



ARMSTRONG BACKUS & CO., LLP

Certified Public Accountants

UCRA

upper colorado river authority

PROTECT . PRESERVE . ENHANCE

Financial Statements

For the Year Ended August 31, 2021

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UPPER COLORADO RIVER AUTHORITY

Financial Statements

For the Year Ended August 31, 2021

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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 and major fund of Upper Colorado River Authority (the "Authority") as of and for the year ended August 31, 2021, 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 and major fund of the Upper Colorado River Authority as of August 31, 2021, 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
October 26, 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, 2021. 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 Fund Balance Sheet, 2) Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance, 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 one fund, 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between the governmental fund 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.

Of the Authority’s total assets of \$3,839,359, the largest components are: (1) cash and investments of \$3,517,901 or 92%, (2) accounts and water sales receivable of \$203,018 or 5%, and (3) notes receivable of \$81,879 or 2%. Capital assets are non-liquid assets and cannot be utilized to satisfy Authority obligations.

Governmental activities increased the Authority’s net position by \$11,508 to result in an ending net position balance of \$3,803,627. The primary cause of this increase in net position was due to an increase in receivables from the prior year. Of the \$3,03,627 of net position, \$23,229 or less than 1% are funds invested in fixed assets, net of related debt. The remaining \$3,80,398 is unrestricted.

Table 1 - Net Position

	2021	2020
Current and Other Assets	\$ 3,816,130	\$ 3,773,298
Capital Assets	23,229	8,559
Total Assets	<u>\$ 3,839,359</u>	<u>\$ 3,781,857</u>
Current Liabilities	35,732	57,797
Total Liabilities	<u>\$ 35,732</u>	<u>\$ 57,797</u>
Net Assets:		
Net Investment in Capital Assets	23,229	8,559
Unrestricted	3,780,398	3,715,501
Total Net Position	<u><u>\$ 3,803,627</u></u>	<u><u>\$ 3,724,060</u></u>

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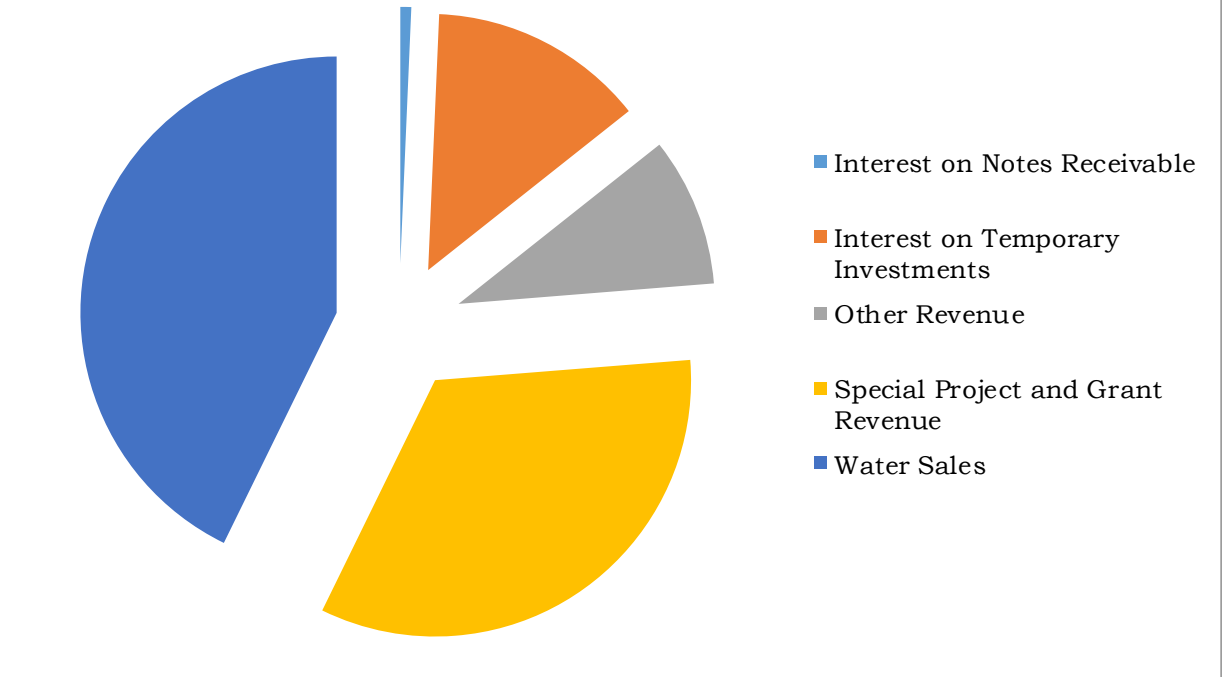
Table 2 – Changes in Net Position

