ARMSTRONG, BACKUS & CO., LLP
Certified Public Accountants

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Financial Statements

For the Year Ended August 31, 2026

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UPPER COLORADO RIVER AUTHORITY

Financial Statements

For the Year Ended August 31, 2026

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FINANCIAL SECTION

ARMSTRONG, BACKUS & CO., LLP
Certified Public Accountants

Board of Directors
Upper Colorado River Authority
San Angelo, Texas

INDEPENDENT AUDITORS' REPORT

Opinion

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, 2026, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Upper Colorado River Authority as of August 31, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for the 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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
November 5, 2026

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 the Authority for the fiscal year ended August 31, 2026. 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/Net Position, 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 balance/net position 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 $3,909,999, the largest components are: (1) cash and investments of $3,430,325 or 88%, (2) accounts and water sales receivable of $177,539 or 5%, and (3) notes receivable of $15,054 or 1%. Right of use and capital assets are non-liquid assets and cannot be utilized to satisfy current Authority obligations.

Governmental activities increased the Authority's net position by $28,175 to result in an ending net position balance of $3,634,053. The primary cause of this increase in net position was due to an increase special project, grant, and water sales revenue. Of the $3,634,053 net position, $13,928 are funds invested in capital assets, net of related debt. The remaining $3,620,125 is unrestricted.

Table 1 - Net Position

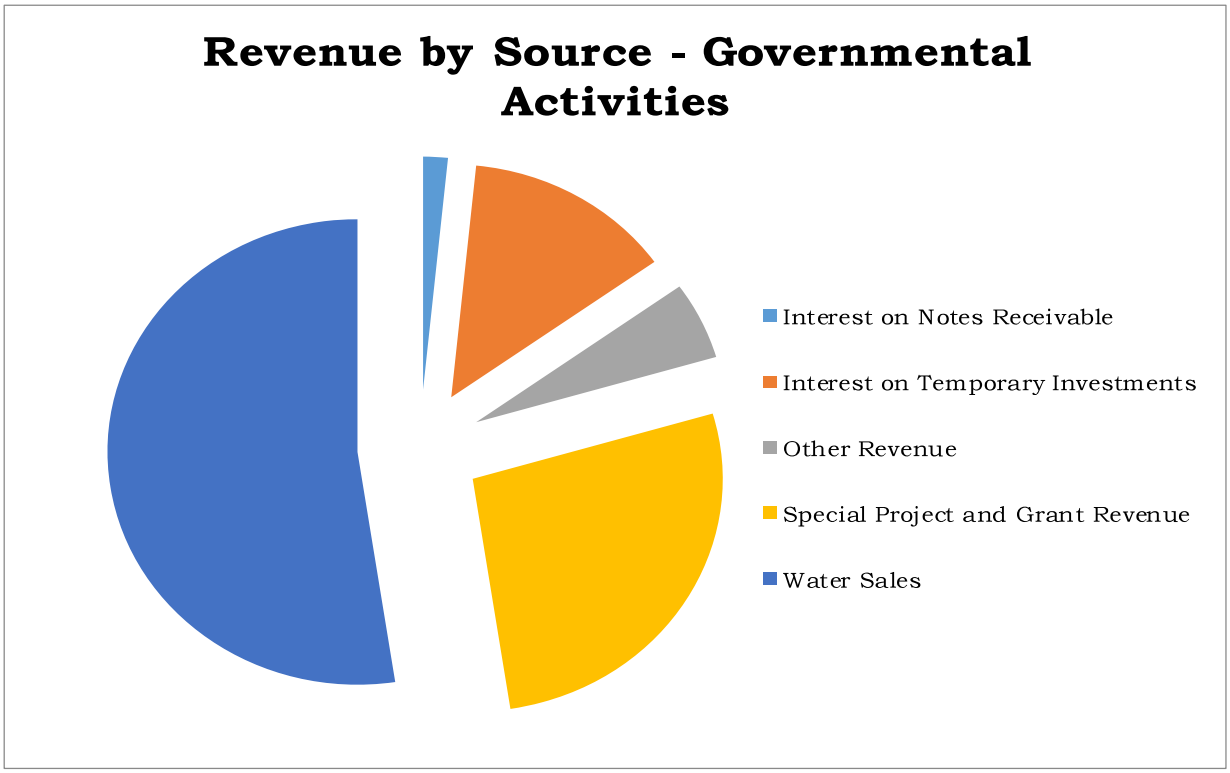
	2026	2025
Current and Other Assets	$ 3,384,463	$ 3,647,783
Capital Assets	224,536	224,536
Total Assets	$ 3,909,999	$ 3,872,319
Current Liabilities	$ 72,234	$ 62,729
Long-term Liabilities	203,712	203,712
Total Liabilities	$ 275,946	$ 266,441
Net Position:		
Net Investment in Capital Assets	$ 13,928	$ 13,928
Unrestricted	3,620,125	3,591,950
Total Net Position	$ 3,634,053	$ 3,605,878

