



**ARMSTRONG BACKUS & CO., LLP**

Certified Public Accountants

The letters 'UCRA' are written in a light blue, cursive script font against a dark blue rectangular background.

**UPPER COLORADO RIVER AUTHORITY**

**Financial Statements**

**For the Year Ended August 31, 2020**

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**UPPER COLORADO RIVER AUTHORITY**

**Financial Statements**

**For the Year Ended August 31, 2020**

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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, 2020, 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, 2020, 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 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  
January 25, 2021



# 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, 2020. 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.

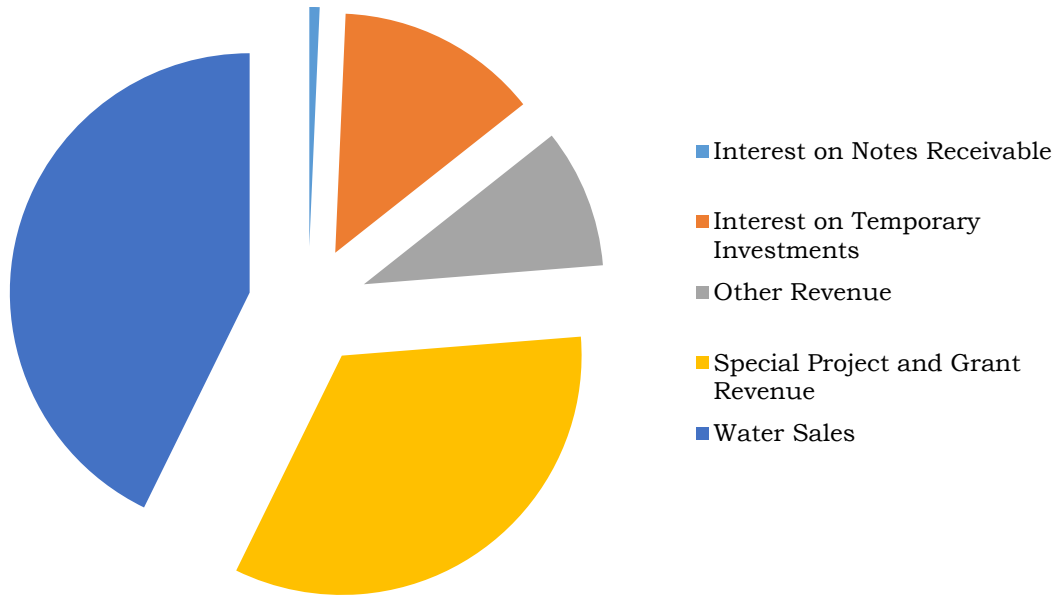
Of the Authority's total assets of \$3,781,857, the largest components are: (1) cash and investments of \$3,571,755 or 94%, (2) accounts and water sales receivable of \$92,096 or 2%, and (3) notes receivable of \$100,538 or 3%. Capital assets are non-liquid assets and cannot be utilized to satisfy Authority obligations.

\$8,559 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 \$54,086 to result in an ending net position balance of \$3,724,060. The primary cause of this decrease in net position was due to grant expenses that are not reimbursed as well as an increase in O.C. Fischer O & M fees from the prior year. Of the \$3,724,060 of net position, \$8,559 or less than 1% are funds invested in fixed assets, net of related debt. The remaining \$3,715,501 is unrestricted.

