



ARMSTRONG BACKUS & CO., LLP

Certified Public Accountants

UCRA

UPPER COLORADO RIVER AUTHORITY

Financial Statements

For the Year Ended August 31, 2019

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UPPER COLORADO RIVER AUTHORITY

Financial Statements

For the Year Ended August 31, 2019

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ARMSTRONG, BACKUS & CO., LLP
Certified Public Accountants

Board of Directors
Upper Colorado River Authority
San Angelo, Texas

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Upper Colorado River Authority (the "Authority") as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Upper Colorado River Authority as of August 31, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Upper Colorado River Authority's basic financial statements. The other supplementary information and the required Texas supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and the required Texas supplementary information 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 subject 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Armstrong, Backus & Co., L.L.P.

San Angelo, Texas
December 13, 2019



UPPER COLORADO RIVER AUTHORITY

Management's Discussion and Analysis

As management of the Upper Colorado River Authority (the "Authority"), we offer readers this narrative overview and analysis of the financial activities of Authority for the fiscal year ended August 31, 2019. The Management's Discussion & Analysis (MD&A) should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) Statement of Net Position and Governmental Funds Balance Sheet, 2) Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances, and 3) Notes to the Basic Financial Statements. Also included are Required Supplementary Schedules and Texas Supplementary Information. The government-wide and fund financial statements are combined in these financial statements for single-program government presentation. Authorities engaged in a single governmental program may combine their fund financial statements with their government-wide statements by using a columnar format that reconciles individual line items of fund financial data to the government-wide data in a separate column.

Government-Wide Financial Information

The government-wide portion of the financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to private sector business. They present the financial picture of the Authority from an *economic resources measurement focus* using the accrual basis of accounting. These statements include all assets of the Authority as well as all liabilities.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position contrasted with budgetary decisions should serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Activities* presents information showing how net position changed during the most recent fiscal year using the full accrual basis of accounting. 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.

Fund Financial Information

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has a general fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as balances on spendable resources available at the end of the fiscal year.

Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Authority maintains one governmental fund known as the General Fund, which accounts for the Authority's operating activity and grant revenue and expenditures.

The Authority adopts an annual appropriated budget as a management control and for compliance with TCEQ requirements. The Board approves the budget before each new fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

During the current year, the Authority was involved in similar projects as the prior year, but changed their investments to be held in a Trust causing a significant increase in interest income compared to the prior year.

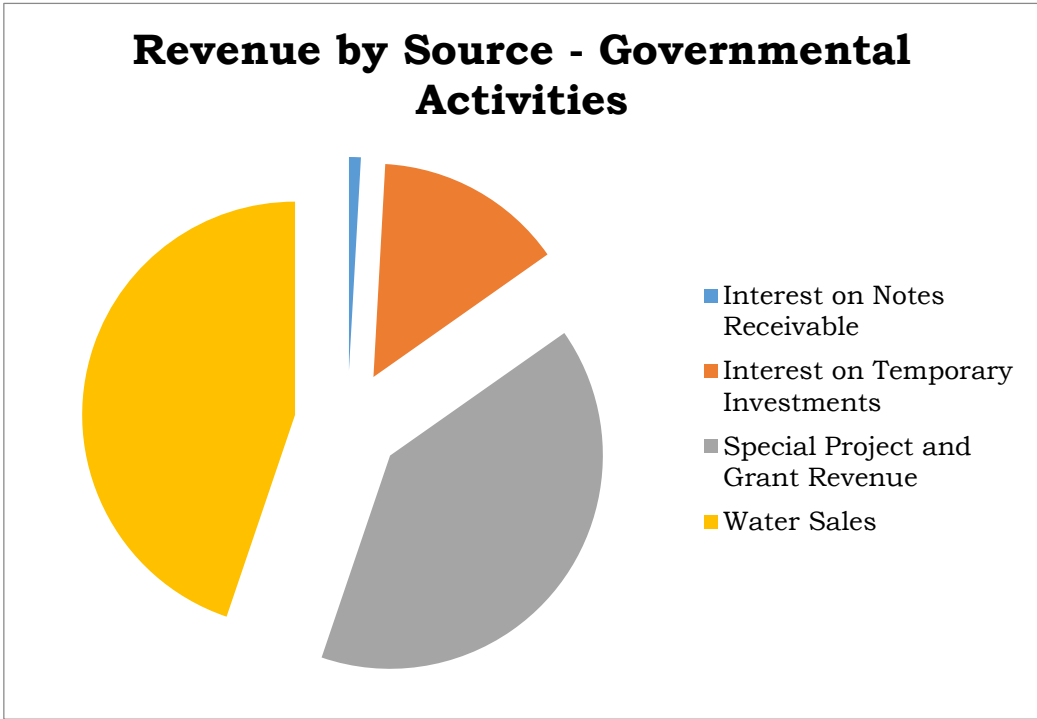
Of the Authority's total assets of \$3,845,788, the largest components are: (1) cash and investments of \$3,592,464 or 93%, (2) accounts and water sales receivable of \$116,303 or 3%, and (3) notes receivable of \$126,491 or 3%. Capital assets are non-liquid assets and cannot be utilized to satisfy Authority obligations.

\$8,210 or less than 1% of net position are funds invested in fixed assets, net of related debt.

