Edwards Aquifer Authority

Annual Financial Report
December 31, 2022

Contents

This page intentionally left blank.

Financial Section

This page intentionally left blank.

Independent Auditor's Report

Board of Directors
Edwards Aquifer Authority

Opinion

We have audited the financial statements of Edwards Aquifer Authority (EAA), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise EAA'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 financial position of Edwards Aquifer Authority as of December 31, 2022 and 2021, and the changes in financial position, and, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of EAA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's 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 auditor's report that includes our opinion. 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 EAA'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 EAA'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, Schedules of Changes in Net Pension Liability, Schedule of the EAA's Pension Contribution and Notes to Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the EAA's basic financial statements. The Schedules of Expenses—Budget and Actual (General Operations and Habitat Conservation Plan)—Non-GAAP Basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Expenses—Budget and Actual (General Operations and Habitat Conservation Plan)—Non-GAAP Basis is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

San Antonio, Texas
[DATE]

This discussion and analysis serves as an introduction to the Edwards Aquifer Authority (EAA) basic financial statements and provides an overview and analysis of financial activities for the years ended December 31, 2022 and 2021, and identifies changes in its financial position for the year. The discussion and analysis provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements including the notes to the basic financial statements, which follow this section.

Condensed financial data is presented for the three years ended December 31, 2022, 2021, and 2020, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

FINANCIAL HIGHLIGHTS

- The nonagricultural permit holder combined $84 per acre-foot aquifer management fee was maintained for an eleventh consecutive year in primary support of the two programmatic areas of the EAA: EAA general operations and the Edwards Aquifer Habitat Conservation Plan (EAHCP).

- The agricultural permit holder rate of $2 per acre-foot remained unchanged, as set forth in the EAA Act.

- Nonagricultural revenue and agricultural permit holder fee revenue increased $1,041,994, or 3.4% from 2021 and decreased $385,418, or 1.2%, from 2020 to 2021.

- A conservation grant for $100,000 was received in 2022 and 2021 to supplement EAA funds provided to permit holders for conservation initiatives.

- The Edwards Aquifer Conservancy (EAC), a nonprofit, supporting organization of the EAA reported as a blended component unit in the EAA's financial statements, received a contribution in 2022 of $700,000 to lease up to 400 acre-feet of groundwater water rights for a ten year period and forbear groundwater pumping of those rights each year as part of the EAA aquifer sustainability program. The EAC acquired the groundwater lease, recorded as an intangible capital asset in the financial statements, that will be amortized equally over the next ten years. The EAC also received donation of oil and mineral rights in several counties located throughout Texas, valued at $111,790, and recorded as a level 3 investment.

- The assets and deferred outflows of resources of the EAA exceeded liabilities and deferred inflows of resources as of December 31, 2022 by $56,665,411 (*net position*). Of this amount, $22,702,150 is reported as *restricted*, obligated to the EAHCP, with an *unrestricted* amount of $17,266,664 available to meet ongoing EAA general operating obligations. The remaining balance of $16,696,597 consists of the EAA's net investment in capital assets.

- EAA total net position decreased $1,576,066 or 2.7%, from 2021, of which an increase of $553,211 is related to net investment in capital assets, a decrease of $6,397,515 is related to EAHCP and an increase of $4,268,238 is related to EAA General Operations.

- An EAHCP Voluntary Irrigation Suspension Program Option (VISPO) springflow conservation measure commitment of $7,477,558 was accrued as of December 31, 2022 for payment to permit holders for forbearance of pumping enrolled water in 2023. Note 13 to the financial statements provides details of the commitment.

- In 2022, the EAA repaid $230,000 towards the principal portion of its General Improvement Revenue Note, issued in 2011. No additional debt was issued during 2022. Note 5 to the financial statements provides details of the long-term debt obligation.

- In 2022, the EAA repaid $53,107 towards the lease liability for the Morgan's Wonderland Camp – Education Outreach Center (MWC) capital lease obligation and $7,121 towards the lease liability for leased office equipment. The MWC lease obligation, which commenced May 1, 2021, totaled $2,156,714; the lease obligation for office equipment, recorded with the implementation effective date of January 1, 2022, totaled $26,712. Note 5 to the financial statements provides details of the long-term capital lease obligation.

- As of December 31, 2022, accrued conservation rebates of $81,984 are held pending payment to certain nonagricultural permit holders once outstanding compliance matters are resolved. In 2014, the EAA discontinued the aquifer management fee conservation rebate program. Under the rebate program, nonagricultural permit holders received a rebate of aquifer management fees paid for groundwater conserved in the previous year. The rebate was not applicable to the EAHCP program aquifer management fee.

USING THIS ANNUAL REPORT

Since all activities of the EAA are financed primarily by fees charged to external parties, it is reported as an enterprise fund and considered a "business-type activity" in accordance with the requirements of GASB Statement No. 34. In addition, because the EAA is engaged only in business-type activities, it is required to present only the financial statements required for enterprise funds. Three financial statements are presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

One of the most important questions asked about EAA finances is whether its financial position has improved as a result of the year's activities. The Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows present information that is useful in addressing this question and in assessing the financial health of the EAA.

Statement of Net Position

The Statement of Net Position presents EAA assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of the end of the fiscal year. This statement is prepared under the accrual basis of accounting in which revenues and assets are recognized when earned or acquired, and expenses and liabilities are recognized when incurred regardless of when cash is received or paid. The information presented is useful in determining the assets available for EAA operations, as well as how much the EAA owes to vendors, debt holders and other entities at the end of the year. Net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—can be a factor in assessing the financial position of the EAA. Over time, increases or decreases in net position are one indicator of whether the EAA's financial health is improving or deteriorating when considered with other factors such as debt activity and investment in capital assets.

Assets and liabilities are classified based on liquidity and longevity. Current liabilities are generally those liabilities which are due within one year, and current assets are those assets which are available to satisfy current liabilities. Noncurrent assets include capital assets and long-term notes receivable.

Deferred outflows or inflows of resources related to pension obligations, are reflected on the Statement of Net Position and adjusted each year in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Net position is presented in three major categories. Amounts presented as "Net Investment in Capital Assets" represent the EAA's investment in land, buildings and improvements, furniture and equipment and vehicles, net of accumulated depreciation and debt. Restricted net position reflects those assets on which constraints are placed by creditors (such as through debt covenants), grantors, contributors or laws and regulations of other governments; or by law through constitutional provisions or enabling legislation of the government itself. The EAA currently has restricted assets related to the EAHCP. Unrestricted net position is available for any lawful purpose. Further detail concerning assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position is presented in the Statement of Net Position and the notes to the basic financial statements.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position, as presented in the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. Principal operating revenues of the EAA are generated from aquifer management fees and program aquifer management fees charged to EAA groundwater withdrawal permit holders. Operating expenses are incurred in administering the activities of the EAA and the EAHCP, respectively. The utilization of long-lived assets is also included in operating expenses as depreciation, which amortizes the cost of an asset over its expected useful life. All other activity is classified as nonoperating revenues and expenses. Total revenues, total expenses, operating income (loss) and the change in net position are all important factors when assessing the change in the EAA's financial position. Further detail is presented in the Statement of Revenues, Expenses and Changes in Net Position and notes to the basic financial statements.

<u>Statement of Cash Flows</u>

The Statement of Cash Flows provides information about the cash receipts and cash payments of the EAA during a period. The Statement of Cash Flows also helps users assess (1) the ability of the EAA to meet its obligations as they come due and (2) the need for external financing.

This statement presents information related to cash inflows/outflows summarized by operating, noncapital financing, capital and related financing and investing activities. For additional detail concerning these classifications see the Statement of Cash Flows and notes to the basic financial statements.

CONDENSED FINANCIAL INFORMATION

At the close of the fiscal year 2022, the EAA reports positive balances in all three categories of net position. Total net position as of December 31, 2022 was $56,665,411 of which $16,696,597 is represented by the EAA's net investment in capital assets (land, buildings, vehicles, software, hardware, and equipment).

Total net position decreased $1,576,066 in 2022 and increased $3,430,803 from 2020 to 2021. The decrease in 2022 is primarily related to EAHCP Springflow Protection decreases offset by the gain from the sale of capital assets. The increase in 2021 is primarily related to EAHCP Springflow Protection decreases.

The following table compares total comparative condensed financial information on assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position:

	December 31		
	2022	2021	2020
Assets:			
Current assets	$ 23,304,667	$ 18,441,320	$ 15,465,787
Restricted current assets—EAHCP	36,414,266	35,303,877	34,943,567
Capital assets, net	21,298,406	21,010,787	18,437,391
Long-term assets	1,251,409	-	22,557
Total assets	82,268,748	74,755,984	68,869,302
Deferred outflows of resources:			
Deferred outflows related to pension	2,207,301	2,432,630	1,001,749
Total assets and deferred outflows of resources	$ 84,476,049	$ 77,188,614	$ 69,871,051
Liabilities:			
Current liabilities	$ 17,598,589	$ 9,318,963	$ 9,432,980
Noncurrent liabilities	6,682,913	8,792,204	4,979,697
Total liabilities	24,281,502	18,111,167	14,412,677
Deferred inflows of resources:			
Deferred inflows related to pension	3,529,136	835,970	647,700
Net position:			
Net investment in capital assets	16,696,597	16,143,386	15,602,391
Restricted—Habitat Conservation Plan	22,702,150	29,099,665	28,891,677
Unrestricted	17,266,664	12,998,426	10,316,606
Total net position	56,665,411	58,241,477	54,810,674
Total liabilities, deferred inflows of resources and net position	$ 84,476,049	$ 77,188,614	$ 69,871,051

The following table compares condensed financial information on revenues, expenses and changes in net position and related detailed presentation of the key factors influencing the current-year activity:

	Years Ended December 31		
	2022	2021	2020
Total operating revenues	$ 32,370,792	$ 31,344,992	$ 31,813,895
Total operating expenses	35,963,268	27,917,078	28,628,047
Operating income (loss)	(3,592,476)	3,427,914	3,185,848
Nonoperating revenue (expenses):			
Interest income	667,542	161,466	461,152
Interest expense	(179,763)	(159,159)	(108,720)
Gain (loss) on sale and disposal of capital assets	1,416,841	582	(1,188,646)
Capital contributions	111,790	-	-
Total nonoperating revenues (expenses), net	2,016,410	2,889	(836,214)
Change in net position	(1,576,066)	3,430,803	2,349,634
Net position at beginning of year	58,241,477	54,810,674	52,461,040
Net position at end of year	$ 56,665,411	$ 58,241,477	$ 54,810,674

OPERATING REVENUES

Operating revenues supported two programmatic areas: EAA General Operations and the EAHCP. The below operating revenue information is provided for each of the program areas independently. The overall combined per acre-foot fee of $84 for nonagricultural permit holders was maintained for an eleventh consecutive year in primary support of these two programmatic areas. The combined rate, bifurcated based on budgetary needs, is set for each programmatic area in the annual budget adoption process. In 2022, the aquifer management fee rate for EAA General Operations was $53 per acre-foot, an increase of $3 from the prior year, and $31 per acre-foot, a decrease of $3 per acre-foot from the prior year, for the EAHCP.

Overall operating revenues increased $1,025,800 (3.3%) from 2021 to 2022 and decreased $468,903 (1.5%) from 2020 to 2021. The increase in 2022 revenue is related to increases in aquifer management fee revenue ($988,175) and agricultural revenue ($53,818) offset by decreases in enforcement settlements ($13,504) and other charges. The decrease in 2021 revenue is primarily related to a conservation grant ($100,000), offset by decreases in aquifer management fee revenue ($385,418) and EAHCP other program funding sources ($250,000). Although the aquifer management fee rates remained constant from 2020 to 2021, aquifer management revenues were lower in 2021 due to a decrease of approximately 4,125 acre-feet billed to nonagricultural permit holders and lower agricultural permit holder use.