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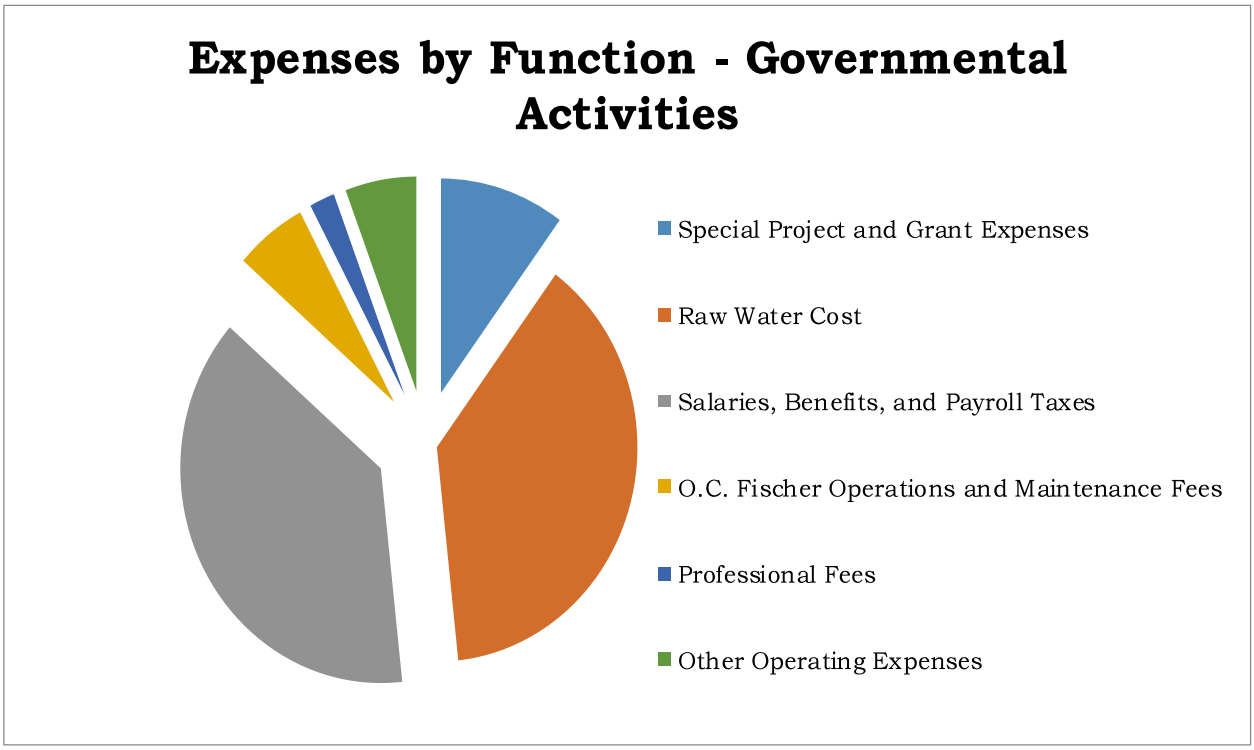
Table 2 – Changes in Net Position

