement District (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 19, 2024.

Report on Internal Control Over Financial Reporting

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Purpose of this Report

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

Maxwell Locke + Ritter LLP

Austin, Texas
February 19, 2024