Governmental activities decreased the Authority's net position by \$131,991 to result in an ending net position balance of \$3,778,146. The primary cause of this decrease in net position was due to grant expenses that are not reimbursed as well as an increase in professional fees from the prior year. Of the \$3,778,146 of net position, \$8,210 or less than 1% are funds invested in fixed assets, net of related debt. The remaining \$3,769,936 is unrestricted.

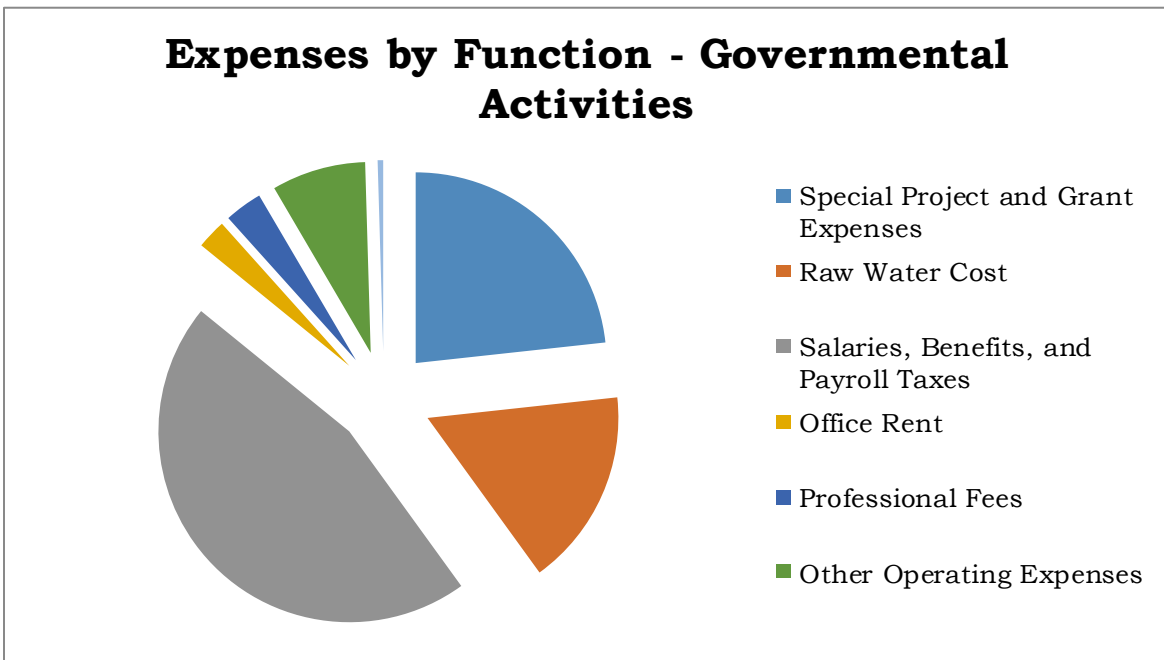
Revenues for the Upper Colorado River Authority are broken out in the following chart. Of the Authority's \$565,491 total revenue, \$225,969 or 40% represents grant revenue and special project revenue. \$86,301 or 15% represents interest income from notes receivable and temporary investments (certificates of deposit). The remaining \$253,221 or 45% relates to water sales for the year.

Revenue by Source - Governmental Activities



Expenses for the Upper Colorado River Authority are broken out in the following chart. Of the Authority's \$697,482 total expenses, \$162,295 or 23% represents federal, state, or local special project and grant expenses, \$116,843 or 17% represents raw water cost which is passed through to the jurisdiction, and \$415,120 or 60% represents operating expenses, including operating salaries, utilities, rent, directors' fees, and insurance (including salaries and indirect costs reimbursed by federal, state, or local agencies). The remaining \$3,224 or less than 1% represents current year depreciation on the Authority's \$1,004,097 of capital assets.

Expenses by Function - Governmental Activities



Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the combined government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Schedules* concerning the original and amended budgetary schedules. This report also presents *Texas Supplementary Information* concerning information requested by the Texas Commission on Environmental Quality (“TCEQ”).

Future Economic Factors and Next Year’s Budget

The District approved a budget of expenses for the General Fund in August 2019 in the amount of \$693,336 for the fiscal year ending August 31, 2020, which is an increase of \$28,621 from the fiscal year ended August 31, 2019.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Authority’s finances for all those with an interest in the Authority’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Upper Colorado River Authority, 512 Orient, San Angelo, Texas 76903.