EAA General Operations

The aquifer management fee supports the general operating activities of the EAA. Of the overall operating revenue, the aquifer management fee represents $20,186,705 (62.4%) in 2022, $18,260,032 (58.3%) in 2021. The aquifer management fee charged to agricultural users, as set by the EAA Act, is $2 per acre-foot. Agricultural fee revenue represents $197,213 (0.6%) and $143,395 (0.5%) of overall operating revenues for years 2022 and 2021, respectively. The aquifer management fee charged to nonagricultural permit holders for general operations increased from $50 per acre-foot in 2021 to $53 per acre-foot in 2022.

EAHCP

Assessed for the first time in 2012, the EAHCP program aquifer management fee supports EAHCP activities. It is assessed to nonagricultural permit holders. Of the overall operating revenue, the program aquifer management fee represents $11,434,953 (35.3%) in 2022 and $12,319,633 (39.3%) in 2021. The program aquifer management fee charged to nonagricultural permit holders in 2022 decreased from the 2021 rate of $34 per acre-foot to a rate of $31 per acre-foot. EACHP program other funding sources of $486,000 remained the same for 2022 and 2021 and represents 1.5% and 1.6% of overall operating revenues for 2022 and 2021, respectively. In 2021, this amount decreased from $736,000 to $486,000.

Net aquifer management fee and program aquifer management fee revenue, as a percentage of total operating revenue, was 99.2% in 2022 and 2021. Compromise and Settlements revenue are for settlements paid by various entities for EAA rules violations or judgements and represents 0.1% and 0.2% in 2022 and 2021, respectively, of total operating revenues. Other charges come from such sources as well registration fees, transfer application fees, well construction application fees, reimbursement for public information requests and conservation grant/easement revenue representing 0.7% in 2022 and 2021.

The following information depicts the components of operating revenues, for both program areas, for the fiscal years-ended December 31, 2022, 2021, and 2020.

	2022	Percent of Total	2021	Percent of Total	2020	Percent of Total
Operating revenues:						
Aquifer management fees	$ 20,186,705	62.4%	$ 18,260,032	58.3%	$ 18,505,365	58.2%
Program aquifer management fees	11,920,953	36.8%	12,805,633	40.9%	13,195,717	41.4%
Enforcement settlements	46,780	0.1%	60,284	0.2%	23,596	0.1%
Other charges	216,354	0.7%	219,043	0.7%	89,217	0.3%
Total	$ 32,370,792	100.0%	$ 31,344,992	100.0%	$ 31,813,895	100.0%

OPERATING EXPENSES

Total EAA operating expenses increased $8,046,190 (28.8%) in 2022 and decreased $710,969 (2.5%) in 2021. These changes year over year are the result of several factors as discussed below. Operating expenses are presented by the "natural classification" method, a format in which the expense is shown by type of expense rather than its functional or programmatic classification.

EAA General Operations and EAHCP Operating Expenses

	2022	Percent of Total	2021	Percent of Total	2020	Percent of Total
Salaries and wages	$ 8,536,557	23.7%	$ 8,335,357	29.9%	$ 8,482,086	29.6%
Employee benefits	1,796,867	5.0%	2,417,793	8.7%	2,516,679	8.8%
Professional and technical services	21,859,080	61.0%	13,826,046	49.6%	14,873,943	52.0%
Property services	1,414,690	3.9%	1,400,134	5.0%	1,287,467	4.5%
Other services	872,189	2.4%	755,227	2.7%	465,735	1.6%
Supplies	460,989	1.3%	372,570	1.3%	348,926	1.2%
Depreciation	1,022,896	2.8%	809,951	2.9%	653,211	2.3%
Total	$ 35,963,268	100.0%	$ 27,917,078	100.0%	$ 28,628,047	100.0%

Consistent with the presentation of operating revenues, total operating expenses are broken down separately by programmatic area below for EAA General Operations and EAHCP.

EAA General Operations

Salaries and Wages: Salaries and wages increased $202,960 (2.6%) in 2022 related to cost of living and merit increases and decreased $178,198 (2.2%) in 2021 related to decreases in compensated absences accrual updates offset by cost of living and merit increases, filling of vacant positions and accrual updates related to compensated absences.

Employee Benefits: Employee benefits decreased $588,359 (25.7%) in 2022 and decreased $98,524 (4.1%) in 2021. Decreases of $490,195 in 2022 and $229,804 in 2021 were due to the recording of the actuarially determined pension expense for each year and other related reclassification entries to deferred outflow/inflow of resources related to pension expense in accordance with GASB Statement No. 68 and GASB Statement No. 71. Further detail concerning the change in contributions and continuation of GASB Statements is presented in the notes to the basic financial statements. Decreases of $98,164 in 2022 relate primarily to lower employee insurance costs and a lower state unemployment tax rate offset by increased employer federal related taxes, contributions to employee 401a programs, and allowances. Increases of $131,280 in 2021 relate to increased employer related taxes consistent with the increase in salaries and wages, contributions to employee 401a programs, and employee related insurance costs to offset the overall decreases.

Professional and Technical Services: Professional and technical services increased $56,250 (2.1%) in 2022 and increased $432,214 (18.7%) in 2021. The increases in 2022 related to increases in various aquifer hydrologic related studies and EA model changes ($177,293), precipitation enhancement services ($11,408) and general professional services ($145,970) offset by decreases in replacement/upgrades to above ground storage tanks for permit holders ($116,388), lab services ($51,115), legal services ($28,004), interlocal support ($11,773) and reimbursements related to an ILA with the City of San Antonio for geologic evaluations and conservation easement monitoring as part of the Edwards Aquifer Protection Program ($71,141). The increases in 2021 related to increases in lab services ($61,784), replacement/upgrades to above ground storage tanks for permit holders ($156,858), ongoing maintenance and support services for the EAA Permit Database ($250,560), and general professional services ($123,702) offset by decreases in legal services ($100,402), various aquifer hydrologic related studies and EA model changes ($47,917), and interlocal support ($11,515).

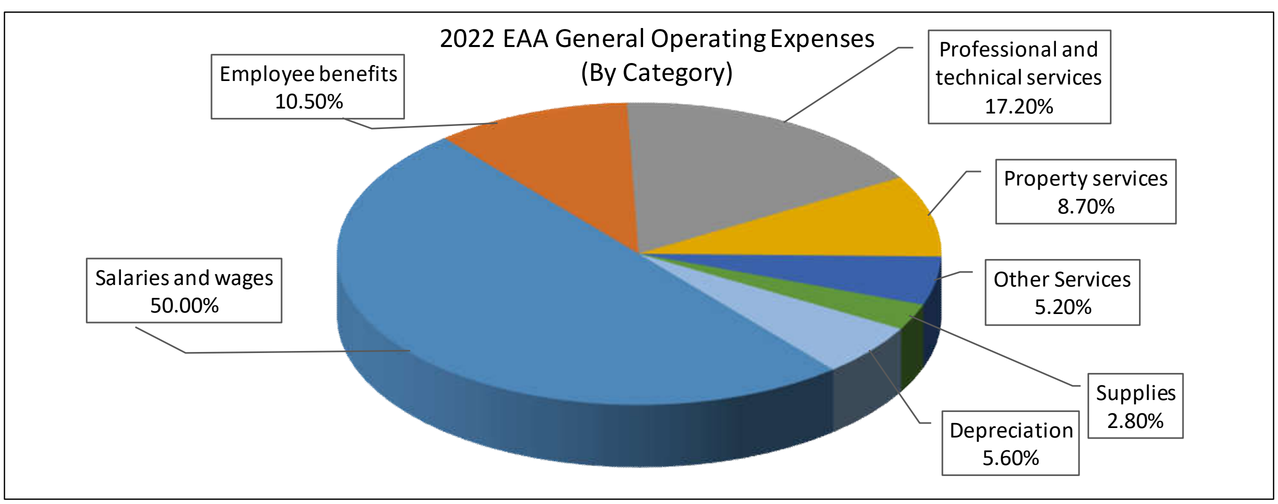
Property Services, Other Services and Supplies: Property services, other services and supplies had a combined total of $2,689,915 in 2022, representing a $187,581 increase and $2,502,334 in 2021, representing a $438,942 increase from 2020. The increase in 2022 is related to increases in support/subscription-based services, promotional supplies/printing, meeting/event sponsorships, property/casualty insurance, utility costs, and conservation initiatives offset by decreases in general facilities/equipment/vehicle maintenance, non-capital asset purchases, clothing and bad debt expense. The increase from 2020 to 2021 is related to increases in conservation grants, facilities maintenance costs, meeting/event sponsorships, property/casualty insurance, public and legal notices, training and uniform costs for staff, non-capital asset purchases, utility costs and decreases in support/subscription-based services, promotional supplies/printing, and vehicles maintenance.

Depreciation expense: Depreciation expense increased $146,180 (19.2%) in 2022 and $162,690 (27.1%) in 2021. The increases in 2022 and 2021 are related to the addition of capital assets.

The following information, also depicted in table and graphic form, summarizes EAA general operations operating expenses for the years ended December 31, 2022, 2021 and 2020.

EAA General Operations—Operating Expenses

	2022	Percent of Total	2021	Percent of Total	2020	Percent of Total
Salaries and wages	$ 8,088,131	50.0%	$ 7,885,171	48.7%	$ 8,063,369	52.3%
Employee benefits	1,701,157	10.5%	2,289,516	14.1%	2,388,040	15.5%
Professional and technical services	2,799,562	17.2%	2,743,312	16.9%	2,311,098	15.0%
Property services	1,401,185	8.7%	1,395,566	9.2%	1,272,811	8.2%
Other services	839,512	5.2%	740,313	4.6%	449,155	2.9%
Supplies	449,218	2.8%	366,455	2.3%	341,426	2.2%
Depreciation	908,508	5.6%	762,328	4.3%	599,638	3.9%
Total	$ 16,187,273	100.0%	$ 16,198,769	100.1%	$ 15,425,537	100.0%



EAHCP

In 2013, the EAA began full implementation of the EAHCP. Several programs are functional parts of the EAHCP implementation, including Program Administration, Springflow Protection, San Marcos Springs, Comal Springs, Modeling and Research and NFHTC Refugia. With the exception of program administration expenses, the vast majority of EAHCP expenditures are associated with contractual obligations and are categorized as "Professional and Technical Services."

Salaries and Wages: Salaries and wages decreased $1,760 (0.4%) in 2022 and increased $31,469 (7.5%) in 2021. The decrease in 2022 related to employee cost of living and merit increases offset by decreases resulting from a vacant position for a portion of the year while the increase in 2021 related to employee cost of living and merit increases, and accrual updates related to compensated absences.

Employee Benefits: Employee benefits decreased $32,566 (25.4%) in 2022 and $362 (0.3%) in 2021. Decreases of $25,948 in 2022 and $10,782 in 2021 primarily related to the recording of actuarially determined pension expense in accordance with GASB Statement No. 68 (as discussed earlier in this document). Further detail concerning the change in contributions and continuation of GASB statements is presented in the notes to the basic financial statements. The remaining decreases in 2022 related to lower employee insurance costs, allowances, and a lower state unemployment tax rate. Offsets to the decrease in 2021 related to increased employer related taxes consistent with the increase in salaries and wages and employee related insurance costs.