	2021	2020
REVENUES		
Interest on Notes Receivable	\$ 4,423	\$ 5,042
Interest on Temporary Investments	70,501	100,285
Other Revenue	132,715	69,062
Special Project and Grant Revenue	186,657	246,290
Water Sales	385,600	314,044
Total Revenues	<u>\$ 779,896</u>	<u>\$ 734,723</u>
EXPENSES		
Salaries, Benefits, and Payroll Taxes	\$ 242,643	\$ 250,041
Employee Allowances	1,015	7,895
Professional Fees	16,858	18,978
Director Fees	14,523	15,479
Office Supplies	1,457	1,367
Equipment Rental	3,796	3,594
Insurance	4,602	5,137
Repairs and Maintenance	555	-0-
Utilities	7,532	7,140
Janitorial	-0-	900
Special Project and Grant Expenses	45,761	130,765
Water Sales Expense	274,037	256,807
Office Rent	17,427	17,427
Dues and Subscriptions	2,485	1,554
O.C. Fisher Operations & Maintenance Fees	132,418	68,743
Other	749	1,091
Depreciation	2,530	1,891
Total Expenses	<u>\$ 768,388</u>	<u>\$ 788,809</u>
Change in Net Position	\$ 11,508	(\$ 54,086)
Net Position:		
Beginning of the Year, as Previously Stated	3,724,060	3,778,146
Restatement	68,059	-0-
Beginning of the Year, as Adjusted	<u>\$ 3,792,119</u>	<u>\$ 3,778,146</u>
End of the Year	<u>\$ 3,803,627</u>	<u>\$ 3,724,060</u>

Revenues for the Upper Colorado River Authority are broken out in the following chart. Of the Authority's \$779,896 of total revenue, \$186,657 or 24% represents grant revenue and special project revenue. \$70,501 or 9% represents interest income from notes receivable and temporary investments (certificates of deposit). \$385,600 or 49% relates to water sales for the year, and the remaining \$137,138 or 18% relates to other contract sales and interest on notes receivable.

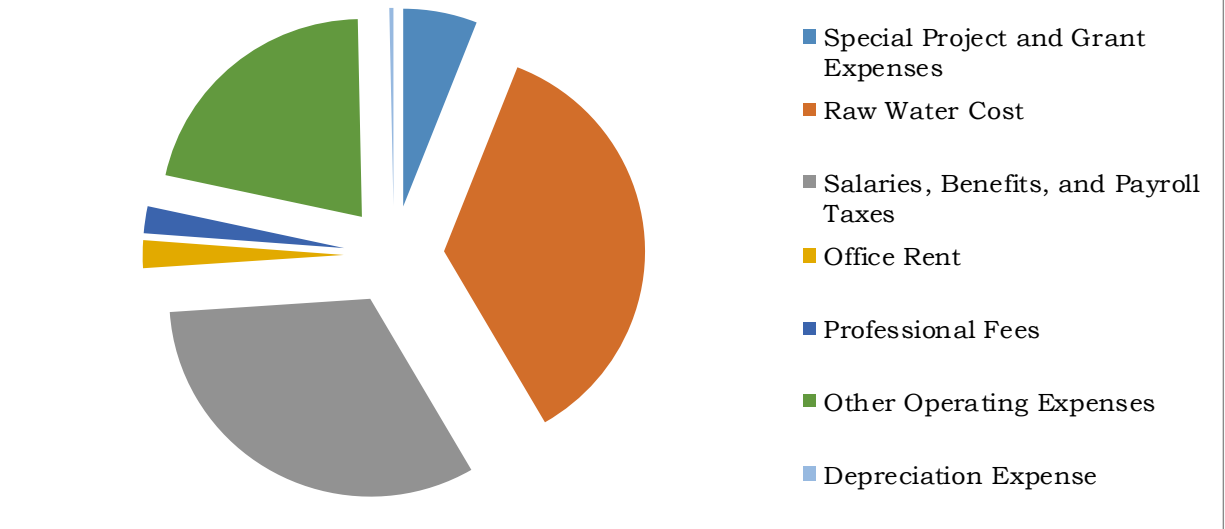
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Revenue by Source - Governmental Activities