	2026	2025
REVENUES		
General:		
Interest on Notes Receivable	$ 17,427	$ 17,427
Interest on Temporary Investments	148,416	161,621
Other Revenue	58,968	71,317
Program:		
Special Project and Grant Revenue	297,345	211,135
Water Sales	575,110	498,731
Total Revenues	$ 1,097,266	$ 960,231
EXPENSES		
Salaries, Benefits, and Payroll Taxes	$ 407,665	$ 389,311
Employee Non-Project Travel	3,964	5,968
Professional Fees	21,780	20,936
Director Fees	12,609	14,307
Office Supplies	1,967	1,769
Equipment Rental	3,171	3,146
Insurance	5,055	4,613
Utilities	9,128	8,683
Special Project and Grant Expenses	107,890	141,471
Water Sales Expense	408,479	377,181
Office Rent	17,427	17,427
Dues and Subscriptions	6,652	5,479
O.C. Fisher Operations and Maintenance Fees	61,996	78,597
Other	1,308	1,186
Depreciation and Amortization	-0-	5,548
Total Expenses	$ 1,069,091	$ 1,075,622
Change in Net Position	$ 28,175	($ 115,391)
Net Position:		
Beginning of the Year	3,605,878	3,604,809
Restatement	-0-	116,460
End of the Year	$ 3,634,053	$ 3,605,878

Revenues for the Upper Colorado River Authority are broken out in the following chart. Of the Authority's $1,097,266 of total revenue, $297,345 or 27% represents grant revenue and special project revenue. $165,843 or 15% represents interest income from notes receivable and temporary investments (certificates of deposit). $575,110 or 53% relates to water sales for the year, and the remaining $58,968 or 5% relates to other contract sales.



Expenses for the Upper Colorado River Authority are broken out in the following chart. Of the Authority's $1,069,091 total expenses, $107,890 or 10% represents federal, state, or local special project and grant expenses, $408,479 or 38% represents raw water cost, which is passed through to the jurisdiction, and $552,722 or 52% represents operating expenses, including operating salaries, utilities, rent, directors' fees, and insurance (including salaries and indirect costs reimbursed by federal, state, or local agencies).



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 2026 in the amount of $1,032,798 for the fiscal year ending August 31, 2027, which is a decrease of $13,186 from the fiscal year ended August 31, 2026.

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, 2026

	General Fund	Total	Adjustments (Note 13)	Statement of Net Position	2025 Memorandum Only
ASSETS					
Cash	$ 100,108	$ 100,108	$ -0-	$ 100,108	$ 127,935
Certificates of Deposit	3,330,217	3,330,217	-0-	3,330,217	3,327,562
Accounts Receivable	7,229	7,229	-0-	7,229	18,214
Notes Receivable - Current	15,054	15,054	-0-	15,054	15,054
Water Revenue Receivable	170,310	170,310	-0-	170,310	96,473
Accrued Interest Receivable	9,465	9,465	-0-	9,465	9,465
Prepayments	28,827	28,827	-0-	28,827	28,827
Notes Receivable - Long-term	24,253	24,253	-0-	24,253	24,253
Capital Assets (Net of $1,029,006 Accumulated Depreciation and Amortization)	-0-	-0-	224,536	224,536	224,536
Total Assets	$ 3,685,463	$ 3,685,463	$ 224,536	$ 3,909,999	$ 3,872,319
LIABILITIES					
Accounts Payable	$ 48,360	$ 48,360	$ -0-	$ 48,360	$ 39,583
Payroll Liabilities	7,225	7,225	9,753	16,978	16,250
Lease Liabilities - Current	-0-	-0-	7,843	7,843	6,896
Lease Liabilities - Long-term	-0-	-0-	202,765	202,765	203,712
Total Liabilities	$ 55,585	$ 55,585	$ 220,361	$ 275,946	$ 266,441
FUND BALANCE/NET POSITION					
Fund Balance:					
Nonspendable:					
Notes Receivable (Long-term)	$ 24,253	$ 24,253	($ 24,253)		
Prepayments	28,827	28,827	(28,827)		
Unassigned	3,576,798	3,576,798	(3,576,798)		
Total Fund Balance	$ 3,629,878	$ 3,629,878	($ 3,629,878)		
Total Liabilities and Fund Balance	$ 3,685,463	$ 3,685,463			
Net Position:					
Net Investment in Capital Assets			$ 13,928	$ 13,928	$ 13,928
Unrestricted			3,620,125	3,620,125	3,591,950
Total Net Position			$ 3,634,053	$ 3,634,053	$ 3,605,878