Professional and Technical Services: Professional and technical services increased $7,964,287 (71.9%) in 2022 and decreased $1,431,115 (11.4%) in 2021. The increase in 2022 was primarily related to the accrual of VISPO forbearance commitments ($7,477,558), increases in NFHTC Refugia expenses ($272,408), biological monitoring services ($210,799), San Marcos Springs maintenance tasks ($160,441), program administration consulting services ($118,694), and modeling and research ($30,618). These increases were offset by decreases in ASR Leasing and Forbearance ($189,038), Comal Springs maintenance tasks ($85,190), and water quality monitoring expenses ($32,003). The decrease in 2021 was primarily related to the completion of funding for two EAHCP program expenses under the Regional Water Conservation Program ($600,400) and ASR O&M ($408,255), as well as, decreases in water quality monitoring expenses ($201,146), San Marcos Springs maintenance tasks ($180,840), ASR Leasing and Forbearance ($40,292), modeling and research ($27,246), and program administration consulting services ($32,431). These decreases were offset by increases in biological monitoring services ($25,558), Comal Springs maintenance tasks ($16,598), NFHTC Refugia expenses ($15,430), and VISPO ($1,905).

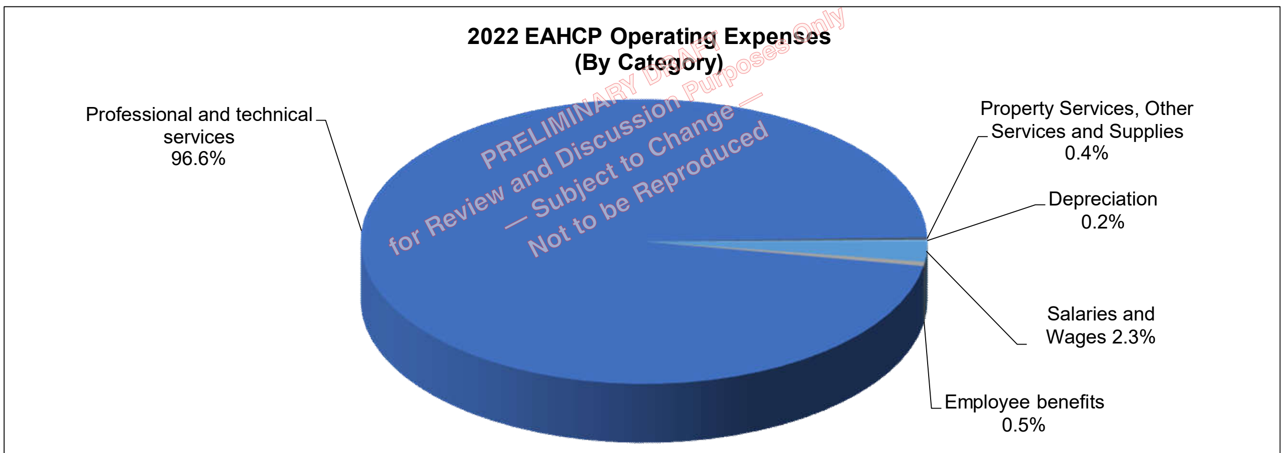
The following table depicts 2022, 2021 and 2020 expenses for each of the programmatic areas.

	2022	Percent of Total	2021	Percent of Total	2020	Percent of Total
Program Administration	$ 363,533	2.2%	$ 244,835	2.2%	$ 277,266	2.2%
Springflow Protection	15,786,025	76.3%	8,497,505	76.3%	9,544,547	76.3%
San Marcos Springs	859,005	7.3%	657,319	7.3%	912,350	7.3%
Comal Springs	802,138	6.7%	749,777	6.7%	834,576	6.7%
Modeling and Research	40,598	0.3%	9,984	0.3%	37,229	0.3%
NHFTC Refugia	1,195,719	7.2%	923,314	7.2%	907,881	7.3%
Total	$ 19,047,018	100.0%	$ 11,082,734	100.0%	$ 12,513,849	100.0%

The following information, also depicted in table and graphic form, summarizes EAHCP operating expenses for the years ended December 31, 2022, 2021 and 2020.

EAHCP—Operating Expenses

	2022	Percent of Total	2021	Percent of Total	2020	Percent of Total
Salaries and wages	$ 448,426	2.3%	$ 450,186	3.8%	$ 418,717	3.1%
Employee benefits	95,710	0.5%	128,276	1.1%	128,639	1.0%
Professional and technical services	19,047,018	96.7%	11,082,731	94.5%	12,513,849	95.2%
Property services	13,505	0.1%	4,568	0.0%	14,656	0.1%
Other services	31,347	0.2%	14,156	0.1%	16,125	0.1%
Supplies	11,771	0.1%	6,115	0.1%	7,500	0.1%
Depreciation	41,435	0.2%	44,670	0.4%	50,619	0.4%
Total	$ 19,689,212	100.0%	$ 11,730,702	100.0%	$ 13,150,105	100.0%



NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses: Nonoperating revenues and expenses are comprised of investment income and expense, gain (loss) on sale of capital assets, and capital contributions.

Interest income: Interest income increased $506,076 (313.4%) in 2022 and decreased $299,686 (65.0%) in 2021. Interest rates remained at a low level throughout 2021, and began to increase throughout 2022. The average yield on NOW/MMA accounts were 3.97% and 0.22% for 2022 and 2021, respectively. The average yield on CDs were .65% and .25% for 2022 and 2021, respectively. In 2022, balances in NOW/MMA accounts increased $6,643,496 (19.9%) and $2,883,720 (9.5%) in 2021. Investments in CDs decreased $2,899,422 (14.5%) in 2022 and increased $600,770 (3.1%) in 2021.

Interest expense: Interest expense related to the 2011 issued *General Improvement Revenue Note, Series 2011*, decreased each year as payments were made to the principal balance of the note. In 2021, the Morgan's Wonderland Camp – Education Outreach Center capital lease commenced and included interest expense as of the inception date of May 1, 2021. In 2022, equipment leases were recorded as of January 1, 2022 and interest expense commenced at that time. Interest expense amounted to $179,763 and $159,159 for years 2022 and 2021, respectively.

Gain/loss on sale of capital assets: Gain on sale of capital assets totaled $1,416,841 in 2022 and $582 in 2021. This category includes the sale of property and the disposal and/or surplus sales of obsolete equipment such as vehicles, computers, furniture, and water flow meters, as well as other noncapital assets.

CAPITAL ASSETS

EAA investment in capital assets, net of accumulated depreciation, is $21,298,406 at December 31, 2022, a net increase of $287,619 from the December 31, 2021 balance of $21,010,787. The net increase in 2022 is primarily related to additions of various building improvements, a conservation easement, education/outreach exhibits and visitor electric shuttle, groundwater lease, hardware, an off-road vehicle, equipment under capital lease and construction in progress related to a septic system offset by the sale of land. The increase from 2020 to 2021 of $2,573,396 is primarily related to various building improvements, hardware, an off-road vehicle, property under capital lease and construction in progress related to education/outreach exhibits which was completed in 2022.

	December 31		
	2022	2021	2020
Land	$ 7,613,202	$ 7,570,092	$ 7,570,092
Capital leases	2,181,708	2,156,714	-
Groundwater lease	700,000	-	-
Buildings and improvements	11,131,839	8,897,960	11,006,887
Furniture and equipment	6,887,199	5,601,166	5,367,096
Vehicles	741,415	728,667	711,811
Construction in progress	148,463	1,030,044	109,076
Total capital assets	29,403,826	25,984,643	24,764,962
Less accumulated depreciation	8,105,420	7,130,570	6,327,571
Total capital assets, net of accumulated depreciation	$ 21,298,406	$ 21,010,787	$ 18,437,391

The EAA does not record the cost of capital assets as an expense at the time of acquisition of the asset, but rather shows the expense systematically over the expected life of the asset as depreciation expense. The amount shown in the accounting records for the value of the asset will decrease each year until the asset is fully depreciated or removed from service. As a result, the amount of capital assets reflected in the statement of net position may decrease from one year to another even though new assets have been acquired during the year. Capital assets subject to depreciation include buildings, equipment, furniture, and vehicles. Land and work/construction/development in progress are not depreciated.

Additional information concerning EAA capital assets can be found in Note 3.

LONG-TERM DEBT

In 2011, the EAA issued $3,370,000 in General Improvement Revenue Note. No debt has been issued in 2022 or 2021. The long-term debt balance at December 31, 2022 is $2,515,000 ($2,745,000 at December 31, 2021). In 2019, the EAA entered into a capital lease obligation for the Morgan's Wonderland Camp – Education Outreach Center. The lease commenced on May 1,2021. The lease obligation at December 31, 2022 is $2,069,294 ($2,122,401 at December 31, 2021). In 2022, the EAA recorded equipment lease obligations in accordance with the implementation of GASB 87, *Leases*. The equipment lease obligation at December 31, 2022 is $17,515.

Additional information concerning EAA long-term debt can be found in Note 5.

ECONOMIC FACTORS AFFECTING THE FUTURE

EAA plays a critical role in managing and protecting the Edwards Aquifer, which contributes to the continued economic viability of the entire region. As the primary source of water for all uses, the sustainability of the Edwards Aquifer is vital to continued economic growth for a significant portion of south-central Texas.

CONTACTING THE EAA FINANCIAL MANAGEMENT TEAM

This financial report is designed to provide EAA citizens, customers and creditors with a general overview of finances and to demonstrate accountability for the receipts it collects and the expenses it makes for the services provided. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Felix Marquez, Executive Director—Financial and Administrative Services at (210) 477-5104 or via electronic mail to fmarquez@edwardsaquifer.org.

Information is also available on the EAA website at www.edwardsaquifer.org.

Basic Financial Statements

Edwards Aquifer Authority

Statements of Net Position
December 31, 2022 and 2021

	2022	2021
Current assets:		
Cash and cash equivalents	$ 14,904,125	$ 10,078,491
Investments	6,624,396	8,018,212
Restricted assets (Habitat Conservation Plan):		
Cash and cash equivalents	25,043,551	23,225,688
Investments	10,512,607	12,018,213
Program fees receivable, net	858,108	59,976
Aquifer management fees receivable, net	1,645,345	203,948
Property taxes receivable, net	656	974
Miscellaneous receivable	130,145	117,138
Note receivable	-	22,557
Total current assets	59,718,933	53,745,197
Noncurrent assets:		
Net Pension asset	1,251,409	-
Capital assets, net	21,298,406	21,010,787
Total noncurrent assets	22,549,815	21,010,787
Total assets	82,268,748	74,755,984
Deferred outflows of resources—pension	2,207,301	2,432,630
Total assets and deferred outflows of resources	$ 84,476,049	$ 77,188,614

The accompanying notes are an integral part of these statements.

Edwards Aquifer Authority

Statements of Net Position (Continued)
December 31, 2022 and 2021

	2022	2021
Current liabilities:		
Accounts payable	**$ 2,510,988**	$ 1,815,451
VISPO liabilities (payable from restricted assets)	**9,987,533**	2,509,975
ASR liabilities (payable from restricted assets)	**3,724,583**	3,694,237
Compensated absences	**838,811**	805,261
Accrued liabilities	**233,815**	210,932
Capital lease	**62,859**	53,107
Note payable	**240,000**	230,000
Total current liabilities	**17,598,589**	9,318,963
Noncurrent liabilities:		
Net pension liability	**-**	2,501,984
Compensated absences	**821,979**	773,942
Accrued liabilities	**81,984**	81,984
Capital lease	**2,023,950**	2,069,294
Note payable	**2,275,000**	2,515,000
Unearned revenue	**1,480,000**	850,000
Total noncurrent liabilities	**6,682,913**	8,792,204
Total liabilities	**24,281,502**	18,111,167
Deferred inflows of resources—pension	**3,529,136**	835,970
Total liabilities and deferred inflows of resources	**$ 27,810,638**	$ 18,947,137
Net position:		
Net investment in capital assets	**$ 16,696,597**	$ 16,143,386
Restricted—Habitat Conservation Plan	**22,702,150**	29,099,665
Unrestricted	**17,266,664**	12,998,426
Total net position	**$ 56,665,411**	$ 58,241,477

This page intentionally left blank.