Expenses for the Upper Colorado River Authority are broken out in the following chart. Of the Authority's \$768,388 total expenses, \$45,761 or 6% represents federal, state, or local special project and grant expenses, \$274,037 or 35% represents raw water cost, which is passed through to the jurisdiction, and \$446,060 or 58% 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 \$2,530 or less than 1% represents current year depreciation on the Authority's \$1,023,537 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 Authority approved a budget of expenses for the General Fund in August 2021 in the amount of \$970,933 for the fiscal year ending August 31, 2022, which is an increase of \$188,841 from the fiscal year ended August 31, 2021.

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 Position and Governmental Fund Balance Sheet

As of August 31, 2021

	General Fund	Total	Adjustments (Note 13)	Statement of Net Position	2020 Memorandum Only
ASSETS					
Cash	\$ 41,709	\$ 41,709	\$ -0-	\$ 41,709	\$ 89,951
Certificates of Deposit	3,476,192	3,476,192	-0-	3,476,192	3,481,804
Accounts Receivable	74,361	74,361	-0-	74,361	45,322
Notes Receivable (Current)	13,004	13,004	-0-	13,004	13,587
Water Revenue Receivable	128,657	128,657	-0-	128,657	46,774
Accrued Interest Receivable	9,465	9,465	-0-	9,465	5,042
Prepayments	3,867	3,867	-0-	3,867	3,867
Notes Receivable (Long-term)	68,875	68,875	-0-	68,875	86,951
Capital Assets (Net of \$1,000,308 Accumulated Depreciation)	-0-	-0-	23,229	23,229	8,559
Total Assets	<u>\$ 3,816,130</u>	<u>\$ 3,816,130</u>	<u>\$ 23,229</u>	<u>\$ 3,839,359</u>	<u>\$ 3,781,857</u>
LIABILITIES					
Accounts Payable	\$ 25,979	\$ 25,979	\$ -0-	\$ 25,979	\$ 48,044
Payroll Liabilities	-0-	-0-	9,753	9,753	9,753
Total Liabilities	<u>\$ 25,979</u>	<u>\$ 25,979</u>	<u>\$ 9,753</u>	<u>\$ 35,732</u>	<u>\$ 57,797</u>
FUND BALANCE/NET POSITION					
Fund Balance:					
Nonspendable:					
Notes Receivable (Long-term)	\$ 68,875	\$ 68,875	(\$ 68,875)		
Prepayments	3,867	3,867	(3,867)		
Unassigned	3,717,409	3,717,409	(3,717,409)		
Total Fund Balance	<u>\$ 3,790,151</u>	<u>\$ 3,790,151</u>	<u>(\$ 3,790,151)</u>		
Total Liabilities and Fund Balance	<u>\$ 3,816,130</u>	<u>\$ 3,816,130</u>			
Net Position:					
Net Investment in Capital Assets			\$ 23,229	\$ 23,229	\$ 8,559
Unrestricted			3,780,398	3,780,398	3,715,501
Total Net Position			<u>\$ 3,803,627</u>	<u>\$ 3,803,627</u>	<u>\$ 3,724,060</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 Balance