BASIC FINANCIAL STATEMENTS

UPPER COLORADO RIVER AUTHORITY

Statement of Net Assets and Governmental Fund Balance Sheet

As of August 31, 2019

	General Fund	Total	Adjustments (Note 11)	Statement of Net Position	2018 Memorandum Only
ASSETS					
Cash	\$ 36,933	\$ 36,933	\$ -0-	\$ 36,933	\$ 3,521,539
Certificates of Deposit	3,555,531	3,555,531	-0-	3,555,531	176,597
Accounts Receivable	88,392	88,392	-0-	88,392	50,994
Notes Receivable (Current)	18,365	18,365	-0-	18,365	16,161
Water Revenue Receivable	27,911	27,911	-0-	27,911	22,070
Accrued Interest Receivable	-0-	-0-	-0-	-0-	5,721
Prepayments	2,320	2,320	-0-	2,320	3,867
Long-term Notes Receivable	108,126	108,126	-0-	108,126	118,351
Capital Assets (Net of \$995,887 Accumulated Depreciation)			8,210	8,210	11,244
Total Assets	<u>\$ 3,837,578</u>	<u>\$ 3,837,578</u>	<u>\$ 8,210</u>	<u>\$ 3,845,788</u>	<u>\$ 3,926,544</u>
LIABILITIES					
Accounts Payable	\$ 55,514	\$ 55,514	\$ -0-	\$ 55,514	\$ 6,654
Payroll Liabilities	2,375	2,375	9,753	12,128	9,753
Total Liabilities	<u>\$ 57,889</u>	<u>\$ 57,889</u>	<u>\$ 9,753</u>	<u>\$ 67,642</u>	<u>\$ 16,407</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Long-term Notes Receivable	\$ 108,126	\$ 108,126	(\$ 108,126)		
Prepayments	2,320	2,320	(2,320)		
Unassigned	3,669,243	3,669,243	(3,669,243)		
Total Fund Balances	<u>\$ 3,779,689</u>	<u>\$ 3,779,689</u>	<u>(\$ 3,779,689)</u>		
Total Liabilities and Fund Balances	<u>\$ 3,837,578</u>	<u>\$ 3,837,578</u>			
Net Position:					
Net Investment in Capital Assets			\$ 8,210	\$ 8,210	\$ 11,244
Unrestricted			3,769,936	3,769,936	3,898,893
Total Net Position			<u>\$ 3,778,146</u>	<u>\$ 3,778,146</u>	<u>\$ 3,910,137</u>

The accompanying notes are an integral part of this statement.

UPPER COLORADO RIVER AUTHORITY

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended August 31, 2019

	General Fund	Total	Adjustments (Note 11)	Statement of Activities	2018 Memorandum Only
Revenues:					
Interest on Notes Receivable	\$ 5,057	\$ 5,057	\$ -0-	\$ 5,057	\$ 10,220
Interest on Temporary Investments	81,244	81,244	-0-	81,244	9,233
Special Project and Grant Revenue	225,969	225,969	-0-	225,969	255,873
Other Revenue	58,627	58,627	-0-	58,627	94
Water Sales	194,694	194,694	-0-	194,694	204,906
Total Revenues	<u>\$ 565,591</u>	<u>\$ 565,591</u>	<u>\$ -0-</u>	<u>\$ 565,591</u>	<u>\$ 480,326</u>
Expenditures/expenses:					
Salaries, Benefits, and Payroll Taxes	\$ 319,772	\$ 319,772	\$ -0-	\$ 319,772	\$ 312,099
Employee Allowances	4,800	4,800	-0-	4,800	6,480
Professional Fees	22,919	22,919	-0-	22,919	13,040
Director Fees	22,115	22,115	-0-	22,115	19,798
Office Supplies	1,727	1,727	-0-	1,727	1,563
Equipment Rental	3,878	3,878	-0-	3,878	3,717
Insurance	6,074	6,074	-0-	6,074	5,675
Repairs and Maintenance	-0-	-0-	-0-	-0-	162
Utilities	12,301	12,301	-0-	12,301	8,705
Janitorial	2,850	2,850	-0-	2,850	3,300
Special Project and Grant Expenses	80,721	80,721	-0-	80,721	87,442
Water Sales Expense	138,774	138,774	-0-	138,774	85,917
Office Rent	17,427	17,427	-0-	17,427	17,427
Dues and Subscriptions	782	782	-0-	782	1,095
O.C. Fisher O & M Fees	58,811	58,811	-0-	58,811	50,964
Other	1,207	1,207	-0-	1,207	1,892
Capital Outlay	190	190	(190)	-0-	-0-
Depreciation			3,224	3,224	3,351
Total Expenditures/Expenses	<u>\$ 694,348</u>	<u>\$ 694,348</u>	<u>\$ 3,034</u>	<u>\$ 697,382</u>	<u>\$ 622,627</u>
Excess/(Deficiency) of Revenues Over					
Expenditures	(\$ 128,757)	(\$ 128,757)	(\$ 3,034)		
Change in Net Position				(\$ 131,791)	(\$ 142,301)
Fund Balance/Net Position:					
Beginning of the Year	3,908,646	3,908,646	1,491	3,910,137	4,052,439
End of the Year	<u>\$ 3,779,889</u>	<u>\$ 3,779,889</u>	<u>(\$ 1,543)</u>	<u>\$ 3,778,346</u>	<u>\$ 3,910,138</u>

The accompanying notes are an integral part of this statement.

UPPER COLORADO RIVER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended August 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Upper Colorado River Authority (Authority) was created, organized and exists under and pursuant to provisions of Chapter 126 of the Laws of the State of Texas, 44th Legislature, Regular Session, approved May 1, 1935, as amended. The Authority is designated as a conservation and water reclamation district for Tom Green and Coke Counties. The Authority has a nine-member board of directors appointed by the Governor of the State of Texas to serve six-year terms, with three members' terms expiring every two years. As of August 31, 2019, there are seven active members. Appointment of the board members is subject to confirmation by the State Senate. Each director must be a resident of a county located in the Authority's territory. The governor shall attempt to achieve geographic representation throughout the Authority in appointment of directors. The Upper Colorado River Authority has contracted with the Lower Colorado River Authority to provide certain services for the implementation of the Texas Clean Rivers Act for the middle portion of the Colorado River basin and watershed.