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
Operating revenues:		
Aquifer management fees:		
Nonagricultural users (net of rebates)	**$ 19,989,492**	$ 18,116,637
Agricultural users	**197,213**	143,395
Program fees—Habitat Conservation Plan	**11,920,953**	12,805,633
Enforcement settlements	**46,780**	60,284
Other charges	**216,354**	219,043
Total operating revenues	**32,370,792**	31,344,992
Operating expenses:		
Salaries and wages	**8,536,557**	8,335,357
Employee benefits	**1,796,867**	2,417,793
Professional and technical services	**21,859,080**	13,826,046
Property services	**1,414,690**	1,400,134
Other services	**872,189**	755,227
Supplies	**460,989**	372,570
Depreciation	**1,022,896**	809,951
Total operating expenses	**35,963,268**	27,917,078
Operating income (loss)	**(3,592,476)**	3,427,914
Nonoperating revenues (expenses):		
Interest income	**667,542**	161,466
Interest expense	**(179,763)**	(159,159)
Gain on sale and disposal of capital assets	**1,416,841**	582
Capital contributions	**111,790**	-
Total nonoperating revenues (expenses), net	**2,016,410**	2,889
Change in net position	**(1,576,066)**	3,430,803
Net position at beginning of year	**58,241,477**	54,810,674
Net position at end of year	**$ 56,665,411**	$ 58,241,477

The accompanying notes are an integral part of these statements.

Edwards Aquifer Authority

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Receipts from customers	**$ 30,748,524**	$ 32,337,629
Payments to suppliers	**(16,391,301)**	(16,738,644)
Payments to employees	**(11,073,125)**	(10,793,801)
Net cash provided by operating activities	**3,284,098**	4,805,184
Cash flows from noncapital financing activities:		
Collections on note receivable	**22,557**	28,491
Net cash provided by noncapital financing activities	**22,557**	28,491
Cash flows from capital and related financing activities:		
Payments on long-term note payable	**(230,000)**	(90,000)
Purchases of capital assets	**(1,437,475)**	(1,226,635)
Proceeds from sale of capital assets	**1,655,591**	582
Payments on capital lease payable	**(60,228)**	(34,313)
Interest paid	**(182,646)**	(160,287)
Net cash used in capital and related financing activities	**(254,758)**	(1,510,653)
Cash flows from investing activities:		
Purchase of investments	**(4,100,646)**	(12,048,632)
Sale of investments	**7,024,704**	11,447,863
Interest received	**667,542**	161,466
Net cash provided by (used in) investing activities	**3,591,600**	(439,303)
Net increase in cash and cash equivalents	**6,643,497**	2,883,719
Cash and cash equivalents at beginning of the year	**33,304,179**	30,420,460
Cash and cash equivalents at end of the year	**$ 39,947,676**	$ 33,304,179
Reconciliation to statement of net position:		
Cash and cash equivalents	**$ 14,904,125**	$ 10,078,491
Restricted—cash and cash equivalents (Habitat Conservation Plan)	**25,043,551**	23,225,688
	$ 39,947,676	$ 33,304,179
Noncash—capital and related financing activities:		
Capital lease obligations	**$ 24,994**	$ 2,156,714

(Continued)

Edwards Aquifer Authority

Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

		2022		2021
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income	**$**	**(3,592,476)**	$	3,427,914
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation		**1,022,896**		809,951
Change in operating assets, deferred inflows, liabilities, and deferred outflows:				
Program fees receivable, net—Habit Conservation Plan		**(798,132)**		79,812
Aquifer management fees receivable, net		**(1,441,397)**		166,939
Property taxes receivable, net		**318**		329
Miscellaneous receivables		**(13,007)**		(104,369)
Unearned revenue		**629,998**		850,000
Deferred outflows of resources—pension		**225,329**		(1,430,881)
Accounts payable		**695,537**		(536,496)
VISPO liabilities (payable from restricted assets)		**7,477,558**		1,905
ASR liabilities (payable from restricted assets)		**30,346**		150,417
Accrued liabilities		**25,768**		33,028
Compensated absences		**81,587**		77,341
Net pension liability and Net pension asset		**(3,753,393)**		1,091,024
Deferred inflows of resources—pension		**2,693,166**		188,270
Net cash provided by operating activities	**$**	**3,284,098**	$	4,805,184

The accompanying notes are an integral part of these statements.

This page intentionally left blank.

Note 1. Summary of Significant Accounting Policies

Reporting entity: Edwards Aquifer Authority (EAA) was created in 1993 by the Edwards Aquifer Authority Act (the Act) of the 73rd Legislature of the State of Texas to manage and protect the Edwards Aquifer. EAA covers all of Uvalde, Medina and Bexar counties and portions of Atascosa, Comal, Guadalupe, Caldwell and Hays counties.

EAA is governed by a 17-member Board of Directors (the Board). Fifteen voting members are elected from single-member election districts and two nonvoting members are appointed. One nonvoting director is appointed by the Advisory Committee from the members of the committee, and the second is appointed by the commissioners' court of Medina or Uvalde County. The Board has EAA adopt and enforce reasonable rules and orders to manage and protect the Edwards Aquifer. Therefore, EAA is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and is not included in any other governmental reporting entity.

The Act also created the South Central Texas Water Advisory Committee (SCTWAC), which advises the EAA Board on downstream water rights and issues. Appointed SCTWAC members, like EAA directors, are not entitled to compensation by EAA, but are entitled to reimbursement for actual and necessary expenses incurred to perform their duties.

Blended component unit: The Edwards Aquifer Conservancy (EAC), formed on June 23, 2014, is a nonprofit, supporting organization set up exclusively for the benefit of EAA. As a supporting organization, it is intended that the EAC be operated, supervised and controlled by EAA as a Type I supporting organization in accordance with Internal Revenue Code §509(a)(3)(B)(i). Board members of the EAC are appointed by the Board of EAA in accordance with Treasury Regulation §1.509(a)-4(g); any director may be re-appointed to serve consecutive terms on the EAC Board. Funds raised by the EAC enhance the resources available for all aquifer users in areas such as public education, professional training aimed at collaborative measures for securing EAA's water quality, community science initiatives and as a resource/partner providing community support for aquifer protection initiatives (such as hazardous materials collection in rural areas). Although the EAC is a legally separate entity, it is, in substance, part of EAA's operation; therefore, it is reported as a blended component unit in EAA's financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

The following table presents comparative condensed financial information on assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of EAC:

	December 31	
	2022	2021
Assets:		
Current assets	$ 1,058,111	$ 934,235
Capital assets, net	6,095,321	5,468,275
Total assets	7,153,432	6,402,510
Liabilities:		
Current liabilities	206	-
Noncurrent liabilities	1,480,000	850,000
Total liabilities	1,480,206	850,000
Net position:		
Unrestricted	5,673,227	5,552,510
Total net position	5,673,227	5,552,510
Total liabilities, deferred inflows of resources and net position	$ 7,153,433	$ 6,402,510

The following table presents comparative condensed financial information on revenues, expenses and changes in net position of EAC:

	Years Ended December 31	
	2022	2021
Total operating revenues	$ 192,000	$ 13,314
Total operating expenses	86,784	3,712
Operating income	105,216	9,602
Nonoperating revenue (expenses):		
Interest income	15,501	72
Total nonoperating revenues	15,501	72
Change in net position	120,717	9,674
Net position at beginning of year	5,552,510	5,542,836
Net position at end of year	$ 5,673,227	$ 5,552,510

Note 1. Summary of Significant Accounting Policies (Continued)

The following table presents comparative condensed financial information on cash flows of EAC:

	Years Ended December 31	
	2022	2021
Net cash provided by operating activities	$ 808,170	$ 862,556
Net cash provided by (used in) investing activities	(684,294)	72
Net increase in cash and cash equivalents	123,876	862,628
Cash and cash equivalents at beginning of the year	934,235	71,607
Cash and cash equivalents at end of the year	$ 1,058,111	$ 934,235
Reconciliation to statement of net position:		
Cash and cash equivalents	$ 1,058,111	$ 934,235

	Years Ended December 31	
	2022	2021
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 105,216	$ 9,602
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	72,954	2,954
Change in operating assets, deferred inflows, liabilities and deferred outflows	630,000	850,000
Net cash provided by operating activities	$ 808,170	$ 862,556

Measurement focus, basis of accounting and financial statement presentation: For financial reporting purpose, EAA is considered a special-purpose government engaged solely in business-type activities. Accordingly, EAA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of EAA are aquifer management fees charged to users of the aquifer based on per acre foot of water. Nonagricultural aquifer management fees are invoiced annually based on permitted water rights authorized to be used in the calendar year, regardless of actual water used. The nonagricultural aquifer management fee per acre foot of water is $84, made up of $53($50) AMF and $31($34) Program HCP for the years ended December 31, 2022 and 2021, respectively. Agricultural users of the aquifer submit annual reports of actual groundwater used and remit aquifer management fees annually based on that use. The agricultural aquifer management fee per acre foot of water is $2. EAA also recognizes other fees such as transfer application, well construction and registration fees as operating revenues.

In 2012, EAA established the Edwards Aquifer Habitat Conservation Plan (EAHCP) for the purpose of lawfully removing potentially endangered species and relocating them to an equally habitable environment in order to continue performing the task of regulating and pumping groundwater from the

Note 1. Summary of Significant Accounting Policies (Continued)

Edwards Aquifer. EAA bills EAHCP fees to nonagricultural users of the aquifer to build a reserve for future program expenses. As of December 31, 2022 and 2021 the Program HCP totaled $31 and $34, respectively. These fees are recognized as operating revenue and reported as restricted for use towards program expenses.

Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents include cash on hand, demand deposits, money market funds and highly liquid investments with maturities of three months or less at the time of purchase.

Restricted cash and cash equivalents: Restricted cash and cash equivalents include money market funds restricted for use on specific program expenses. EAA has restricted cash and equivalents for use on the EAHCP.

Restricted and unrestricted investments: Investments are reported at fair value. Investments in nonparticipating interest-earning contracts, such as certificates of deposit, are reported at amortized cost.

Aquifer management fees receivable: Aquifer management fees receivable consist of fees due from agriculture and non-agriculture users of the aquifer. The related allowance for uncollectible accounts is evaluated by management on a periodic basis. As of December 31, 2022 and 2021, the allowance for doubtful accounts related to aquifer management fees receivable totaled $16,300 and $26,662, respectively.

Program fees receivable—Habitat Conservation Plan: Program fees receivable consist of fees due from non-agriculture users of the aquifer for the purpose of funding the EAHCP and related program expenses. The related allowance for uncollectible accounts is evaluated by management on a periodic basis. As of December 31, 2022 and 2021, the allowance for doubtful accounts related to program fees receivable—Habitat Conservation Plan totaled $8,536 and $14,799, respectively.

Property taxes receivable: Effective July 28, 1996, legislation abolished any taxing power of EAA. However, EAA does collect delinquent taxes owed to the EAA predecessor agency, the Edwards Underground Water District. Delinquent taxes receivable have been reported in the financial statements, net of the allowance for uncollectible taxes. As of December 31, 2022 and 2021, the allowance for doubtful accounts related to property taxes receivable totaled $16,861.