For the Year Ended August 31, 2021

	General Fund	Total	Adjustments (Note 13)	Statement of Activities	2020 Memorandum Only
Revenues:					
Interest on Notes Receivable	\$ 4,423	\$ 4,423	\$ -0-	\$ 4,423	\$ 5,042
Interest on Temporary Investments	70,501	70,501	-0-	70,501	100,285
Other Revenue	132,715	132,715	-0-	132,715	69,062
Special Project and Grant Revenue	186,657	186,657	-0-	186,657	246,290
Water Sales	385,600	385,600	-0-	385,600	314,044
Total Revenues	<u>\$ 779,896</u>	<u>\$ 779,896</u>	<u>\$ -0-</u>	<u>\$ 779,896</u>	<u>\$ 734,723</u>
Expenditures/expenses:					
Salaries, Benefits, and Payroll Taxes	\$ 242,643	\$ 242,643	\$ -0-	\$ 242,643	\$ 250,041
Employee Non-Project Travel	1,015	1,015	-0-	1,015	7,895
Professional Fees	16,858	16,858	-0-	16,858	18,978
Director Fees	14,523	14,523	-0-	14,523	15,479
Office Supplies	1,457	1,457	-0-	1,457	1,367
Equipment Rental	3,796	3,796	-0-	3,796	3,594
Insurance	4,602	4,602	-0-	4,602	5,137
Repairs and Maintenance	555	555	-0-	555	-0-
Utilities	7,532	7,532	-0-	7,532	7,140
Janitorial	-0-	-0-	-0-	-0-	900
Special Project and Grant Expenses	45,761	45,761	-0-	45,761	130,765
Water Sales Expense	274,037	274,037	-0-	274,037	256,807
Office Rent	17,427	17,427	-0-	17,427	17,427
Dues and Subscriptions	2,485	2,485	-0-	2,485	1,554
O.C. Fisher Operations & Maintenance Fees	132,418	132,418	-0-	132,418	68,743
Other	749	749	-0-	749	1,091
Capital Outlay	17,200	17,200	(17,200)	-0-	-0-
Depreciation	-0-	-0-	2,530	2,530	1,891
Total Expenditures/Expenses	<u>\$ 783,058</u>	<u>\$ 783,058</u>	<u>(\$ 14,670)</u>	<u>\$ 768,388</u>	<u>\$ 788,809</u>
Excess/(Deficiency) of Revenues Over					
Expenditures	(\$ 3,162)	(\$ 3,162)	\$ 14,670		
Change in Net Position				\$ 11,508	(\$ 54,086)
Fund Balance/Net Position:					
Beginning of the Year, as Previously Stated	3,725,254	3,725,254	(1,194)	3,724,060	3,778,146
Restatement	68,059	68,059	-0-	68,059	-0-
Beginning of the Year, as Adjusted	<u>\$ 3,793,313</u>	<u>\$ 3,793,313</u>	<u>(\$ 1,194)</u>	<u>\$ 3,792,119</u>	<u>\$ 3,778,146</u>
End of the Year	<u>\$ 3,790,151</u>	<u>\$ 3,790,151</u>	<u>\$ 13,476</u>	<u>\$ 3,803,627</u>	<u>\$ 3,724,060</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, 2021

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 of Coke, Concho, Crockett, Glasscock, Irion, Menard, Mitchell, Nolan, Regan, Runnels, Schleicher, Sterling, Taylor and Tom Green 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, 2021, 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 upper portion of the Colorado River basin and watershed. The Authority implements three EPA NPS grant programs and is a wholesale water supplier to nearby communities, rural housing developments and other retail water suppliers located near San Angelo.

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 position and governmental fund balance sheet and the statement of activities and governmental fund revenues, expenditures, and changes in fund balance 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.

UPPER COLORADO RIVER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended August 31, 2021

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.

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 Authority 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 2020 for the September 1, 2020 to August 31, 2021 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 year ended August 31, 2021, salaries, benefits, and payroll taxes exceeded budgeted expenditures by \$1,534, employee allowances exceeded budgeted expenditures by \$1,015, water sales expense exceeded budgeted expenditures by \$13,241, and capital outlay/depreciation exceeded budgeted expenditures by \$530.