The Authority's basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting policies are discussed in the subsequent subsections of this note.

Financial Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has used the following criteria. The financial statements of the Authority include the organizations that are controlled by or are dependent on the Authority. Control or dependency is determined on the basis of budget adoption, funding, and appointment of the respective governing board and oversight. Currently, there are no organizations controlled by or dependent on the Authority.

The Authority, for financial statement purposes, includes all of the funds relevant to the operations of the Upper Colorado River Authority. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Upper Colorado River Authority.

Government-wide and Fund Financial Statements

The government-wide and fund financial statements include the statement of net assets and governmental funds balance sheet and the statement of activities and governmental funds revenues, expenditures, and changes in fund balances in a single-district format. This format allows the government-wide and fund-based activity to be presented on one statement in a columnar format with an adjustments column to reconcile the two presentations. The government-wide presentation reports information on all of the activities of the Authority.

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. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

UPPER COLORADO RIVER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended August 31, 2019

The *governmental fund level financial statements* are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Except for grants, measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. The grants policy includes recognition of all revenues where grant eligibility requirements have been met. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Expenditures are generally recorded when a fund liability is incurred.

The Authority maintains one individual governmental fund known as the General Fund, which accounts for the Authority's operating activity and grant revenue and expenditures.

Use of Estimates

Management of the District has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these basic financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Budgetary Data

The Authority adopted its budget in July 2018 for the September 1, 2018 to August 31, 2019 fiscal year. The budget is adopted on the cash basis for the purposes of management control. Adjustments are made to the accrual basis reporting so that there is an accurate comparison to the cash basis budget. For the fiscal year ended August 31, 2019, salaries, benefits and payroll taxes actual expenditures exceeded budgeted expenditures by \$234, professional fees by \$10,413, director fees by \$677, office supplies by \$116, equipment rental by \$6, insurance by \$358, and utilities by \$480. Additionally, janitorial actual expenditures exceeded budgeted expenditures by \$225, water sales expense by \$25,495, O.C. Fischer O & M fees by \$100, capital outlay by \$3,224, and other by \$65.

Cash and Cash Equivalents

For the purposes of financial reporting, cash and cash equivalents include all cash on hand, demand deposits, and short-term investments with original maturities of three months or less when acquired.

Accounts Receivable

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Where cost could not be determined from the available records, estimated historical costs were used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

UPPER COLORADO RIVER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended August 31, 2019

Depreciation of exhaustible fixed assets is charged as an expense against operations, and accumulated depreciation is reported on the balance sheet. Depreciation of the Robert Lee Reservoir and Facilities has been provided over the lives of the water contracts with the City of Robert Lee using the straight-line method of depreciation. Depreciation of the San Angelo Reservoir water rights has been provided over the life of the contract between the Authority and the U.S. Corps of Engineers using the straight-line method of depreciation. Depreciation of furniture and equipment has been provided over the useful lives using the straight-line method of depreciation. The service lives by type of asset are as follows:

Robert Lee Reservoir and Facilities	25 - 45 years
San Angelo Reservoir Water Rights	50 years
Furniture and Equipment	3 - 10 years

NOTE 2: CASH AND CASH EQUIVALENTS

The Authority maintains interest-bearing cash accounts and certificates of deposit at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of August 31, 2018, the cash accounts and certificates of deposit held by the Authority are fully covered by Federal Deposit Insurance Corporation coverage.

NOTE 3: INVESTMENTS

The Authority is authorized to invest in the following:

1. governmental securities obligations issued by the State of Texas' its agencies, or political subdivisions;
2. direct obligations of the United States of America, backed by the full faith and credit of the U.S. Government; or
3. any other obligations or securities authorized to be collateral securing funds of the Authority under the laws of the State of Texas as approved by the Board of Directors.

The Authority's policy is to invest its funds in National and State Banking Associations or Savings and Loan Associations located within the State of Texas or in U.S. Treasury bills. The Authority's investing activities during the current year consisted of certificates of deposit with its approved depository banks. These certificates of deposit were insured as explained in Note 2 above.

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UPPER COLORADO RIVER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended August 31, 2019

NOTE 4: PROPERTY, PLANT, AND EQUIPMENT

Current year changes in capital assets are summarized below:

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Assets Being Depreciated:</u>				
Robert Lee Reservoir and Facilities	\$ 48,698	\$ -0-	\$ -0-	\$ 48,698
San Angelo Reservoir Water Rights	860,437	-0-	-0-	860,437
Furniture and Equipment	94,772	190	-0-	94,962
Total Depreciable	<u>\$ 1,003,907</u>	<u>\$ 190</u>	<u>\$ -0-</u>	<u>\$ 1,004,097</u>
<u>Less: Accumulated Depreciation</u>				
Accumulated Depreciation	(\$ 992,663)	(\$ 3,224)	\$ -0-	(\$ 995,887)
Total Accumulated Depreciation	<u>(\$ 992,663)</u>	<u>(\$ 3,224)</u>	<u>\$ -0-</u>	<u>(\$ 995,887)</u>
Net Property, Plant, and Equipment	<u>\$ 11,244</u>	<u>(\$ 3,034)</u>	<u>\$ -0-</u>	<u>\$ 8,210</u>