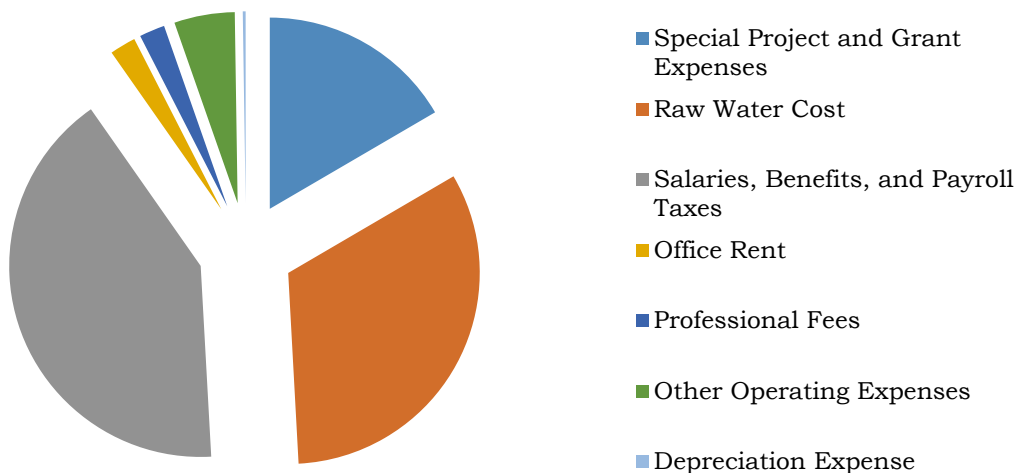
Revenues for the Upper Colorado River Authority are broken out in the following chart. Of the Authority's \$734,723 of total revenue, \$246,290 or 34% represents grant revenue and special project revenue. \$100,285 or 14% represents interest income from notes receivable and temporary investments (certificates of deposit). \$314,044 or 43% relates to water sales for the year, and the remaining \$74,104 or 10% relates to other contract sales and interest on notes receivable.

## Revenue by Source - Governmental Activities



Expenses for the Upper Colorado River Authority are broken out in the following chart. Of the Authority's \$788,809 total expenses, \$130,765 or 17% represents federal, state, or local special project and grant expenses, \$256,807 or 33% represents raw water cost which is passed through to the jurisdiction, and \$399,346 or 51% 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 \$1,891 or less than 1% represents current year depreciation on the Authority's \$1,006,337 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 2020 in the amount of \$693,336 for the fiscal year ending August 31, 2021, which is a decrease of \$86,557 from the fiscal year ended August 31, 2020.

### **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.

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**BASIC FINANCIAL STATEMENTS**

**UPPER COLORADO RIVER AUTHORITY**

**Statement of Net Assets and Governmental Fund Balance Sheet**

**As of August 31, 2020**

	<b>General Fund</b>	<b>Total</b>	<b>Adjustments (Note 12)</b>	<b>Statement of Net Position</b>	<b>2019 Memorandum Only</b>
<b>ASSETS</b>					
Cash	\$ 89,951	\$ 89,951	\$ -0-	\$ 89,951	\$ 36,933
Certificates of Deposit	3,481,804	3,481,804	-0-	3,481,804	3,555,531
Accounts Receivable	45,322	45,322	-0-	45,322	88,392
Notes Receivable (Current)	13,587	13,587	-0-	13,587	18,365
Water Revenue Receivable	46,774	46,774	-0-	46,774	27,911
Accrued Interest Receivable	5,042	5,042	-0-	5,042	-0-
Prepayments	3,867	3,867	-0-	3,867	2,320
Long-term Notes Receivable	86,951	86,951	-0-	86,951	108,126
Capital Assets (Net of \$997,778 Accumulated Depreciation)	-0-	-0-	8,559	8,559	8,210
Total Assets	<u>\$ 3,773,298</u>	<u>\$ 3,773,298</u>	<u>\$ 8,559</u>	<u>\$ 3,781,857</u>	<u>\$ 3,845,788</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 48,044	\$ 48,044	\$ -0-	\$ 48,044	\$ 55,514
Payroll Liabilities	-0-	-0-	9,753	9,753	12,128
Total Liabilities	<u>\$ 48,044</u>	<u>\$ 48,044</u>	<u>\$ 9,753</u>	<u>\$ 57,797</u>	<u>\$ 67,642</u>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances:					
Nonspendable:					
Long-term Notes Receivable	\$ 86,951	\$ 86,951	(\$ 86,951)		
Prepayments	3,867	3,867	( 3,867)		
Unassigned	3,634,436	3,634,436	( 3,634,436)		
Total Fund Balances	<u>\$ 3,725,254</u>	<u>\$ 3,725,254</u>	<u>(\$ 3,725,254)</u>		
Total Liabilities and Fund Balances	<u>\$ 3,773,298</u>	<u>\$ 3,773,298</u>			
Net Position:					
Net Investment in Capital Assets			\$ 8,559	\$ 8,559	\$ 8,210
Unrestricted			3,715,501	3,715,501	3,769,936
Total Net Position			<u>\$ 3,724,060</u>	<u>\$ 3,724,060</u>	<u>\$ 3,778,146</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, 2020**