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.

UPPER COLORADO RIVER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended August 31, 2021

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 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, 2021, the cash accounts and certificates of deposit held by the Authority are fully covered by Federal Deposit Insurance Corporation coverage, except for one. Financial Square Government Fund, with a balance of \$326,088 as of August 31, 2021, exceeds the Federal Deposit Insurance Corporation limit by \$76,088.

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, 2021

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	97,202	17,200	-0-	114,402
Total Depreciable	<u>\$ 1,006,337</u>	<u>\$ 17,200</u>	<u>\$ -0-</u>	<u>\$ 1,023,537</u>
<u>Less: Accumulated Depreciation</u>				
Accumulated Depreciation	(\$ 997,778)	(\$ 2,530)	\$ -0-	(\$ 1,000,308)
Total Accumulated Depreciation	<u>(\$ 997,778)</u>	<u>(\$ 2,530)</u>	<u>\$ -0-</u>	<u>(\$ 1,000,308)</u>
Net Property, Plant, and Equipment	<u>\$ 8,559</u>	<u>\$ 14,670</u>	<u>\$ -0-</u>	<u>\$ 23,229</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.	\$ 81,879
Less: Current Portion of Long-term Notes Receivable	<u>(13,004)</u>
Total Long-term Notes Receivable	<u>\$ 68,875</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, 2021, contributions to the plan were \$4,357.

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, 2021

<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, 2021, 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, 2021

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, 2021, approximately 76% 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, 2021 was \$12,904.

NOTE 11: CONCENTRATIONS AND UNCERTAINTIES

As of August 31, 2021, approximately 79% of the Authority's revenue for the year was from Petra Firma, City of San Angelo O.C. Fischer, Concho Rural Water Corporation, 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.

UPPER COLORADO RIVER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended August 31, 2021

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. 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:

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 December 15, 2021. 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

UPPER COLORADO RIVER AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended August 31, 2021

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, 2020. The Authority has not yet determined the impact that implementation of GASB 87 will have on its net position.

NOTE 16: RESTATEMENT

The beginning net position was restated to reflect revenues that were improperly recorded in the prior year. The restatement resulted in an increase to accounts receivable and an increase to net position as of September 1, 2020.

NOTE 17: DATE OF MANAGEMENT'S REVIEW

The Authority has evaluated subsequent events through October 26, 2021, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

UPPER COLORADO RIVER AUTHORITY

Budgetary Comparison Schedule

For the Year Ended August 31, 2021

	Budget		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
Revenues:				
Interest on Notes Receivable	\$ 4,425	\$ 4,425	\$ 4,423	(\$ 2)
Interest on Temporary Investments	77,350	71,000	70,501	(499)
Other Revenue	68,563	132,402	132,715	313
Special Project and Grant Revenue	253,081	189,652	186,657	(2,995)
Water Sales	192,261	365,100	385,600	20,500
Total Revenues	<u>\$ 595,680</u>	<u>\$ 762,579</u>	<u>\$ 779,896</u>	<u>\$ 17,317</u>
Expenditures/Expenses:				
Salaries, Benefits, and Payroll Taxes	\$ 215,468	\$ 241,109	\$ 242,643	(\$ 1,534)
Employee Allowances	-0-	-0-	1,015	(1,015)
Professional Fees	16,575	18,529	16,858	1,671
Director Fees	20,000	14,600	14,523	77
Office Supplies	1,500	1,600	1,457	143
Equipment Rental	3,800	4,350	3,796	554
Insurance	4,817	4,800	4,602	198
Repairs and Maintenance	-0-	-0-	555	(555)
Utilities	9,000	7,600	7,532	68
Special Project and Grant Expenses	56,159	71,938	45,761	26,177
Water Sales Expense	119,336	260,796	274,037	(13,241)
Office Rent	17,427	17,427	17,427	-0-
Dues and Subscriptions	1,800	2,525	2,485	40
O.C. Fisher Operations & Maintenance Fees	69,447	133,818	132,418	1,400
Other	1,200	1,000	749	251
Capital Outlay/Depreciation	5,000	2,000	2,530	(530)
Total Expenditures/Expenses	<u>\$ 541,529</u>	<u>\$ 782,092</u>	<u>\$ 768,388</u>	<u>\$ 13,704</u>
Excess/(Deficiency) of Revenues Over Expenditures	\$ 54,151	(\$ 19,513)	\$ 11,508	\$ 31,021
Fund Balance/Net Position:				
Beginning of the Year	3,688,265	3,716,344	3,724,060	7,716
End of the Year	<u>\$ 3,742,416</u>	<u>\$ 3,696,831</u>	<u>\$ 3,735,568</u>	<u>\$ 38,737</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, 2021