NOTE 5: LONG-TERM NOTES RECEIVABLE

The Authority has financed the construction of water system facilities for various cities, water districts, and other water related projects within its boundaries. Prior to 1971, the Authority did not charge interest on any of its loans to these governmental entities. All loans made after 1970 carry an interest rate of 5% or 6%. A summary of these notes receivable are presented as follows:

San Angelo Old Town Conservancy – 2002 Note, due in annual installments of \$17,427, including principal and interest at 5% through September 2027.	\$ 118,309
City of Robert Lee – 1976 Note, due in monthly installments of \$411, principal only through December 2020.	8,182
Less: Current Portion of Long-term Notes Receivable	<u>(18,365)</u>
Total Long-term Notes Receivable	<u>\$ 108,126</u>

NOTE 6: RETIREMENT/PENSION PLANS

The Authority has adopted a Simple Benefit Plan that matches up to 3% of its eligible employees' gross pay. For the year ended August 31, 2019, contributions to the plan were \$6,688.

NOTE 7: ACCRUED COMPENSATED ABSENCES

Any Authority employee who has accrued a minimum of twelve months of continuous employment with the Authority and who terminates for any reason is entitled to be paid a portion of the accrued balance of the employee's annual leave as of the date of termination. This payment shall be computed by multiplying the employee's rate of compensation on the date of separation from the Authority by a portion of the total number of hours of the employee's accrued but unused vacation time, based on years of service as follows:

UPPER COLORADO RIVER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended August 31, 2019

<u>Years of UCRA Full-Time Employment</u>	<u>Maximum Hours to be Paid at Separation</u>
Less than 5	40
At least 5 but less than 10	60
At least 10 but less than 15	80
At least 15 but less than 20	120
At least 20 years or more	160

As of August 31, 2019, the total accrued compensated absences were \$9,753. These benefits accrue as they are earned each pay period.

NOTE 8: LONG-TERM WATER CONTRACTS

The Authority has purchased the rights to all water above a certain elevation in the San Angelo Reservoir. Water rights from the San Angelo Reservoir are being furnished to the City of San Angelo under a contract which requires the City to make payments to the Authority equal to the total cost of these rights plus all costs incurred in obtaining them. The Authority collected the final payment from the City on this contract during 1980. The City now has exclusive use of the water rights; however, ownership of these rights remains with the Authority.

NOTE 9: WATER SUPPLY AGREEMENTS

The Authority maintains agreements with multiple entities. The agreements are detailed below:

The Upper Colorado River Authority maintains an agreement with the City of Miles to provide water from O.C. Fisher Reservoir or from the Ivie Reservoir pipeline in response to the City's need for an additional water supply source. The City shall pay for their usage as billed by the City of San Angelo plus a raw water cost of \$.5686 per one thousand gallons.

The Authority maintains a water purchase contract with the Concho Rural Water Corporation (CRWC). This contract is referred to as "Red Creek." This agreement allows the Authority to acquire and deliver up to 100 acre-foot of water annually from O.C. Fisher Reservoir. The Authority agrees to sell treated water to CRWC at a rate of \$2.88 per one thousand gallons.

The Authority maintains an additional agreement with CRWC (unspecified) to provide CRWC water for resale. This agreement allows the Authority to acquire and deliver up to 100 acre-foot of water annually from O.C. Fisher Reservoir. The Authority agrees to sell treated water to CRWC a rate of \$2.84 per one thousand gallons.

The Authority is to provide water to the Twin Buttes Water System, Inc. (TBWS) from O.C. Fisher Reservoir in response to TBWS's need for an additional water supply source. TBWS agrees to pay the Authority for a minimum 5 acre-foot of raw water per year at a rate of \$350 per acre-foot of water. As of May 1, 2019, the agreement was amended to increase the acre-foot to 20. At the option of TBWS, the Authority agrees to sell treated water to TBWS at an additional \$2.25 per one thousand gallons over and above the cost of raw water. The Authority's raw water price may be increased by an amount not to exceed 5% every 5th anniversary of the effective date.

The Authority is to provide water to Petra Firma for resale. This agreement allows the Authority to acquire water from resources within their jurisdiction. The Authority agrees to deliver up to 145 acre-feet of raw water per year to Petra Firma at a rate of \$350 per acre foot of water. At

UPPER COLORADO RIVER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended August 31, 2019

the option of Petra Firma, the Authority agrees to sell treated water to Petra Firma at an additional \$2.25 per one thousand gallons over and above the cost of raw water.

The Authority maintains a water purchase contract with the City of Paint Rock. This agreement allows the Authority to acquire and deliver up to 50 acre-foot of water annually from O.C. Fischer Reservoir. The Authority agrees to sell treated water to the City of Paint Rock at a rate of \$375 per quarter. Subsequent to June 13, 2019, the rate will increase to \$500 per quarter for nine years.

NOTE 10: MAJOR VENDORS

As of August 31, 2019, approximately 65% of the total purchases for the year was from three separate vendors. The amount owed to these vendors by the Authority as of August 31, 2019 was \$43,644.