	<b>General Fund</b>	<b>Total</b>	<b>Adjustments (Note 12)</b>	<b>Statement of Activities</b>	<b>2019 Memorandum Only</b>
<b>Revenues:</b>					
Interest on Notes Receivable	\$ 5,042	\$ 5,042	\$ -0-	\$ 5,042	\$ 5,057
Interest on Temporary Investments	100,285	100,285	-0-	100,285	81,244
Special Project and Grant Revenue	246,290	246,290	-0-	246,290	225,969
Other Revenue	69,062	69,062	-0-	69,062	58,627
Water Sales	314,044	314,044	-0-	314,044	194,694
Total Revenues	<u>\$ 734,723</u>	<u>\$ 734,723</u>	<u>\$ -0-</u>	<u>\$ 734,723</u>	<u>\$ 565,591</u>
<b>Expenditures/expenses:</b>					
Salaries, Benefits, and Payroll Taxes	\$ 250,041	\$ 250,041	\$ -0-	\$ 250,041	\$ 319,772
Employee Allowances	7,895	7,895	-0-	7,895	4,800
Professional Fees	18,978	18,978	-0-	18,978	22,919
Director Fees	15,479	15,479	-0-	15,479	22,115
Office Supplies	1,367	1,367	-0-	1,367	1,727
Equipment Rental	3,594	3,594	-0-	3,594	3,878
Insurance	5,137	5,137	-0-	5,137	6,074
Utilities	7,140	7,140	-0-	7,140	12,301
Janitorial	900	900	-0-	900	2,850
Special Project and Grant Expenses	130,765	130,765	-0-	130,765	80,721
Water Sales Expense	256,807	256,807	-0-	256,807	138,774
Office Rent	17,427	17,427	-0-	17,427	17,427
Dues and Subscriptions	1,554	1,554	-0-	1,554	782
O.C. Fisher O & M Fees	68,743	68,743	-0-	68,743	58,811
Other	1,091	1,091	-0-	1,091	1,407
Capital Outlay	2,240	2,240	( 2,240)	-0-	-0-
Depreciation	-0-	-0-	1,891	1,891	3,224
Total Expenditures/Expenses	<u>\$ 789,158</u>	<u>\$ 789,158</u>	<u>(\$ 349)</u>	<u>\$ 788,809</u>	<u>\$ 697,582</u>
Excess/(Deficiency) of Revenues Over					
Expenditures	(\$ 54,435)	(\$ 54,435)	\$ 349		
Change in Net Position				(\$ 54,086)	(\$ 131,991)
<b>Fund Balance/Net Position:</b>					
Beginning of the Year	3,779,689	3,779,689	( 1,543)	3,778,146	3,910,137
End of the Year	<u>\$ 3,725,254</u>	<u>\$ 3,725,254</u>	<u>(\$ 1,194)</u>	<u>\$ 3,724,060</u>	<u>\$ 3,778,146</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, 2020**

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### **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, 2020, there are nine 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, 2020

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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 August 2019 for the September 1, 2019 to August 31, 2020 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, 2020, director fees actual expenditures exceeded budgeted expenditures by \$479, water sales expense by \$61,739, O.C. Fischer O & M Fees by \$117, and professional fees by \$1,281.

#### **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.

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

# UPPER COLORADO RIVER AUTHORITY

## Notes to the Basic Financial Statements

### For the Year Ended August 31, 2020

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, 2020, 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.

#### **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	94,962	2,240	-0-	97,202
Total Depreciable	\$ 1,004,097	\$ 2,240	\$ -0-	\$ 1,006,337
<u>Less: Accumulated Depreciation</u>				
Accumulated Depreciation	(\$ 995,887)	(\$ 1,891)	\$ -0-	(\$ 997,778)
Total Accumulated Depreciation	(\$ 995,887)	(\$ 1,891)	\$ -0-	(\$ 997,778)
Net Property, Plant, and Equipment	\$ 8,210	\$ 349	\$ -0-	\$ 8,559

# UPPER COLORADO RIVER AUTHORITY

## Notes to the Basic Financial Statements

**For the Year Ended August 31, 2020**

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### **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.	\$ 99,336
City of Robert Lee – 1976 Note, due in monthly installments of \$411, principal only through December 2020.	1,202
Less: Current Portion of Long-term Notes Receivable	<u>( 13,587)</u>
Total Long-term Notes Receivable	<u><u>\$ 86,951</u></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, 2020, contributions to the plan were \$5,958.