Note receivable: EAA entered into an agreement pursuant to a settlement in the principal amount of $494,680, with an annual interest rate of 5%. Principal and interest are due and payable in monthly installments beginning June 1, 2017, and continue through May 1, 2024. At December 31, 2022, the outstanding balance on the note totaled $0 ($22,557 in 2021).

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets having a unit cost equal to or greater than $5,000 are recorded at cost, if purchased or constructed, or, if donated, at acquisition value at the date of donation. EAA reported $111,790 in donated capital assets received during the year ended December 31, 2022 ($0 during the year ended December 31, 2021). Amortization of assets acquired under capital leases is included with depreciation and amortization expense on owned assets.

Normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but are charged as an operating expense as incurred. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets

When assets are retired or otherwise disposed, the related costs are removed. Buildings, improvements, furniture and equipment and vehicles of EAA are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and improvements	20-50 years
Furniture and equipment	5-20 years
Vehicles	8-10 years
Groundwater lease	10 years

Impairment of long-lived assets: EAA reviews the carrying value of assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results; trends and prospects; and effects of obsolescence, demand, competition and other economic factors. As of December 31, 2022 and 2021, there were no impairments of long-lived assets.

Compensated absences: It is EAA's policy to permit employees to accumulate earned, but unused personal and sick leave benefits. Personal leave is accrued when earned by the employee and reported as a liability. Employees may accumulate 10 to 15 hours a month of personal leave depending on their length of employment, and up to 320 hours of unused personal leave may be carried over from one year to the next. Upon termination, employees are paid for unused personal leave. As of December 31, 2022 and 2021, accrued personal leave payable totaled $897,227 and $863,278, respectively. Accumulated sick leave is payable to the employee's retirement health savings account upon termination when certain conditions are met. Based on the employees who had satisfied these conditions as of December 31, 2022 and 2021, the accrued sick leave payable totaled $763,562 and $715,925, respectively. For financial statement purposes, both accrued personal leave and accrued sick leave are reported as compensated absences.

Annual budget: The original budget is adopted by the Board in November of each year and any amendments made during the year are approved by the Board.

Net position: Net position represents the difference between assets plus deferred outflows of resources less liabilities less deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the

Note 1. Summary of Significant Accounting Policies (Continued)

enabling legislations adopted by EAA or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Restricted and unrestricted resources: It is EAA's policy to use restricted resources first when an allowable restricted expense is made for purposes for which both restricted and unrestricted resources are available.

Retirement plan—pension: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of EAA's participation in the Texas County and District Retirement System (TCDRS), an agent plan and additions to/deductions from TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows of resources/deferred inflows of resources: In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses) until then. The deferred credit for pension consists of differences between the expected and actual experience, changes of assumptions, net difference between projected and actual earnings and contributions made subsequent to measurement date.

In addition to liabilities, the statements of net position will sometime report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that is applied to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred charge for pension consists of differences between expected and actual experience and net difference between projected and actual earnings.

Contingencies: Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to EAA, but which will only be resolved when one or more future events occur or fail to occur. EAA's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against EAA or unasserted claims that may result in such proceedings, EAA's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred, and the amount of the liability can be estimated, then the estimated liability would be accrued in EAA's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. There were no loss contingencies recognized in the years ended December 31, 2022 and 2021.

Current GASB implementations: GASB Statement No. 87, *Leases*, issued June 2017, is effective for EAA as of January 1, 2022. GASB Statement No. 87 establishes a single approach to accounting for and

Note 1. Summary of Significant Accounting Policies (Continued)

reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, EAA must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale- leaseback transactions, non-lease components embedded in lease contracts (such as service agreements) and leases with related parties. The adoption did not have any impact on leases reported for its year ending December 31, 2021. In addition, the adoption did not have a significant impact on the disclosures included in the financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting for Internal Revenue Code Section 457 Deferred Compensation Plans*, issued June 2020, paragraphs 6 through 9 is effective for EAA for the year ending December 31, 2022. The objective of GASB Statement No. 97 paragraphs 6 through 9 modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution other post-employment benefit plans, and other employee benefit plans (for example, certain Section 457 plans). This statement also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. The adoption did not have any impact on the EAA for its year ending December 31, 2021, as the Section 457 plan employees are eligible to participate in doe not meet component unit criteria or the definition of a pension plan.

Future GASB implementations: GASB Statement No. 101, Compensated Absences, issued June 2022, will be effective for EAA for the year ended December 31, 2024, earlier application is encouraged. The objective of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62, issued June 2022, will be effective for EAA for the year ended December 31, 2024, earlier application is encouraged. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

Management is currently evaluating the impact GASB Statement 101 will have on the financial statements of EAA and believes such impact could be significant, but cannot be quantified until an evaluation is complete. No significant impact to the financial statements is expected for GASB Statement No. 100.

Note 2. Deposits and Investments

Cash and investments classified in the accompanying financial statements are as follows:

	December 31	
	2022	2021
Petty cash	$ 1,433	$ 1,051
Money market and checking account	39,946,243	33,303,128
US Government Agency Securities	1,994,098	-
Oil and Mineral Rights	111,790	-
CDs (Non-participating)	15,031,115	20,036,425
Total cash and investments	$ 57,084,679	$ 53,340,604

Cash deposits: At December 31, 2022, the carrying amount of EAA's cash on hand and deposits, including CDs, totaled $54,978,791 ($53,340,604 at December 31, 2021) and the bank balance totaled $57,059,186 ($53,422,150 at December 31, 2021). All deposits are insured by federal depository insurance and/or collateralized with securities held in EAA's name.

Investments: EAA is required by Government Code Chapter 2256, the Public Funds Investment Act (the Act), to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for CDs.

The Act determines the types of investments which are allowable for EAA. These include, with certain restrictions, (1) obligations of the United States Treasury, certain United States agencies and the state of Texas; (2) CDs; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts and (10) common trust funds.

As of December 31, 2022, EAA invested in US government agency securities and oil and mineral rights. The investment in oil and mineral rights was obtained through a contribution and was not a purchase completed by EAA. As such, although the investment is outside of EAA's policy, it is not considered a violation of EAA's policy.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to EAA. A primary stated objective of the EAA adopted investment policy is the safety of principal and avoidance of principal loss. Credit risk within EAA's portfolio is minimized by:

1. Limiting investments to the safest types of securities,
2. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors within who EAA will do business, and
3. Diversifying the investment portfolio so that potential losses on individual investments will be minimized.

Securities are primarily rated by Standard & Poor's or Moody's. As of December 31, 2022 and 2021:

Note 2. Deposits and Investments (Continued)

- US government agency securities were rated A-1+

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of EAA's investments in a single issuer.

The EAA recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. EAA's adopted Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on a quarterly basis. Market cycle risk will be reduced by diversifying the appropriate maturity structure out over 2 years. As of December 31, 2022 and 2021 all parameters and limits of the diversification policy were met.

Interest Rate Risk: Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment.

In order to limit interest and market rate risk from changes in interest rates, the EAA adopted Investment Policy minimizes risk by:

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
2. Investing shorter-term operating funds primarily in liquid financial institution deposits, shorter-term securities, money market mutual funds or similar investment pools.

In addition, all investment funds shall be placed directly with authorized investment providers. EAA will not deposit or invest funds through third parties or money brokers.

As of December 31, 2022, the portfolio held the following investments:

Investment Type	Balance	% of Portfolio	Investment Maturity in Years
US Government Agency Securities	1,994,098	11.5%	1-3 years
Oil and Mineral Rights	111,790	0.7%	Indefinite
Cerificates of Deposit	15,031,115	87.7%	3 years
Total Portfolio	17,137,003	99.9%	

Custodial Credit Risk: In the case of deposits, this is the risk that in the event of a bank failure, EAA's deposits may not be returned to it. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of EAA and are held by the counterparty, its trust or agent and not in EAA's name.

EAA's investment securities are not exposed to custodial risk because all securities held by EAA's custodial banks are in EAA's name. To control custody and safekeeping risk state law and EAA's adopted Investment Policy requires full collateralization of all EAA funds on deposit with a depository bank. The policy specifies the specific types of acceptable types of collateral and collateral is reviewed on a monthly basis to ensure the market value of the pledged securities is adequate. The result of such valuations are reported to the EAA's Finance/Administrative Committee on a quarterly basis.

Note 2. Deposits and Investments (Continued)

Fair Value Measurement: EAA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles in the United States of America (GAAP). GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices within Level 1 that observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement. EAA utilizes and its investment advisor utilizes an independent pricing service to obtain recurring fair value measurements using quoted prices for similar assets to determine the fair value.

As of December 21, 2022 and 2021, EAA has the recurring fair value measurements for US agency bonds of $1,994,098 and $0, respectively, valued using quoted prices for similar assets in active markets. Investments in oil and mineral rights are valued using forecasted cash flows attributed to the leased acreage and ownership and related data of oil and gas exploration and productive activities in a similar area.

As of December 31, 2022, the securities to be priced in the portfolio were:

Investment Type	Level	Total
Investments Measured at Fair Value:		
US Government Agency Securities	Level 2	1,994,098
Oil and Mineral Rights	Level 3	111,790
Investments Measured at Amortized Cost:		
Certificates of Deposit		15,031,115
Total Investments		17,137,003

As of December 31, 2021, the securities to be priced in the portfolio were:

Investment Type	Level	Total
Investments Measured at Amortized Cost:		
Certificates of Deposit		20,036,425
Total Investments		20,036,425

Edwards Aquifer Authority

Notes to Basic Financial Statements

Note 3. Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance at December 31, 2021	Additions	Retirements	Transfers	Balance at December 31, 2022
Capital assets not being depreciated:					
Land	$ 7,570,092	$ 250,000	$ (206,890)	$ -	$ 7,613,202
Construction in progress	1,030,044	24,280	-	(905,859)	$ 148,465
	8,600,136	274,280	(206,890)	(905,859)	7,761,667
Capital assets being depreciated:					
Buildings and improvements	11,054,674	77,162	-	-	11,131,836
Furniture and equipment	5,601,166	418,673	(38,500)	905,859	6,887,198
Vehicles	728,665	54,156	(41,406)	-	741,415
Property under capital lease	2,156,714	24,994	-	-	2,181,708
Other Intangible Asset	-	700,000	-	-	700,000
	19,541,219	1,274,985	(79,906)	905,859	21,642,157
Accumulated depreciation:					
Buildings and improvements	(2,840,224)	(255,776)	-	-	(3,096,000)
Furniture and equipment	(3,708,907)	(534,008)	6,640	-	(4,236,275)
Vehicles	(509,549)	(48,325)	41,406	-	(516,468)
Property under Capital lease	(71,890)	(114,787)	-	-	(186,677)
Other Intangible Asset	-	(70,000)	-	-	(70,000)
	(7,130,570)	(1,022,896)	48,046	-	(8,105,420)
Total capital assets being depreciated, net	12,410,651	252,089	(31,860)	905,859	13,536,739
Capital assets, net	$ 21,010,787	$ 526,369	$ (238,750)	$ -	$ 21,298,406