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/Net Position

For the Year Ended August 31, 2026

	General Fund	Total	Adjustments (Note 13)	Statement of Activities	2025 Memorandum Only
Revenues:					
General:					
Interest on Notes Receivable	$ 17,427	$ 17,427	$ -0-	$ 17,427	$ 17,427
Interest on Temporary Investments	148,416	148,416	-0-	148,416	161,621
Other Revenue	58,968	58,968	-0-	58,968	71,317
Program:					
Special Project and Grant Revenue	297,345	297,345	-0-	297,345	211,135
Water Sales	575,110	575,110	-0-	575,110	498,731
Total Revenues	$ 1,097,266	$ 1,097,266	$ -0-	$ 1,097,266	$ 960,231
Expenditures/expenses:					
Salaries, Benefits, and Payroll Taxes	$ 407,665	$ 407,665	$ -0-	$ 407,665	$ 389,311
Employee Non-Project Travel	3,964	3,964	-0-	3,964	5,968
Professional Fees	21,780	21,780	-0-	21,780	20,936
Director Fees	12,609	12,609	-0-	12,609	14,307
Office Supplies	1,967	1,967	-0-	1,967	1,769
Equipment Rental	3,171	3,171	-0-	3,171	3,146
Insurance	5,055	5,055	-0-	5,055	4,613
Utilities	9,128	9,128	-0-	9,128	8,683
Special Project and Grant Expenses	107,890	107,890	-0-	107,890	141,471
Water Sales Expense	408,479	408,479	-0-	408,479	377,181
Office Rent	17,427	17,427	-0-	17,427	17,427
Dues and Subscriptions	6,652	6,652	-0-	6,652	5,479
O.C. Fisher Operations and Maintenance Fees	61,996	61,996	-0-	61,996	78,597
Other	1,308	1,308	-0-	1,308	1,186
Depreciation and Amortization	-0-	-0-	-0-	-0-	5,548
Total Expenditures/Expenses	$ 1,069,091	$ 1,069,091	$ -0-	$ 1,069,091	$ 1,075,622
Excess/(Deficiency) of Revenues Over Expenditures	$ 28,175	$ 28,175	$ -0-		
Change in Net Position				$ 28,175	($ 115,391)
Fund Balance/Net Position:					
Beginning of the Year	3,601,703	3,601,703	4,175	3,605,878	3,604,809
Restatement	-0-	-0-	-0-	-0-	116,460
End of the Year	$ 3,629,878	$ 3,629,878	$ 4,175	$ 3,634,053	$ 3,605,878

The accompanying notes are an integral part of this statement.

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 Coke, Concho, Crockett, Glasscock, Irion, Menard, Mitchell, Nolan, Reagan, 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, 2026, 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/net position 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.

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 2025 for the September 1, 2025 to August 31, 2026 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, 2026, salaries exceeded budgeted expenditures by $864, insurance exceeded budgeted expenditures by $155, special project and grant expenses exceeded budgeted expenditures by $12,362, water sales expense exceeded budgeted expenditures by $20,379, and dues and subscriptions exceeded budgeted expenditures by $152.

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 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

Leases

Lease assets are amortized over the life of the associated contract.

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, 2026, 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 are insured as explained in Note 2 above. At various times during the year, these investments may exceed secured amounts.

NOTE 4: CAPITAL ASSETS

Current year changes in capital assets are summarized below:

	Beginning Balance	Additions	Disposals	Ending Balance
Assets Being Depreciated:				
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	127,231	-0-	-0-	127,231
Total Depreciable	$ 1,036,366	$ -0-	$ -0-	$ 1,036,366
Less: Accumulated Depreciation				
Accumulated Depreciation	($ 1,018,664)	$ -0-	$ -0-	($ 1,018,664)
Total Accumulated Depreciation	($ 1,018,664)	$ -0-	$ -0-	($ 1,018,664)
Net Property, Plant, and Equipment	$ 17,702	$ -0-	$ -0-	$ 17,702
Lease Assets:				
Building	$ 217,176	$ -0-	$ -0-	$ 217,176
Total Amortizable	$ 217,176	$ -0-	$ -0-	$ 217,176
Less: Accumulated Amortization				
Accumulated Amortization	($ 10,342)	$ -0-	$ -0-	($ 10,342)
Total Accumulated Amortization	($ 10,342)	$ -0-	$ -0-	($ 10,342)
Net Lease Assets	$ 206,834	$ -0-	$ -0-	$ 206,834
Net Capital Assets	$ 224,536	$ -0-	$ -0-	$ 224,536

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.	$ 39,307
Less: Current Portion of Long-term Notes Receivable	(15,054)
Total Long-term Notes Receivable	$ 24,253

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, 2026, employer contributions to the plan were $8,192.

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:

Years of UCRA Full-Time Employment	Maximum Hours to be Paid at Separation
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, 2026, 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 $0.597 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 $2.91 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 $2.90 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 $367 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, 2026, approximately 62% of the total purchases for the year were from one vendor.

NOTE 11: CONCENTRATIONS AND UNCERTAINTIES

As of August 31, 2026, approximately 64% of the Authority's revenue for the year was from Petra Firma, 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: LEASES

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. The total of the Authority's lease assets is recorded at cost of $217,176, less accumulated amortization of $10,342.

The future lease payments under this lease agreement are as follows:

	Principal	Interest	Total
2027	$ 7,843	$ 9,584	$ 17,427
2028	8,245	9,182	17,427
2029	8,666	8,761	17,427
2030	9,110	8,317	17,427
2031	9,576	7,851	17,427
2032 – 2036	55,749	31,386	87,135
2037 – 2041	71,546	15,589	87,135
2042 – 2046	39,873	848	40,721
	$ 210,608	$ 120,500	$ 302,126

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. 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: DATE OF MANAGEMENT'S REVIEW

The Authority has evaluated subsequent events through November 5, 2026, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER COLORADO RIVER AUTHORITY

Budgetary Comparison Schedule

For the Year Ended August 31, 2026

	Budget			Variance Favorable
	Original	Amended	Actual	(Unfavorable)
Revenues:				
General:				
Interest on Notes Receivable	$ 829	$ 829	$ 17,427	$ 16,598
Interest on Temporary Investments	148,000	147,000	148,416	1,416
Other Revenue	77,700	61,625	58,968	(2,657)
Program:				
Special Project and Grant Revenue	296,916	271,956	297,345	25,389
Water Sales	467,452	553,955	575,110	21,155
Total Revenues	$ 990,897	$ 1,035,365	$ 1,097,266	$ 61,901
Expenditures/Expenses:				
Salaries, Benefits, and Payroll Taxes	$ 406,801	$ 406,801	$ 407,665	($ 864)
Employee Non-Project Travel	6,500	4,000	3,964	36
Professional Fees	21,500	22,000	21,780	220
Director Fees	17,000	15,000	12,609	2,391
Office Supplies	2,500	2,500	1,967	533
Equipment Rental	3,900	3,900	3,171	729
Insurance	4,900	4,900	5,055	(155)
Utilities	10,000	10,000	9,128	872
Special Project and Grant Expenses	79,619	95,528	107,890	(12,362)
Water Sales Expense	327,495	388,100	408,479	(20,379)
Office Rent	17,427	17,427	17,427	-0-
Dues and Subscriptions	6,000	6,500	6,652	(152)
O.C. Fisher Operations and Maintenance Fees	78,554	62,380	61,996	384
Other	1,250	1,400	1,308	92
Capital Outlay/Depreciation	4,526	5,548	-0-	5,548
Total Expenditures/Expenses	$ 987,972	$ 1,045,984	$ 1,069,091	($ 23,107)
Excess/(Deficiency) of Revenues Over Expenditures	$ 2,925	($ 10,619)	$ 28,175	$ 38,794
Fund Balance/Net Position:				
Beginning of the Year	3,605,878	3,605,878	3,605,878	-0-
End of the Year	$ 3,608,803	$ 3,595,259	$ 3,634,053	$ 38,794

See Independent Auditors' Report.