### **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:

<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, 2020, 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



# UPPER COLORADO RIVER AUTHORITY

## Notes to the Basic Financial Statements

**For the Year Ended August 31, 2020**

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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 5<sup>th</sup> 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 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 each year, in advance, the sum of \$2,000, being \$40 per acre foot of water until June 13, 2028.

### **NOTE 10: MAJOR VENDORS**

As of August 31, 2020, approximately 65% of the total purchases for the year was from two separate vendors. The amount owed to these vendors by the Authority as of August 31, 2020 was \$-0-.

# UPPER COLORADO RIVER AUTHORITY

## Notes to the Basic Financial Statements

For the Year Ended August 31, 2020

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### **NOTE 11: CONCENTRATIONS AND UNCERTAINTIES**

As of August 31, 2020, approximately 67% of the Authority's revenue for the year was from Petra Firma, City of San Angelo, City of Brady, and the Clean Rivers Program. The Authority applies for projects and grants on an annual basis. The Authority would realize a severe negative impact should the level of support and revenue be significantly reduced or discontinued.

### **NOTE 12: 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 13: 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 14: 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.

*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.

# UPPER COLORADO RIVER AUTHORITY

## Notes to the Basic Financial Statements

### **For the Year Ended August 31, 2020**

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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 15: 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:

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 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 16: SUBSEQUENT EVENT**

In January 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID-19") as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak.

**UPPER COLORADO RIVER AUTHORITY**

**Notes to the Basic Financial Statements**

**For the Year Ended August 31, 2020**

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Nevertheless, the outbreak presents uncertainty and risk with respect to the Authority, its performance, and its financial results.

**NOTE 17: DATE OF MANAGEMENT'S REVIEW**

The Authority has evaluated subsequent events through January 25, 2021, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**UPPER COLORADO RIVER AUTHORITY**

**Budgetary Comparison Schedule**

**For the Year Ended August 31, 2020**

	<b>Budget</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Amended</b>		<b>Favorable (Unfavorable)</b>
<b>Revenues:</b>				
Interest on Notes Receivable	\$ 5,042	\$ 5,042	\$ 5,042	\$ -0-
Interest on Temporary Investments	101,017	100,650	100,285	( 365)
Special Project and Grant Revenue	245,702	255,744	246,290	( 9,454)
Other Revenue	58,427	68,563	69,062	499
Water Sales	193,267	252,238	314,044	61,806
Total Revenues	<u>\$ 603,455</u>	<u>\$ 682,237</u>	<u>\$ 734,723</u>	<u>\$ 52,486</u>
<b>Expenditures/Expenses:</b>				
Salaries, Benefits, and Payroll Taxes	\$ 320,522	\$ 257,737	\$ 250,041	\$ 7,696
Employee Allowances	6,150	9,495	7,895	1,600
Professional Fees	12,500	17,697	18,978	( 1,281)
Director Fees	21,000	15,000	15,479	( 479)
Office Supplies	1,500	1,500	1,367	133
Equipment Rental	3,800	3,800	3,594	206
Insurance	4,987	5,479	5,137	342
Utilities	11,000	8,000	7,140	860
Janitorial	2,925	900	900	-0-
Special Project and Grant Expenses	79,478	133,910	130,765	3,145
Water Sales Expense	122,640	195,068	256,807	( 61,739)
Office Rent	17,427	17,427	17,427	-0-
Dues and Subscriptions	1,200	1,700	1,554	146
O.C. Fisher O & M Fees	84,507	68,626	68,743	( 117)
Other	1,200	1,200	1,091	109
Capital Outlay/Depreciation	2,500	6,500	1,891	4,609
Total Expenditures/Expenses	<u>\$ 693,336</u>	<u>\$ 744,039</u>	<u>\$ 788,809</u>	<u>(\$ 44,770)</u>
Excess/(Deficiency) of Revenues Over Expenditures	(\$ 89,881)	(\$ 61,802)	(\$ 54,086)	\$ 7,716
<b>Fund Balance/Net Position:</b>				
Beginning of the Year	3,778,146	3,778,146	3,778,146	-0-
End of the Year	<u>\$ 3,688,265</u>	<u>\$ 3,716,344</u>	<u>\$ 3,724,060</u>	<u>\$ 7,716</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, 2020**

	<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 Year	X	
8. Board Members, Key Personnel, and Consultants	X	

See Independent Auditors' Report.