	<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	

See Independent Auditors' Report.

UPPER COLORADO RIVER AUTHORITY

Schedule of General Fund Expenditures

For the Year Ended August 31, 2021

Personnel (including benefits)*	\$ 242,643
Professional Fees:	
Auditing	12,000
Investment Fees	4,858
Purchase Services For Resale:	
Raw Water Costs	274,037
Utilities	7,532
Administrative:	
Directors' Fees	14,523
Office Supplies	1,457
Insurance	4,602
Rent	17,427
Special Projects and Grant Expenditures	45,761
Other	<u>158,218</u>
Total Expenditures Excluding Depreciation and Amortization	<u><u>\$ 783,058</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, 2021

	Identification Number	Interest Rate (%)	Maturity Date	Balance at End of Year	Accrued Interest Receivable
First Financial Trust and Asset Management:					
Cash Held	19-000346	N/A	N/A	\$ 104	\$ -0-
Financial Square Govt Fund	19-000346	N/A	N/A	326,088	-0-
Total Money Market				\$ 326,192	\$ -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	0.45	05/10/2023	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-
Certificate of Deposit	19-000346	0.49	02/26/2024	250,000	-0-
Certificate of Deposit	19-000346	0.45	04/08/2024	250,000	-0-
Total Certificates of Deposit				\$ 3,150,000	\$ -0-
Total Investments				\$ 3,476,192	\$ -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, 2021