Note 3. Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance at December 31, 2020	Additions	Retirements	Transfers	Balance at December 31, 2021
Capital assets not being depreciated:					
Land	$ 7,570,092	$ -	$ -	$ -	$ 7,570,092
Construction in progress	109,076	942,718	-	(21,750)	1,030,044
	7,679,168	942,718	-	(21,750)	8,600,136
Capital assets being depreciated:					
Buildings and improvements	11,006,887	26,037	-	21,750	11,054,674
Furniture and equipment	5,367,096	241,024	(6,954)	-	5,601,166
Vehicles	711,811	16,854	-	-	728,665
Property under capital lease	-	2,156,714	-	-	2,156,714
	17,085,794	2,440,629	(6,954)	21,750	19,541,219
Accumulated depreciation:					
Buildings and improvements	(2,586,944)	(253,279)	-	-	(2,840,224)
Furniture and equipment	(3,279,957)	(435,903)	6,954	-	(3,708,907)
Vehicles	(460,670)	(48,879)	-	-	(509,549)
Property under capital lease	-	(71,890)	-		(71,890)
	(6,327,571)	(809,951)	6,954	-	(7,130,570)
Total capital assets being depreciated, net	10,758,223	1,630,678	-	21,750	12,410,651
Capital assets, net	$ 18,437,391	$ 2,573,396	$ -	$ -	$ 21,010,787

Note 4. Accounts Payable

Accounts payable is comprised of the following:

	December 31 2022	December 31 2021
Health care reimbursement accounts	$ 322,407	$ 320,579
Travel reimbursements	83,052	81,941
Trade payables	2,105,529	1,412,931
Total accounts payable	$ 2,510,988	$ 1,815,451

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities at December 31, 2022, is as follows:

	Balance at December 31, 2021	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
Business-type activities:					
Note payable:					
Revenue note	$ 2,745,000	$ -	$ (230,000)	$ 2,515,000	$ 240,000
Capital lease payable	2,122,401	16,090	(60,228)	2,078,263	62,859
Compensated absences	1,579,203	129,624	(48,037)	1,660,790	838,811
Net pension liability	2,501,984	3,158,487	(6,911,880)	(1,251,409)	-
Total business-type activities long-term liabilities	$ 8,948,588	$ 3,304,201	$ (7,250,145)	$ 5,002,644	$ 1,141,670

A summary of changes in long-term liabilities at December 31, 2021, is as follows:

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021	Due Within One Year
Business-type activities:					
Note payable:					
Revenue note	$ 2,835,000	$ -	$ (90,000)	$ 2,745,000	$ 230,000
Capital lease payable	-	2,156,714	(34,313)	2,122,401	53,107
Compensated absences	1,501,862	452,167	(374,826)	1,579,203	805,261
Net pension liability	1,410,960	1,091,024	-	2,501,984	-
Total business-type activities long-term liabilities	$ 5,747,822	$ 3,699,905	$ (499,139)	$ 8,948,588	$ 1,088,368

In 2011, EAA issued a General Improvement Revenue Note, Series 2011. The issuance was for $3,370,000 for the purpose of providing funds to renovate, expand and equip EAA's administrative headquarters. The note has an outstanding balance of $2,745,000, is due in varying installments through September 1, 2031, and bears an interest rate of 3.76% with interest paid semiannually. The principal and interest on this note are payable as follows:

	Principal	Interest	Total
Years ending December 31:			
2023	240,000	$ 91,556	$ 331,556
2024	250,000	82,407	332,407
2025	260,000	72,881	332,881
2026	270,000	62,980	332,980
2027	275,000	52,765	327,765
2028-2031	1,220,000	101,269	1,321,269
	$ 2,515,000	$ 463,858	$ 2,978,858

Note 5. Long-Term Liabilities (Continued)

Capital lease payable: EAA entered into a capital lease obligation for the Morgan's Wonderland Camp—Educational Outreach Center, totaling $2,156,714 for 240 months. The effective interest on this lease is 3.76% and is paid out on a monthly basis commencing May 1, 2021, at the inception of the lease.

Future minimum lease payments under the capital leases as of December 31, 2022, were as follows:

Years ending December 31:		
2023	$	140,248
2024		139,980
2025		142,709
2026		145,492
2027		146,559
Thereafter		2,230,861
Future minimum lease payments		2,945,849
Less amount of net minimum lease payments attributable to interest		859,032
Present value of net minimum lease payments		2,086,817
Less current portion of capitalized lease obligations		62,859
Long-term portion of capital lease obligations	$	2,023,950

Interest expense for the year ended December 31, 2022, totaled $79,430. The cost and accumulated depreciation of the property under the lease for the year ended December 31, 2022 totaled $2,122,400 and $107,836, respectively. The cost and accumulated depreciation of the property under the lease for the year ended December 31, 2021 totaled $2,156,714 and $71,890, respectively. The cost and accumulated depreciation of the equipment under the lease for the year ended December 31, 2022 totaled $24,635 and $6,951, respectively.

Note 6. Retirement Plans

TCDRS: EAA provides retirement, disability and death benefits for all its full-time employees through a nontraditional defined benefit pension plan in the statewide TCDRS. The board of trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 781 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a Comprehensive Annual Financial Report (Annual Report) on a calendar basis. The TCDRS Annual Report can be downloaded at http://www.tcdrs.org.

The plan provisions are adopted and may be amended by the EAA Board, within the options available in the Texas state statutes governing TCDRS (the TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 20 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum and who are not eligible to retire are not entitled to any amounts contributed by their employer.

Benefits provided: Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act, so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the

Note 6. Retirement Plans (Continued)

sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding policy: EAA has chosen a fixed rate plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employees and EAA based on the covered payroll of the employees. Under the TCDRS Act, the regular contribution rate for EAA's employees is a fixed percentage equal to the 7% contribution payable to the employee. The matching employer contribution adopted by the governing body of EAA was 180% of the required employee contribution. This regular contribution rate of EAA is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by EAA at the time of plan inception or when benefit increases were adopted was limited by the TCDRS Act to what the actuary determined could be adequately financed by the commitment of EAA to contribute the same amount as the employees. The employee contribution rate and EAA contribution rate may be changed by the governing body of EAA within the options available in the TCDRS Act.

If a plan has had adverse experience, the TCDRS Act has provisions which allow the employer to contribute a fixed supplemental contribution rate determined by the TCDRS's actuary above the regular rate. During the year, EAA contributed a total rate of 11.09%.

Plan benefits: Effective on the date of participation, EAA provides retirement, disability and death benefits. Based on the aforementioned funding policy, the employee's savings, by law, grow at a rate of 7%, compounded annually at retirement, the employee's account balance is combined with EAA's matching and converted into a lifetime monthly benefit. Employees receive a month of service time for each month they make a deposit into their account. The amount of service an employee needs to earn a future benefit is called the vesting requirement. When an employee is vested, he or she has the right to a monthly benefit, which includes the related employer matching contributions, at age 60 or older.

EAA adopted an eight year/Age 60 Retirement Eligibility described in Section 844.207 of the TCDRS Act, under which: (a) any TCDRS member who has eight or more years of service credit with EAA and other subdivisions that have adopted the provisions of Sections 844.207 or 844.210, is a vested member and shall have the right to retire and receive a service retirement annuity after attaining age 60.

Any TCDRS member who is a vested member may terminate employment with all participating subdivisions prior to attaining age 60 and remain eligible to retire and receive a service retirement annuity after attaining age 60 provided his or her membership is not terminated other than by retirement. Any TCDRS member who is a vested member under Section 844.207(d) may retire and receive a disability retirement annuity if he or she is certified as disabled, as defined by the Plan.

Any TCDRS member who has four or more years of service credit with EAA and other subdivisions is eligible for purpose of the Survivor Annuity Death Benefit.

Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options. Prior service gives employees monetary credit for time worked for an eligible organization before it joined the system. Buybacks allow current employees to re-establish a closed TCDRS account from previous service with an employer. Partial lump-sum payments at retirement allow employees to withdraw part of their TCDRS account balance as a lump sum at retirement with a reduced monthly benefit. In addition, EAA may choose to adopt a cost-of-living adjustment (COLA) for its retirees. This adjusts retiree benefits to restore purchasing power lost due to the effects of inflation.

Note 6. Retirement Plans (Continued)

Employees covered by benefit terms: At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to, but not yet receiving benefits	66
Active employees	87
Total	185

Contributions: The contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. EAA's contribution rate is based on the TCDRS funding policy adopted by the TCDRS board of trustees and must conform with the TCDRS Act. Plan members and EAA are required to contribute at a rate set by statute. The contribution requirements of plan members and EAA are established and may be amended. For 2022 and 2021, the contribution rate for the plan members was 7.00% of gross pay. EAA pays a matching portion to the pension plan totaling 11.09% of gross pay for 2022 (9.43% for 2021), which totaled $921,105 for 2022 ($754,933 for 2021).

Net pension liability: EAA's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The actuarial assumptions that determined the total pension liability as of December 31, 2021 and 2020, were based on the results of an actuarial experience study for the period from January 1, 2017 through December 31, 2020, except where required to be different by GASB Statement No. 68.

The total pension liability at December 31, 2021, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Individual Entry Age Normal
Inflation	2.50%
Salary increases	4.70% average over career including inflation
Investment rate of return	7.60% (gross of administrative expenses)
COLA	None

Mortality rates were based on the following.

Depositing members: 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010 for December 31, 2021 and 2020.

Service retirees, beneficiaries and non-depositing members: 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010 for December 31, 2021 and 2020.

Disabled retirees: 160% of Pub-2010 General Disabled Retirees Amount Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010 for December 31, 2021 and 2020.

Note 6. Retirement Plans (Continued)

There were no changes to the methods or benefit terms that affected measurement of the total pension liability since the prior measurement period.

Long-term expected rate of return on assets: The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant. The numbers shown are based on January 2022 information for a 10-year time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2022 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities—Developed	MSCI World Ex USA (net) Index	5.00%	3.80%
International Equities—Emerging	MSCI EM Standard (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distress Securities Index (3)	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index plus 33% S&P Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (5)	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%
		100.00%	

(1) Target asset allocation adopted at the March 2022 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.6%, per the 2022 capital market assumptions.

(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs

Discount rate: The discount rate used to measure the total pension liability was 7.6%. In order to determine the discount rate to be used by the employer, the TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects

Note 6. Retirement Plans (Continued)

the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

TCDRS has a funding policy where the unfunded actuarial accrued liability shall be amortized as a level percent of pay over 20-year closed layered periods. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on these assumptions, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position, as a percentage of total pension liability, is projected to increase from its current level in future years. Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments, the municipal bond rate does not apply.

Changes in net pension liability: Based on the above, the following represents a schedule of changes in the net pension liability based on the measurement date of December 31, 2021:

Changes in Net Pension Liability

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances at beginning of year	$ 26,657,845	$ 24,155,861	$ 2,501,984
Changes for the year:			-
Service cost	1,004,802	-	1,004,802
Interest on total pension liability (1)	2,075,143	-	2,075,143
Effect of economic/demographic (gains) or losses	(200,130)	-	(200,130)
Effect of assumptions changes or inputs (2)	62,246.00	-	62,246
Refund of contributions	(13,472)	(13,472)	-
Benefit payments	(716,158)	(716,158)	-
Administrative expenses	-	(16,296)	16,296
Member contributions	-	560,396	(560,396)
Net investment income	-	5,373,175	(5,373,175)
Employer contributions	-	754,933	(754,933)
Other (3)	-	23,246	(23,246)
Balances at end of year	$ 28,870,276	$ 30,121,685	$ (1,251,409)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

Note 6. Retirement Plans (Continued)

Sensitivity analysis: The following presents the net pension liability of EAA, calculated using the discount rate of 7.60%, as well as what EAA's net pension liability (asset) would be if it were calculated using a discount rate that is 1.0 percentage point lower (6.60%) or 1.0 percentage point higher (8.60%) than the current rate:

	1.00% Decrease	Current Discount Rate	1.00% Increase
	6.60%	7.60%	8.60%
Total pension liability	$ 32,934,891	$ 28,870,276	$ 25,456,173
Fiduciary net position	30,121,685	30,121,685	30,121,685
Net pension liability (asset)	$ 2,813,206	$ (1,251,409)	$ (4,665,512)

Pension plan fiduciary net position: Detail information about the pension plan's fiduciary net position is available in the separately issued TCDRS report.