**UPPER COLORADO RIVER AUTHORITY**

**Schedule of General Fund Expenditures**

**For the Year Ended August 31, 2020**

Personnel (including benefits)*	\$ 250,041
Professional Fees:	
Auditing	11,500
Legal	2,698
Investment Fees	2,830
Purchase Services For Resale:	
Raw Water Costs	256,807
Contracted Services:	
Janitorial	900
Utilities	7,140
Administrative:	
Directors' Fees	15,479
Office Supplies	1,367
Insurance	5,137
Rent	17,427
Special Projects and Grant Expenditures	130,765
Other:	<u>87,067</u>
Total Expenditures Excluding Depreciation and Amortization	<u><u>\$ 789,158</u></u>

*Number of Persons Employed by the District:	<u>2</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, 2020

	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	\$ 81,804	\$ -0-
Total Money Market				\$ 81,804	\$ -0-
Certificate of Deposit	19-000346	3.17	11/10/2020	\$ 250,000	\$ -0-
Certificate of Deposit	19-000346	3.15	02/09/2021	250,000	-0-
Certificate of Deposit	19-000346	3.20	05/10/2021	250,000	-0-
Certificate of Deposit	19-000346	3.10	08/20/2021	250,000	-0-
Certificate of Deposit	19-000346	3.30	11/09/2021	250,000	-0-
Certificate of Deposit	19-000346	3.30	11/15/2021	250,000	-0-
Certificate of Deposit	19-000346	3.20	01/24/2022	250,000	-0-
Certificate of Deposit	19-000346	3.10	02/14/2022	250,000	-0-
Certificate of Deposit	19-000346	2.70	05/16/2022	250,000	-0-
Certificate of Deposit	19-000346	2.20	08/09/2022	250,000	-0-
Certificate of Deposit	19-000346	1.90	11/14/2022	150,000	-0-
Certificate of Deposit	19-000346	1.70	02/11/2023	250,000	-0-
Certificate of Deposit	19-000346	0.90	05/12/2023	250,000	-0-
Certificate of Deposit	19-000346	0.49	08/21/2023	250,000	-0-
Total Certificates of Deposit				\$ 3,400,000	\$ -0-
Total Investments				\$ 3,481,804	\$ -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, 2020