	Amounts					Percent of Fund Total Revenue				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
OPERATING REVENUES:										
Interest on Notes Receivable	\$ 4,423	\$ 5,042	\$ 5,057	\$ 10,220	\$ 10,454	0.57	0.69	0.89	2.13	2.64
Interest on Temporary Investments	70,501	100,285	81,244	9,233	9,238	9.04	13.65	14.36	1.92	2.34
Special Project and Grant Revenue	186,657	246,290	225,969	255,873	193,477	23.93	33.52	39.95	53.27	48.93
Other Revenue	132,715	69,062	58,627	94	5,100	17.02	9.40	10.37	0.02	1.29
Water Sales	385,600	314,044	194,694	204,906	177,125	49.44	42.74	34.42	42.66	44.80
Total Operating Revenues	<u>\$ 779,896</u>	<u>\$ 734,723</u>	<u>\$ 565,591</u>	<u>\$ 480,326</u>	<u>\$ 395,394</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	\$ 242,643	\$ 250,041	\$ 319,772	\$ 311,302	\$ 289,016	31.11	34.03	56.54	64.81	73.10
Employee Non-Project Travel	1,015	7,895	4,800	6,480	6,480	0.13	1.07	0.85	1.35	1.64
Professional Fees	16,858	18,978	22,919	13,040	14,507	2.16	2.58	4.05	2.71	3.67
Director Fees	14,523	15,479	22,115	-0-	-0-	1.86	2.11	3.91	0.00	0.00
Office Supplies	1,457	1,367	1,727	19,798	19,045	0.19	0.19	0.31	4.12	4.82
Equipment Rental	3,796	3,594	3,878	1,563	1,828	0.49	0.49	0.69	0.33	0.46
Insurance	4,602	5,137	6,074	3,717	3,285	0.59	0.70	1.07	0.77	0.83
Repairs and Maintenance	555	-0-	-0-	5,675	5,372	0.07	0.00	0.00	1.18	1.36
Utilities	7,532	7,140	12,301	162	372	0.97	0.97	2.17	0.03	0.09
Janitorial	-0-	900	2,850	8,705	7,870	0.00	0.12	0.50	1.81	1.99
Special Project and Grant Expenses	45,761	130,765	80,721	3,300	3,000	5.87	17.80	14.27	0.69	0.76
Water Sales Expense	274,037	256,807	138,774	96,630	82,983	35.14	34.95	24.54	20.12	20.99
Office Rent	17,427	17,427	17,427	136,881	115,723	2.23	2.37	3.08	28.50	29.27
Dues and Subscriptions	2,485	1,554	782	17,427	17,427	0.32	0.21	0.14	3.63	4.41
O.C. Fisher Operations & Maintenance Fees	132,418	68,743	58,811	1,095	1,150	16.98	9.36	10.40	0.23	0.29
Other	749	1,091	1,207	1,892	3,694	0.10	0.15	0.21	0.39	0.93
Capital Outlay	17,200	1,891	190	-0-	-0-	2.21	0.26	0.03	0.00	0.00
Total Expenditures	<u>\$ 783,058</u>	<u>\$ 788,809</u>	<u>\$ 694,348</u>	<u>\$ 627,667</u>	<u>\$ 571,752</u>	<u>100.41</u>	<u>107.36</u>	<u>122.77</u>	<u>130.68</u>	<u>144.60</u>
Excess/(Deficiency) of Revenues										
Over Expenditures	<u>(\$ 3,162)</u>	<u>(\$ 54,086)</u>	<u>(\$ 128,757)</u>	<u>(\$ 147,341)</u>	<u>(\$ 176,358)</u>	<u>(0.41)</u>	<u>(7.36)</u>	<u>(22.77)</u>	<u>(30.68)</u>	<u>(44.60)</u>

See Independent Auditors' Report.

UPPER COLORADO RIVER AUTHORITY

Board Members, Key Personnel, and Consultants

For the Year Ended August 31, 2021

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, 2021		Title at Year End
		Fees	Expense Reimbursements	
<u>Board Members</u>				
Nancy Blackwell	(Appointed) October 2019 - February 2025	\$ 1,500	\$ 366	Chairperson
Erica Hall	(Appointed) August 2018- February 2027	\$ 900	\$ 501	Vice Chairperson
Kathy Mews	(Appointed) August 2018- February 2023	\$ 1,350	\$ 373	Treasurer
Che Stone	(Appointed) March 2011- February 2023	\$ 1,200	\$ -0-	Secretary
Mason Vaughan	(Appointed) October 2019 - February 2025	\$ 1,200	\$ 353	Director
Tanner Mahan	(Appointed) August 2018- February 2023	\$ 1,200	\$ 262	Director
Fred Hernandez	(Appointed) October 2019 - February 2025	\$ 1,050	\$ -0-	Director
Reese Braswell	(Appointed) October 2019 - February 2027	\$ 1,350	\$ 353	Director
Leslie Lasater	(Appointed) March 2021 - February 2027	\$ 300	\$ -0-	Director
<u>Key Administrative Personnel</u>				
Ellen Groth	November 1994	\$ 89,157	\$ -0-	Administrative and Financial Manager
Scott McWilliams	September 2001	\$ 89,561	\$ 4,469	Director of Operations
Lexi Woods	June 2021	\$ 14,101	\$ 845	Environmental Specialist
<u>Independent Auditors</u>				
Armstrong, Backus & Co., LLP	September 2019	\$ 12,000	\$ -0-	Auditor

See Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

UPPER COLORADO RIVER AUTHORITY

Schedule of Insurance Coverage

For the Year Ended August 31, 2021

<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 - Vice Chairman	\$ 50,000	Glenn-Bivins Insurance	Stock	Yes
Fidelity Bonds - Treasurer	\$ 50,000	Glenn-Bivins Insurance	Stock	Yes
Fidelity Bonds - Secretary	\$ 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.