TEXAS SUPPLEMENTARY INFORMATION

UPPER COLORADO RIVER AUTHORITY

Texas Supplementary Information Required by Texas Commission on Environmental Quality

For the Year Ended August 31, 2026

	Yes	N/A
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, 2026

Personnel (including benefits)*	$ 407,665
Professional Fees:	
Auditing	15,500
Investment Fees	6,280
Purchase Services For Resale:	
Raw Water Costs	408,479
Utilities	9,128
Administrative:	
Directors' Fees	12,609
Office Supplies	1,967
Insurance	5,055
Office Rent	17,427
Special Projects and Grant Expenditures	107,890
Other	77,091
Total Expenditures Excluding Depreciation and Amortization	$ 1,069,091

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

See Independent Auditors' Report.

UPPER COLORADO RIVER AUTHORITY

Schedule of Temporary Investments

For the Year Ended August 31, 2026

	Identification Number	Interest Rate (%)	Maturity Date	Balance at End of Year	Accrued Interest Receivable
First Financial Trust and Asset Management:					
Goldman Sachs Govt Fund	19-000346	N/A	N/A	$ 320,292	$ 2,760
Total Money Market				$ 320,292	$ 2,760
Certificate of Deposit	19-000346	4.550	07/08/2027	$ 250,000	$ 717
Certificate of Deposit	19-000346	4.600	07/08/2027	250,000	725
Certificate of Deposit	19-000346	4.150	11/22/2028	250,000	256
Certificate of Deposit	19-000346	3.700	03/06/2028	250,000	659
Certificate of Deposit	19-000346	4.850	06/07/2027	250,000	830
Certificate of Deposit	19-000346	4.100	07/06/2029	250,000	702
Certificate of Deposit	19-000346	3.900	03/26/2027	250,000	134
Certificate of Deposit	19-000346	4.000	12/30/2027	250,000	27
Certificate of Deposit	19-000346	3.900	07/10/2028	250,000	561
Certificate of Deposit	19-000346	5.250	11/10/2026	100,000	316
Certificate of Deposit	19-000346	3.700	09/25/2028	250,000	152
Certificate of Deposit	19-000346	3.770	01/15/2027	100,000	165
Certificate of Deposit	19-000346	3.600	01/16/2029	250,000	419
Total Certificates of Deposit				$ 2,950,000	$ 5,663
United States Treasury Note	19-000346	4.125	05/31/2026	$ 59,925	$ 1,042
Total United States Treasury Notes				$ 59,925	$ 1,042
Total Investments				$ 3,330,217	$ 9,465

See Independent Auditors' Report.