Pension expense: For the year December 31, 2022, EAA recognized pension-related expense of $86,208.

Deferred inflows and outflows of resources related to pensions: At December 31, 2022, the deferred inflows and outflows of resources related to pensions are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 283,805	$ 211,387
Changes of assumptions	1,002,390	-
Net difference between projected and actual earnings	-	3,317,749
Subtotal of deferred outflows and inflows of resources	1,286,195	3,529,136
Contributions made subsequent to measurement date	921,106	-
Total outflows and inflows subject to amortization	$ 2,207,301	$ 3,529,136

The $921,106 reported as deferred outflows of resources related to pensions resulting from EAA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023.

Other amounts reported as deferred outflows and deferred inflows related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Years ending December 31:	
2022	$ (368,394)
2023	(701,979)
2024	(441,946)
2025	(730,622)
	$ (2,242,941)

Note 6. Retirement Plans (Continued)

Deferred inflows and outflows of resources related to differences between expected and actual experience and changes of assumptions are amortized over the average expected remaining service life for all active, inactive and retired members. Deferred outflows of resources related to the difference between projected and actual earnings are amortized over a five-year period.

Payables to the pension plan: At December 31, 2022, EAA reported payables to TCDRS of $111,668 ($87,470 for 2021) for legally required employer contributions and $70,485 ($64,930 for 2021) for legally required employee contributions, which had been withheld from employee wages, but not yet remitted to TCDRS.

Note 7. Deferred Compensation Plan

EAA offers all full-time employees a deferred compensation plan created in accordance with section 457 of the Internal Revenue Code (IRC 457). The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseen emergency. Government entities relying upon third parties to manage IRC 457 assets are not required to report such assets on their statements of net position as the Government does not control assets nor serve in a fiduciary capacity.

Note 8. Retirement Health Savings Plan

EAA offers all full-time employees a retirement health savings plan (RHS), a defined contribution plan. The plan allows deposits from EAA of unused sick leave at the employee rate of pay at termination or retirement when certain conditions are met. In addition, any excess health reimbursement arrangement funds over the rollforward maximum are carried over to the RHS plan. The deferred compensation is not available to the employees until termination, retirement, death or unforeseen emergency. As the RHS plan assets are held by a legally separate entity in a trust managed by a legally separate trustee, overseen by an independent board of directors, the RHS plan assets and related plan activity are not required to be reported on EAA's statements of net position.

Note 9. Groundwater Rights

EAA leases groundwater rights from various permit holders in support of the EAHCP ASR Leasing Program. During each lease year, EAA withdraws the leased water and delivers the water to the San Antonio Water System (SAWS) ASR facility for storage with the intention of minimizing the impacts of a future extended drought. EAA may terminate the leases by July 1 of any year during the term of the lease, in which case the lease would terminate on December 31 of that same year.

The lease terms range from five to 15 years in length. Lease expense is reflected in the professional and technical services expense for the years ended December 31, 2022 and 2021, and totaled $2,073,910 and $2,293,293, respectively.

Note 9. Groundwater Rights (Continued)

Future minimum payments on leases at December 31, 2022, are as follows:

Years ending December 31:	
2023	2,040,641
2024	2,040,506
2025	1,840,264
2026	1,738,383
2027	1,636,593
	$ 9,296,387

Note 10. Risk Management

EAA is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; health insurance and natural disasters. EAA purchased commercial insurance to cover risks associated with potential claims. There were no significant reductions in coverage in the past year, and there were no settlements exceeding insurance coverage during the past three years.

EAA contracts with the Texas Municipal League (TML) to provide workers' compensation insurance. This multiple-employer account provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by EAA is generally limited to the contributed amounts.

Note 11. Major Customer

Of the EAA aquifer management fees and EAHCP program fees revenues for the years ended December 31, 2022 and 2021, $22,521,364 and $22,633,069, respectively, were earned from one customer. These revenues account for approximately 70% of the total EAA operating revenues for the years ended December 31, 2022 and 2021.

Note 12. Related-Party Transactions

EAA is responsible for reimbursing the SCTWAC members for actual and necessary expenses incurred while performing their duties on behalf of EAA. Accordingly, EAA reimbursed SCTWAC members $36,000 for each of the years ended December 31, 2022 and 2021.

Note 13. Commitments

Regional Water Conservation Program: On January 1, 2016, EAA entered into an interlocal cooperation contract with SAWS to achieve various goals of the Regional Water Conservation Program of the EAHCP by implementing various conservation measures. SAWS, in exchange for the transfer of conserved water into the EAA Groundwater Trust and implementing stated conservation measures in the agreement, receives payment for those activities. Expenses under the contract for the years ended December 31, 2022 and 2021, totaled $0.

Note 13. Commitments (Continued)

Long-Term Refugia Program: Effective January 1, 2017, EAA and the U.S. Fish and Wildlife Service (USFWS) entered into an agreement for the Implementation of a Refugia Program under the Edwards Aquifer Habitat Conservation Plan (Refugia Contract). The Refugia Contract, in an amount not to exceed $18,876,267, extends through March 31, 2028. In accordance with the Refugia Contract, an annual work plan is provided by the USFWS, and approved by EAA, for the services to be performed under the Refugia Contract each year. Payment to USFWS is based on performance of completion of tasks. Expenses under the contract for the years ended December 31, 2022 and 2021, totaled $1,195,719 and $923,311, respectively, with future commitments (subject to USFWS's future performance) of $8,493,354 through the end of the contract term in 2028.

VISPO Program: In 2013, EAA implemented the EAHCP Voluntary Irrigation Suspension Program Option (VISPO). The program is governed by the VISPO Agreement (the Agreement) signed on a voluntary basis by permit holders, whereby permit holders will be compensated to forbear exercising their right under permits issued by EAA to make withdrawals from the aquifer during times of certain droughts, as defined within the Agreement. EAA currently has signed Agreements ranging from 5- to 10-year periods. EAA has options to terminate the Agreement if it is determined the VISPO be discontinued as a conservation measure by the Implementing Committee of the EAHCP under Subsection 7.12.4.f. of the Funding and Management Agreement, at its sole discretion, one of them being by providing advance written notice of termination to the permit holder by July 1 of any year during the term of the Agreement, in which case the Agreement terminates on December 31 of the same year in which the notice is timely given.

In accordance with the Agreement, permit holders receive two types of payments, Standby Fees and Forbearance Years payment.

Forbearance Years payment is subject to well level at Well J-17, as defined in the Agreement on October 1 of each year. However, the permit holder may opt out of a Forbearance Year payment if the well level on the following January 1 increases (to a level defined within the Agreement) and the permit holder gives written notice to EAA by January 15. The Forbearance Year payment for 10-year agreements for years 1 through 5 are based on $172.50 per acre-foot per annum and, for years 6 through 10, are based on $210.60 per acre-foot per annum. The Forbearance Year payment for 5-year agreements, effective prior to January 1, 2019, begins at $150 per acre foot with a 1.5% increase, compounded annually, per year, and 5-year agreements effective January 1, 2019, and later are based on $160 per acre-foot per annum. EAA's Forbearance Year payments in 2022 and 2021 were $7,477,562 and $0 respectively.

Assuming the Agreement is not terminated by July 1, as defined above, the Standby Fee payments are due and payable as of year-end with payments made by no later than March 1 of the following year, regardless of whether or not the permit holder is required to suspend water withdrawals that year (i.e., regardless of the well level at Well J-17). For 10-year agreements, the Standby Fee payment for years 1 through 5 are based on $57.50 per acre-foot per annum and, for years 6 through 10, are based on $70.20 per acre-foot per annum. For 5-year agreements effective before January 1, 2019, the Standby Fee payment begins at $50 per acre-foot per annum with a 1.5% increase, compounded annually, per year and at $54 per acre-foot per annum if effective January 1, 2019, or later. At December 31, 2022 and 2021, the Standby Fee payments owed to participants totaled $2,509,971 and $2,509,975, respectively.

Note 13. Commitments (Continued)

Springflow Protection—ASR Forbearance Program: In 2018, EAA implemented a springflow protection forbearance program in support of the Aquifer Storage and Recovery (ASR) Program of the EAHCP (Springflow Protection Program, or Program). The Program is governed by the Springflow Protection Program Forbearance Agreement (the Agreement) signed on a voluntary basis by permit holders, whereby permit holders will be compensated to forbear exercising their right under permits issued by EAA to make withdrawals from the aquifer during times of certain droughts, as defined within the Agreement. EAA currently has signed 8, 9 and 10-year Agreements. EAA has options to terminate the Agreement if it is determined that the Program be discontinued as a conservation measure by the Implementing Committee of the EAHCP under Subsection 7.12.4.f. of the Funding and Management Agreement, at its sole discretion, one of them being by providing advance written notice of termination to the permit holder by July 1 of any year during the term of the Agreement, in which case the Agreement terminates on December 31 of the same year in which the notice is timely given. In accordance with the Agreement, permit holders receive a payment of $100 per acre-foot per annum irrespective of whether the year is a forbearance or non-forbearance year. At December 31, 2022 and 2021, the payments owed to participants totaled $3,724,584 and $3,694,237, respectively.

Forbearance years are determined by the Ten-year Rolling Average of the Estimated Annual Recharge to the Aquifer determined from the annual USGS report on the Estimated Annual Recharge to the Aquifer. In a Forbearance Year, the permit holder agrees to forbear from making withdrawals of groundwater from the Aquifer in accordance with the Agreement. EAA did not pay any Forbearance Year payments in 2022 and 2021.