	Amounts					Percent of Fund Total Revenue				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
<b>OPERATING REVENUES:</b>										
Interest on Notes Receivable	\$ 5,042	\$ 5,057	\$ 10,220	\$ 10,454	\$ 14,348	0.69	0.89	2.13	2.64	2.93
Interest on Temporary Investments	100,285	81,244	9,233	9,238	7,740	13.65	14.36	1.92	2.34	1.58
Special Project and Grant Revenue	246,290	225,969	255,873	193,477	293,211	33.52	39.95	53.27	48.93	59.97
Other Revenue	69,062	58,627	94	5,100	8,488	9.40	10.37	0.02	1.29	1.74
Water Sales	314,044	194,694	204,906	177,125	165,116	42.74	34.42	42.66	44.80	33.77
<b>Total Operating Revenues</b>	<b>\$ 734,723</b>	<b>\$ 565,591</b>	<b>\$ 480,326</b>	<b>\$ 395,394</b>	<b>\$ 488,903</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>EXPENDITURES:</b>										
Salaries, Benefits, and Payroll Taxes	\$ 250,041	\$ 319,772	\$ 311,302	\$ 289,016	\$ 277,549	34.03	56.54	64.81	73.10	56.77
Employee Allowances	7,895	4,800	6,480	6,480	8,480	1.07	0.85	1.35	1.64	1.73
Professional Fees	18,978	22,919	13,040	14,507	10,800	2.58	4.05	2.71	3.67	2.21
Director Fees	15,479	22,115	-0-	-0-	7,200	2.11	3.91	0.00	0.00	1.47
Office Supplies	1,367	1,727	19,798	19,045	19,085	0.19	0.31	4.12	4.82	3.90
Equipment Rental	3,594	3,878	1,563	1,828	1,556	0.49	0.69	0.33	0.46	0.32
Insurance	5,137	6,074	3,717	3,285	3,605	0.70	1.07	0.77	0.83	0.74
Repairs and Maintenance	-0-	-0-	5,675	5,372	5,614	0.00	0.00	1.18	1.36	1.15
Utilities	7,140	12,301	162	372	1,066	0.97	2.17	0.03	0.09	0.22
Janitorial	900	2,850	8,705	7,870	7,493	0.12	0.50	1.81	1.99	1.53
Special Project and Grant Expenses	130,765	80,721	3,300	3,000	3,675	17.80	14.27	0.69	0.76	0.75
Water Sales Expense	256,807	138,774	96,630	82,983	99,527	34.95	24.54	20.12	20.99	20.36
Office Rent	17,427	17,427	136,881	115,723	107,993	2.37	3.08	28.50	29.27	22.09
Dues and Subscriptions	1,554	782	17,427	17,427	17,427	0.21	0.14	3.63	4.41	3.56
O.C. Fisher O & M Fees	68,743	58,811	1,095	1,150	1,090	9.36	10.40	0.23	0.29	0.22
Other	1,091	1,207	1,892	3,694	2,083	0.15	0.21	0.39	0.93	0.43
Capital Outlay	2,240	190	-0-	-0-	-0-	0.30	0.03	0.00	0.00	0.00
<b>Total Expenditures</b>	<b>\$ 789,158</b>	<b>\$ 694,348</b>	<b>\$ 627,667</b>	<b>\$ 571,752</b>	<b>\$ 574,243</b>	<b>107.41</b>	<b>122.77</b>	<b>130.68</b>	<b>144.60</b>	<b>117.46</b>
<b>Excess/(Deficiency) of Revenues</b>										
<b>Over Expenditures</b>	(\$ 54,435)	(\$ 128,757)	(\$ 147,341)	(\$ 176,358)	(\$ 85,340)	( 7.41)	( 22.77)	( 30.68)	( 44.60)	( 17.46)

See Independent Auditors' Report.

# UPPER COLORADO RIVER AUTHORITY

## Board Members, Key Personnel, and Consultants

### For the Year Ended August 31, 2020

**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, 2020		Title at Year End
		Fees	Expense Reimbursements	
<u>Board Members</u>				
Eva Horton	(Appointed) July 2010- February 2021	\$ 1,950	\$ -0-	Chairperson
Erica Hall	(Appointed) August 2018- February 2021	\$ 1,770	\$ -0-	Vice Chairperson
Kathy Mews	(Appointed) August 2018- February 2023	\$ 1,500	\$ 305	Treasurer
Che Stone	(Appointed) March 2011- February 2023	\$ 1,350	\$ -0-	Secretary
Mason Vaughan	(Appointed) October 2019 - February 2025	\$ 1,200	\$ 411	Director
Tanner Mahan	(Appointed) August 2018- February 2023	\$ 1,350	\$ 343	Director
Fred Hernandez	(Appointed) October 2019 - February 2025	\$ 1,050	\$ -0-	Director
Nancy Blackwell	(Appointed) October 2019 - February 2025	\$ 1,200	\$ 333	Director
Reese Braswell	(Appointed) October 2019 - February 2021	\$ 1,050	\$ 315	Director
<u>Key Administrative Personnel</u>				
Chuck Brown	3/2000	\$ 31,394	\$ 4,754	Director of Field Operations
Ellen Groth	11/1994	\$ 82,911	\$ 283	Administrative and Financial Manager
Scott McWilliams	9/2001	\$ 84,627	\$ 6,027	Director of Operations
<u>Consultants</u>				
Jackson Walker, LLP	2005	\$ 2,698	\$ -0-	Attorney
<u>Independent Auditors</u>				
Armstrong, Backus & Co., LLF	2020	\$ 11,500	\$ -0-	Auditor

See Independent Auditors' Report.



# UPPER COLORADO RIVER AUTHORITY

## Schedule of Insurance Coverage

**For the Year Ended August 31, 2020**

<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.