NOTE 11: LONG-TERM LEASE AGREEMENT

The Upper Colorado River Authority entered into a long-term lease agreement with the San Angelo Old Town Conservancy for the office building located at 512 Orient with 25 annual payments of \$17,427, and the first payment due on September 1, 2002. The lease agreement runs concurrently with the note receivable from the San Angelo Old Town Conservancy). If either party is dissolved, the balance of the lease payments and the note receivable are due.

NOTE 12: ADJUSTMENTS TO RECONCILE GOVERNMENT-WIDE FINANCIAL INFORMATION TO FUND FINANCIAL INFORMATION

The adjustments column of the financial statements reconciles the fund financial statements to the government-wide financial statements. Adjustments in this column represent increases or decreases in the Authority's accrued compensated absences. Accrued compensated absences are recognized as an expense when incurred on the government-wide financial statements, but not on the fund financial statements. Other adjustments represent purchases and depreciation of capital assets. Capital asset purchases are capitalized on the government-wide portion of the financial statements and expensed on the fund financial portion of the financial statements. Because capital asset purchases are expensed on the fund financial statements, depreciation expense is also not recognized annually.

NOTE 13: FUND BALANCE POLICIES

In the fund financial statements, the governmental fund reports fund balance into classifications that comprise a hierarchy based on the extent to which the Authority is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balances include amounts that cannot be spent because it is not in a spendable form, such as prepaid items and long-term receivables or because resources legally or contractually must remain intact.

Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantors, laws, and regulations of other governments, or enabling legislation.

UPPER COLORADO RIVER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended August 31, 2019

Committed fund balances are self-imposed limitations by the highest level of decision making authority, namely, the Board of Directors prior to the end of the reporting period. Board of Director approval is required to commit resources or to rescind the commitment.

Assigned fund balances are limitations imposed by management based on the intended use of the funds. Assigned fund balances for the Authority are authorized by management. Modifications or rescissions of the constraints can also be removed by the same action that limited the funds.

Unassigned fund balances represent the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

NOTE 14: NEW PRONOUNCEMENTS

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the Authority's consideration of the impact of these pronouncements are described below:

GASB Statement No. 83, Certain Asset Retirement Obligations – GASB 83 was issued in November 2016 and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. This Statement also requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. Additionally, this Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. It also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. At this time, the impact to the Authority is unknown.

Statement No. 87, Leases – GASB No. 87 was issued in June 2017, and will require recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for financial statements for fiscal years beginning after December 15, 2019. The Authority has not yet determined the impact that implementation of GASB 87 will have on its net position.

Statement No 89, Accounting for Interest Cost Incurred Before the End of a Construction Period – GASB 89 was issued in June 2018 and requires that interest cost incurred before the

UPPER COLORADO RIVER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended August 31, 2019

end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of construction period will no longer be included in the historical cost of a capital type activity or proprietary type funds. The requirements for this Statement are effective for reporting periods beginning after December 15, 2019. At this time, the impact to the Authority is unknown.

NOTE 15: DATE OF MANAGEMENT'S REVIEW

The Authority has evaluated subsequent events through December 13, 2019, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER COLORADO RIVER AUTHORITY

Budgetary Comparison Schedule

For the Year Ended August 31, 2019

	Budget		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
Revenues:				
Interest on Notes Receivable	\$ 7,909	\$ 5,632	\$ 5,057	(\$ 575)
Interest on Temporary Investments	8,500	68,618	81,244	12,626
Special Project and Grant Revenue	307,872	250,808	225,969	(24,839)
Other Revenue	54,510	58,427	58,627	200
Water Sales	208,268	179,088	194,694	15,606
Total Revenues	<u>\$ 587,059</u>	<u>\$ 562,573</u>	<u>\$ 565,591</u>	<u>\$ 3,018</u>
Expenditures/Expenses:				
Salaries, Benefits, and Payroll Taxes	\$ 319,341	\$ 319,538	\$ 319,772	(\$ 234)
Employee Allowances	4,800	4,800	4,800	-0-
Professional Fees	11,800	12,506	22,919	(10,413)
Director Fees	20,002	21,438	22,115	(677)
Office Supplies	1,500	1,611	1,727	(116)
Equipment Rental	3,800	3,872	3,878	(6)
Insurance	5,165	5,716	6,074	(358)
Utilities	10,500	11,821	12,301	(480)
Janitorial	3,600	2,625	2,850	(225)
Special Project and Grant Expenses	75,072	88,989	80,721	8,268
Water Sales Expense	117,900	113,279	138,774	(25,495)
Office Rent	17,427	17,427	17,427	-0-
Dues and Subscriptions	1,000	1,140	782	358
O.C. Fisher O & M Fees	54,510	58,811	58,811	-0-
Other	1,200	1,142	1,207	(65)
Capital Outlay/Depreciation	2,200	-0-	3,224	(3,224)
Total Expenditures/Expenses	<u>\$ 649,817</u>	<u>\$ 664,715</u>	<u>\$ 697,382</u>	<u>(\$ 32,667)</u>
Excess/(Deficiency) of Revenues Over Expenditures	(\$ 62,758)	(\$ 102,142)	(\$ 131,791)	(\$ 29,649)
Fund Balance/Net Position:				
Beginning of the Year	3,910,137	3,910,137	3,910,137	-0-
End of the Year	<u>\$ 3,847,379</u>	<u>\$ 3,807,995</u>	<u>\$ 3,778,346</u>	<u>(\$ 29,649)</u>

See Independent Auditors' Report.