UPPER COLORADO RIVER AUTHORITY

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

For the Year Ended August 31, 2026

	Amounts					Percent of Fund Total Revenue				
	2026	2025	2024	2023	2022	2026	2025	2024	2023	2022
OPERATING REVENUES:										
General:										
Interest on Notes Receivable	$ 17,427	$ 17,427	$ 3,090	$ 3,772	$ 2,847	1.59	1.81	0.33	0.44	0.36
Interest on Temporary Investments	148,416	161,621	148,870	91,169	44,787	13.53	16.83	15.80	10.65	5.64
Other Revenue	58,968	71,317	136,203	151,470	98,757	5.37	7.43	14.44	17.70	12.43
Program:										
Special Project and Grant Revenue	297,345	211,135	209,461	168,055	187,752	27.10	21.99	22.23	19.63	23.64
Water Sales	575,110	498,731	444,807	441,503	460,128	52.41	51.94	47.20	51.58	57.93
Total Operating Revenues	$ 1,097,266	$ 960,231	$ 942,431	$ 855,969	$ 794,271	100.00	100.00	100.00	100.00	100.00
EXPENDITURES:										
Salaries, Benefits, and Payroll Taxes	$ 407,665	$ 389,311	$ 359,038	$ 331,940	$ 304,560	37.15	40.54	38.10	38.78	38.34
Employee Non-Project Travel	3,964	5,968	1,289	5,722	93	0.36	0.62	0.14	0.67	0.01
Professional Fees	21,780	20,936	19,432	27,762	20,655	1.98	2.18	2.06	3.24	2.60
Director Fees	12,609	14,307	10,176	11,117	13,676	1.15	1.49	1.08	1.30	0.00
Office Supplies	1,967	1,769	1,762	1,882	1,574	0.18	0.18	0.19	0.22	0.20
Equipment Rental	3,171	3,146	4,159	3,507	3,632	0.29	0.33	0.44	0.41	0.46
Insurance	5,055	4,613	4,847	4,821	4,788	0.46	0.48	0.51	0.56	0.60
Repairs and Maintenance	-0-	-0-	-0-	313	120	0.00	0.00	0.00	0.04	0.02
Utilities	9,128	8,683	7,670	6,448	6,662	0.83	0.90	0.81	0.75	0.84
Special Project and Grant Expenses	107,890	141,471	61,709	62,269	65,952	9.83	14.73	6.55	7.27	8.30
Water Sales Expense	408,479	377,181	363,732	351,663	346,817	37.23	39.28	38.60	41.08	43.66
Office Rent	17,427	17,427	17,427	17,427	6,568	1.59	1.81	1.85	2.04	0.83
Dues and Subscriptions	6,652	5,479	5,488	4,349	3,741	0.61	0.57	0.58	0.51	0.47
O.C. Fisher Operations and Maintenance Fees	61,996	78,597	134,616	144,922	100,894	5.65	8.19	14.28	16.93	12.70
Interest	-0-	-0-	-0-	-0-	10,859	0.00	0.00	0.00	0.00	1.37
Other	1,308	1,186	738	825	596	0.12	0.12	0.08	0.10	0.08
Capital Outlay	-0-	2,194	9,855	-0-	780	0.00	0.23	1.05	0.00	0.00
Total Expenditures	$ 1,069,091	$ 1,072,268	$ 1,001,938	$ 974,967	$ 891,967	97.43	111.65	106.32	113.90	110.48
Excess/(Deficiency) of Revenues Over Expenditures	$ 28,175	($ 112,037)	($ 59,507)	($ 118,998)	($ 97,696)	2.57	(11.65)	(6.31)	(13.90)	(10.48)

See Independent Auditors' Report.

UPPER COLORADO RIVER AUTHORITY

Board Members, Key Personnel, and Consultants

For the Year Ended August 31, 2026

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, 2026 Fees	Fiscal Year Ended August 31, 2026 Expense Reimbursements	Title at Year End
Board Members				
Nancy Blackwell	(Appointed) October 2019 - February 2031	$ 900	$ 310	Chairperson
Erica Hall	(Appointed) August 2018 - February 2027	$ 300	$ 254	Vice Chairperson
Kathy Mews	(Appointed) August 2018 - February 2029	$ 900	$ 1,228	Treasurer
Reese Braswell	(Appointed) October 2019 - February 2027	$ 600	$ 224	Secretary
Nathan Callicoatte	(Appointed) March 2024 - February 2029	$ 600	$ 83	Director
Mason Vaughan	(Appointed) October 2019 - February 2031	$ 600	$ 254	Director
Tanner Mahan	(Appointed) August 2018 - February 2029	$ 600	$ 376	Director
Fred Hernandez	(Appointed) October 2019 - February 2031	$ 750	$ -0-	Director
Leslie Lasater	(Appointed) March 2021 - February 2027	$ 750	$ -0-	Director
Key Administrative Personnel				
Ellen Groth	November 1994	$ 102,559	$ 28	Administrative and Financial Manager
Scott McWilliams	September 2001	$ 109,429	$ 11,695	General Manager
Lexi Woods	June 2021	$ 68,357	$ -0-	Environmental Specialist
Independent Auditors				
Armstrong, Backus & Co., LLP	September 2019	$ 15,500	$ -0-	Auditor

OTHER SUPPLEMENTARY INFORMATION

UPPER COLORADO RIVER AUTHORITY

Schedule of Insurance Coverage

For the Year Ended August 31, 2026

Type of Coverage	Amount of Coverage	Agent	Type of Corporation Stock/Mutual	Policy Clause Co-Insurance
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
Fidelity Bonds - General Manager	$ 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.