UPPER COLORADO RIVER AUTHORITY

**Texas Supplementary Information Required by Texas Commission on
Environmental Quality**

For the Year Ended August 31, 2019

	<u>Yes</u>	<u>N/A</u>
1. Schedule of Services and Rates		X
2. Schedule of General Fund Expenditures	X	
3. Schedule of Temporary Investments	X	
4. Schedule of Taxes Levied and Receivable		X
5. Long-Term Debt Service Requirements by Years		X
6. Schedule of Changes in Long-Term Debt		X
7. Comparative Schedule of Revenues and Expenditures - General Fund - Five Years	X	
8. Board Members, Key Personnel, and Consultants	X	

UPPER COLORADO RIVER AUTHORITY

Schedule of General Fund Expenditures

For the Year Ended August 31, 2019

Personnel (including benefits)*	\$ 319,772
Professional Fees:	
Auditing	11,500
Legal	1,006
Investment Fees	10,413
Purchase Services For Resale:	
Raw Water Costs	138,774
Contracted Services:	
Janitorial	2,850
Utilities	12,301
Administrative:	
Directors' Fees	22,115
Office Supplies	1,727
Insurance	6,074
Rent	17,427
Special Projects and Grant Expenditures	80,721
Other:	<u>69,668</u>
Total Expenditures Excluding Depreciation and Amortization	<u><u>\$ 694,348</u></u>

*Number of Persons Employed by the District:	<u>3</u>	Full-Time
(Does not include independent contractors or consultants)	<u>0</u>	Part-Time

See Independent Auditors' Report.

UPPER COLORADO RIVER AUTHORITY

Schedule of Temporary Investments

For the Year Ended August 31, 2019

	Identification Number	Interest Rate (%)	Maturity Date	Balance at End of Year	Accrued Interest Receivable
First Financial Trust and Asset Management:					
Financial Square Govt Fund	19-000346	N/A	N/A	\$ 55,531	\$ -0-
Total Money Market				\$ 55,531	\$ -0-
Certificate of Deposit	19-000346	2.90	11/12/2019	\$ 250,000	\$ -0-
Certificate of Deposit	19-000346	2.86	2/10/2020	250,000	-0-
Certificate of Deposit	19-000346	3.00	5/11/2020	250,000	-0-
Certificate of Deposit	19-000346	3.05	8/10/2020	250,000	-0-
Certificate of Deposit	19-000346	3.17	11/10/2020	250,000	-0-
Certificate of Deposit	19-000346	3.15	2/9/2021	250,000	-0-
Certificate of Deposit	19-000346	3.20	5/10/2021	250,000	-0-
Certificate of Deposit	19-000346	3.10	8/20/2021	250,000	-0-
Certificate of Deposit	19-000346	3.30	11/9/2021	250,000	-0-
Certificate of Deposit	19-000346	3.30	11/15/2021	250,000	-0-
Certificate of Deposit	19-000346	3.20	1/24/2022	250,000	-0-
Certificate of Deposit	19-000346	3.10	2/14/2022	250,000	-0-
Certificate of Deposit	19-000346	2.70	5/16/2022	250,000	-0-
Certificate of Deposit	19-000346	2.20	8/9/2022	250,000	-0-
Total Certificates of Deposit				\$ 3,500,000	\$ -0-
Total Investments				\$ 3,555,531	\$ -0-

See Independent Auditors' Report.

UPPER COLORADO RIVER AUTHORITY

Comparative Schedule of Revenues and Expenditures - General Fund - Five Years

For the Year Ended August 31, 2019

	Amounts					Percent of Fund Total Revenue				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
OPERATING REVENUES:										
Interest on Notes Receivable	\$ 5,057	\$ 10,220	\$ 10,454	\$ 14,348	\$ 17,333	0.89	2.13	2.64	2.93	2.81
Interest on Temporary Investments	81,244	9,233	9,238	7,740	8,197	14.36	1.92	2.34	1.58	1.33
Special Project and Grant Revenue	225,969	255,873	193,477	293,211	422,713	39.95	53.27	48.93	59.97	68.50
Other Revenue	58,627	94	5,100	8,488	11,116	10.37	0.02	1.29	1.74	1.80
Water Sales	194,694	204,906	177,125	165,116	157,762	34.42	42.66	44.80	33.77	25.56
Total Operating Revenues	<u>\$ 565,591</u>	<u>\$ 480,326</u>	<u>\$ 395,394</u>	<u>\$ 488,903</u>	<u>\$ 617,121</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
EXPENDITURES:										
Salaries, Benefits, and Payroll Taxes	\$ 319,772	\$ 311,302	\$ 289,016	\$ 277,549	\$ 276,570	56.54	64.81	73.10	56.77	44.82
Employee Allowances	4,800	6,480	6,480	8,480	15,780	0.85	1.35	1.64	1.73	2.56
Professional Fees	22,919	13,040	14,507	10,800	12,423	4.05	2.71	3.67	2.21	2.01
Director Fees	22,115	-0-	-0-	7,200	23,400	3.91	0.00	0.00	1.47	3.79
Office Supplies	1,727	19,798	19,045	19,085	17,945	0.31	4.12	4.82	3.90	2.91
Equipment Rental	3,878	1,563	1,828	1,556	2,023	0.69	0.33	0.46	0.32	0.33
Insurance	6,074	3,717	3,285	3,605	3,602	1.07	0.77	0.83	0.74	0.58
Repairs and Maintenance	-0-	5,675	5,372	5,614	5,533	0.00	1.18	1.36	1.15	0.90
Utilities	12,301	162	372	1,066	742	2.17	0.03	0.09	0.22	0.12
Janitorial	2,850	8,705	7,870	7,493	8,074	0.50	1.81	1.99	1.53	1.31
Special Project and Grant Expenses	80,721	3,300	3,000	3,675	3,375	14.27	0.69	0.76	0.75	0.55
Water Sales Expense	138,774	96,630	82,983	99,527	153,235	24.54	20.12	20.99	20.36	24.83
Office Rent	17,427	136,881	115,723	107,993	111,397	3.08	28.50	29.27	22.09	18.05
Dues and Subscriptions	782	17,427	17,427	17,427	17,427	0.14	3.63	4.41	3.56	2.82
O.C. Fisher O & M Fees	58,811	1,095	1,150	1,090	1,145	10.40	0.23	0.29	0.22	0.19
Other	1,207	1,892	3,694	2,083	1,668	0.21	0.39	0.93	0.43	0.27
Capital Outlay	190	-0-	-0-	-0-	-0-	0.03	0.00	0.00	0.00	0.00
Total Expenditures	<u>\$ 694,348</u>	<u>\$ 627,667</u>	<u>\$ 571,752</u>	<u>\$ 574,243</u>	<u>\$ 654,339</u>	<u>122.77</u>	<u>130.68</u>	<u>144.60</u>	<u>117.46</u>	<u>106.03</u>
Excess/(Deficiency) of Revenues										
Over Expenditures	<u>(\$ 128,757)</u>	<u>(\$ 147,341)</u>	<u>(\$ 176,358)</u>	<u>(\$ 85,340)</u>	<u>(\$ 37,218)</u>	<u>(22.77)</u>	<u>(30.68)</u>	<u>(44.60)</u>	<u>(17.46)</u>	<u>(6.03)</u>

See Independent Auditors' Report.

UPPER COLORADO RIVER AUTHORITY

Board of Directors, Key Personnel, and Consultants

For the Year Ended August 31, 2019

Complete District Mailing Address:

Upper Colorado River Authority
512 Orient
San Angelo, Texas 76903

Direct Business Telephone Number:

(325) 655-0565

Name	Term of Office (Elected or Appointed) or Date Hired	Fiscal Year Ended August 31, 2019		Title at Year End
		Fees	Expense Reimbursements	
<u>Board Members</u>				
Eva Horton	(Appointed) July 2010- February 2021	\$ 2,473	\$ -0-	Chairperson
Vacant	N/A	N/A	N/A	Vice Chairperson
Bill Holland	(Appointed) February 2008- February 2019	\$ 2,100	\$ -0-	Treasurer
Hugh Stone	(Appointed) March 2011- February 2023	\$ 1,800	\$ -0-	Secretary
Ronny Alexander	(Appointed) March 2009- February 2021	\$ 2,796	\$ -0-	Director
Erica Hall	(Appointed) August 2018- February 2021	\$ 3,408	\$ -0-	Director
Tanner Mahan	(Appointed) August 2018- February 2023	\$ 2,929	\$ -0-	Director
Kathy Mews	(Appointed) August 2018- February 2023	\$ 2,741	\$ -0-	Director
<u>Key Administrative Personnel</u>				
Chuck Brown	3/2000	\$ 79,000	\$ 12,985	Director of Operations
Ellen Groth	11/1994	\$ 72,000	\$ -0-	Financial Administrator
Scott McWilliams	9/2001	\$ 75,240	\$ 817	Hydrogeologist
<u>Consultants</u>				
Jackson Walker, LLP	2005	\$ 1,006	\$ -0-	Attorney
<u>Independent Auditors</u>				
Richard Webb CPA, PLLC	2013	\$ 11,500	\$ -0-	Auditor

See Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

UPPER COLORADO RIVER AUTHORITY

Schedule of Insurance Coverage

For the Year Ended August 31, 2019

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Agent</u>	<u>Type of Corporation Stock/Mutual</u>	<u>Policy Clause Co-Insurance</u>
Fidelity Bonds - Chairman	\$ 50,000	Glenn-Bivins Insurance	Stock	Yes
Fidelity Bonds - Director	\$ 50,000	Glenn-Bivins Insurance	Stock	Yes
Fidelity Bonds - Treasurer	\$ 50,000	Glenn-Bivins Insurance	Stock	Yes
General liability:				
Automobile	\$ 1,000,000	Texas Water Conservation Assoc.	Stock	Yes
Errors and Omissions	\$ 1,000,000	Texas Water Conservation Assoc.	Stock	Yes
General Liability	\$ 1,000,000	Texas Water Conservation Assoc.	Stock	Yes
Property	\$ 1,500,000	Texas Water Conservation Assoc.	Stock	Yes

See Independent Auditors' Report.

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