Required Supplementary Information

Edwards Aquifer Authority

Schedules of Changes in Net Pension Liability
Years Ended December 31,

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability (asset):								
Service cost	**$ 1,004,802**	$ 840,610	$ 757,008	$ 759,482	$ 747,169	$ 706,738	$ 602,028	$ 489,730
Interest on total pension liability	**2,075,143**	1,882,905	1,722,735	1,613,068	1,465,077	1,306,506	1,194,041	962,577
Effect of plan changes	**-**	-	-	-	-	-	(176,742)	508,666
Effect of assumption of changes or inputs	**62,246**	1,552,967	-	-	124,877	-	130,138	-
Effect of economic/demographic (gains) or losses	**(200,130)**	343,945	181,656	(256,411)	28,641	(51,936)	(59,429)	1,430,223
Benefit payments/refunds of contributions	**(729,630)**	(721,380)	(812,047)	(709,477)	(398,594)	(409,843)	(342,992)	(290,907)
Net change in total pension liability	**2,212,431**	3,899,047	1,849,352	1,406,662	1,967,170	1,551,465	1,347,044	3,100,289
Total pension liability at beginning of year	**26,657,843**	22,758,796	20,909,444	19,502,782	17,535,612	15,984,147	14,637,103	11,536,814
Total pension liability at end of year (a)	**$ 28,870,274**	$ 26,657,843	$ 22,758,796	$ 20,909,444	$ 19,502,782	$ 17,535,612	$ 15,984,147	$ 14,637,103
Fiduciary net position:								
Employer contributions	**$ 754,933**	$ 757,976	$ 687,893	$ 642,663	$ 634,609	$ 633,744	$ 595,130	$ 347,051
Member contributions	**560,396**	562,655	517,769	483,205	486,557	457,341	425,093	234,099
Investment income, net of investment expenses	**5,373,175**	2,206,599	2,955,345	(329,039)	2,199,859	986,342	(85,302)	791,075
Benefit payments/refunds of contributions	**(729,630)**	(721,380)	(812,047)	(709,477)	(398,594)	(409,843)	(342,992)	(290,907)
Administrative expenses	**(16,296)**	(17,675)	(16,268)	(14,457)	(11,911)	(10,725)	(9,384)	(9,392)
Other	**23,246**	19,848	16,450	14,205	9,571	39,840	(3,934)	10,094
Net change in fiduciary net position	**5,965,824**	2,808,023	3,349,142	87,100	2,920,091	1,696,699	578,611	1,082,020
Fiduciary net position at beginning of year	**24,155,862**	21,347,839	17,998,697	17,911,597	14,991,506	13,294,807	12,716,196	11,634,176
Fiduciary net position at end of year (b)	**$ 30,121,686**	$ 24,155,862	$ 21,347,839	$ 17,998,697	$ 17,911,597	$ 14,991,506	$ 13,294,807	$ 12,716,196
Net pension liability (asset) at end of year = (a)-(b)	**$ (1,251,411)**	$ 2,501,981	$ 1,410,957	$ 2,910,747	$ 1,591,185	$ 2,544,106	$ 2,689,340	$ 1,920,907
Fiduciary net position as a percentage of total pension liability	**104.33%**	90.61%	93.80%	86.08%	91.84%	85.49%	83.17%	86.88%
Covered payroll	**$ 8,005,655**	$ 8,037,922	$ 6,902,933	$ 6,950,814	$ 6,533,445	$ 6,072,752	$ 5,852,465	$ 5,660,961
Net pension liability (asset) as a percentage of covered payroll	-15.63%	31.13%	20.44%	41.88%	24.35%	41.89%	45.95%	33.93%

GASB Statement No. 68 requires this schedule to be presented for a 10-year period. EAA adopted GASB Statement No. 68 in 2015; therefore, only eight years are presented. The full trend information will be accumulated over the next three years.

See notes to required supplementary information.

Edwards Aquifer Authority

Schedule of the EAA's Pension Contribution
Years Ended December 31,

Years Ending December 31	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Covered Payroll (2)	Actual Contribution as a Percent of Covered Payroll
2013	$ 310,339	$ 310,339	$ -	$ 5,425,513	5.7%
2014	334,563	334,563	-	5,660,961	5.9%
2015	347,051	347,051	-	5,852,465	5.9%
2016	595,130	595,130	-	6,072,752	9.8%
2017	633,744	633,744	-	6,533,445	9.7%
2018	634,609	634,609	-	6,950,814	9.1%
2019	642,663	642,663	-	6,902,933	9.3%
2020	687,893	687,893	-	7,396,695	9.3%
2021	757,976	757,976	-	8,037,922	9.4%
2022	746,928	754,933	(8,006)	8,005,655	9.4%

(1) TCDRS calculates actuarially determined contributions on a calendar-year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal-year basis.

(2) Covered payroll is calculated based on contributions, as reported to TCDRS.

See notes to required supplementary information.

Following are the key assumptions and methods used in the required supplementary information schedules:

Notes to Schedule	
Valuation Date:	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
<u>Methods and assumptions used to determine contribution rates</u>:	
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: Employer contributions reflect that the member contribution rate was increased to 7%. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule.

* *Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.*

Other Information

Edwards Aquifer Authority

Schedule of Expenses—Budget and Actual (General Operations)—Non-GAAP Basis
Year Ended December 31, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual Amounts	Final Budget
Salaries and wages:				
Salaries and wages	$ 8,938,392	$ 8,938,392	$ 8,006,175	$ 932,217
Overtime	12,000	12,000	1,006	10,994
Compensated absences	-	-	80,950	(80,950)
	8,950,392	8,950,392	8,088,131	862,261
Employee benefits:				
Allowances	40,200	40,200	47,425	(7,225)
Insurance	773,014	773,014	512,430	260,584
Medical allowance reimbursement	475,000	475,000	396,628	78,372
Pension expense and retirement contributions	977,936	977,936	167,644	810,292
Taxes	712,245	712,245	557,520	154,725
Tuition reimbursement	46,600	46,600	19,509	27,091
	3,024,995	3,024,995	1,701,157	1,323,839
Professional and technical services:				
Contractual professional services	4,540,234	4,416,095	2,296,851	2,119,244
Legal services	600,000	600,000	492,359	107,641
Pre-employment services	6,000	9,000	6,618	2,382
Records services	7,000	7,000	3,734	3,267
Temporary services	6,000	1,400	-	1,400
	5,159,234	5,033,495	2,799,562	2,233,934
Property services:				
Equipment maintenance	75,000	86,679	56,415	30,264
Equipment rental	67,000	50,519	29,973	20,546
Event sponsorships	184,750	153,250	118,961	34,289
Facilities maintenance	165,000	262,799	250,270	12,529
Hosting, SAAS and support agreements	621,276	652,402	560,926	91,476
Facilities rental	154,850	154,850	4,977	149,873
Noncapital furniture and equipment	330,000	381,284	327,783	53,501
Pest control	3,400	3,739	2,675	1,064
Constituency services	25,000	25,000	-	25,000
Security and fire	15,000	14,000	12,139	1,861
Vehicle maintenance	50,000	27,600	24,398	3,202
Waste disposal	4,500	5,358	5,321	37
Water and sewage	8,700	8,378	7,347	1,031
	1,704,476	1,825,858	1,401,185	424,673

(Continued)

Edwards Aquifer Authority

Schedule of Expenses—Budget and Actual (General Operations)—Non-GAAP Basis (Continued)
Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
Other services:				
Bad-debt expense	$ -	$ -	$ (10,593)	$ 10,593
Conferences, seminars and training	155,000	151,800	53,690	98,110
Conservation grants	300,000	324,086	324,085	1
Fees, licenses and permits	13,350	13,350	10,010	3,340
Meeting expenses	172,800	174,300	80,896	93,404
Printing	105,250	105,650	47,626	58,024
Property and casualty	138,850	158,850	153,370	5,480
Public and legal notices	113,000	78,470	64,827	13,643
Telecommunication services	146,869	150,969	115,600	35,369
Travel and lodging	7,000	4,500	-	4,500
	1,152,119	1,161,975	839,512	322,464
Supplies:				
Clothing	25,000	25,000	7,497	17,503
Computer supplies	26,000	36,000	32,534	3,466
Electrical services	99,000	110,500	100,942	9,558
Event materials and supplies	30,300	27,800	16,711	11,089
Field supplies	95,500	93,100	34,918	58,182
Fuel	35,000	41,000	40,658	342
Kitchen and janitorial	72,500	74,200	69,388	4,812
Memberships	37,260	38,259	27,398	10,861
Office supplies	69,600	68,916	25,568	43,348
Postage	20,000	20,000	18,061	1,939
Promotional supplies	123,000	100,900	57,496	43,404
Subscriptions and publications	23,300	28,851	18,046	10,805
	656,460	664,526	449,217	215,309
Depreciation	-	-	908,508	(908,508)
Total operating expenditures	20,647,676	20,661,241	16,187,272	4,473,972
Nonoperating expenditures:				
Interest expense—debt	100,330	100,330	179,763	(79,433)
Capital expenditures and note principal*	1,138,500	1,692,257	792,467	899,790
Total expenditures, capital expenditures and note principal	$ 21,886,506	$ 22,453,828	$ 17,159,502	$ 5,294,329

*Capital expenditures are reflected in the statements of net position basic financial statements.

Budget amendments:

(1) Budget Amendment approved 2/8/2022	$ 317,321
(2) Budget Amendment approved 5/10/2022	250,000

Edwards Aquifer Authority

Schedule of Expenses—Budget and Actual (Habitat Conservation Plan)—Non-GAAP Basis
Year Ended December 31, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual Amounts	Final Budget
Program administration:				
Salaries and wages:				
Salaries and wages	$ 540,360	$ 540,360	$ 447,789	$ 92,571
Compensated absences	-	-	637	(637)
	540,360	540,360	448,426	91,934
Employee benefits:				
Allowances	3,600	3,600	4,100	(500)
Insurance	48,717	48,717	29,644	19,073
Medical allowance reimbursement	30,000	30,000	23,880	6,120
Pension expense and retirement contributions	59,926	59,926	4,974	54,952
Taxes	42,958	42,958	33,113	9,845
	185,201	185,201	95,711	89,490
Professional and technical services:				
Contractual professional services	519,000	492,800	363,533	129,267
	519,000	492,800	363,533	129,267
Property services:				
Event sponsorship	-	7,000	7,000	-
Hosting, SAAS and Support Agreements	-	1,200	1,124	76
Noncapital furniture and equipment	6,000	6,000	3,953	2,047
	6,000	14,200	12,077	2,123
Other services:				
Bad-debt expense	-	-	(6,264)	6,264
Printing	8,000	18,000	10,159	7,841
Conferences, seminars and training	20,000	20,000	10,205	9,795
Meeting expenses	20,000	20,000	17,247	2,753
	48,000	58,000	31,347	26,653
Supplies:				
Office supplies	1,500	1,500	888	612
Promotional supplies	-	8,000	7,528	472
Memberships	2,000	2,000	709	1,291
	3,500	11,500	9,125	2,375
Total—program administration	1,302,061	1,302,061	960,219	341,842
Springflow Protection:				
Professional and technical services:				
SAWS ASR Leasing	5,776,493	5,776,493	5,798,492	(21,999)
VISPO	2,509,975	2,509,975	9,987,533	(7,477,558)
Total—Springflow Protection	8,286,468	8,286,468	15,786,025	(7,499,557)

(Continued)

Edwards Aquifer Authority

Schedule of Expenses—Budget and Actual (Habitat Conservation Plan)—Non-GAAP Basis (Continued)
Year Ended December 31, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual Amounts	Final Budget
San Marcos Springs:				
Professional and technical services:				
Biological Monitoring	$ 371,929	$ 371,929	$ 270,029	$ 101,900
Household Hazardous Waste Mgmt.	30,000	30,000	30,000	-
LID/BMP Management	1,100,000	1,100,000	204,988	895,012
Litter Control/Floating Vegetation	47,121	47,121	38,584	8,538
Management—Key Public Rec Areas	56,000	56,000	54,749	1,251
Non-Native Animal Species Control	23,256	23,256	23,256	-
Non-Native Plant Species Control	200,000	200,000	196,984	3,016
Restoration—Riparian Zones	20,000	20,000	12,591	7,410
TX Wild Rice Enhancement/Restoration	20,000	20,000	19,497	503
Water quality monitoring	30,000	25,300	8,327	16,973
	1,898,306	1,893,606	859,004	1,034,603
Property Services:				
Non-Capital Assets	-	2,000	1,428	572
	-	2,000	1,428	572
Other Services:				
Telecommunication Services	-	200	-	200
	-	200	-	200
Supplies:				
Field supplies	-	2,500	1,520	980
	-	2,500	1,520	980
Total—San Marcos Springs	1,898,306	1,898,306	861,952	1,036,355
Comal Springs:				
Professional and technical services:				
Aquatic Vegetation Restoration	100,000	100,000	90,088	9,912
Biological Monitoring	383,845	383,845	362,080	21,765
Decaying Vegetation Removal	15,000	15,000	14,996	4
Gill Parasite Control	10,000	10,000	9,994	6
Household Hazardous Waste Program	40,385	40,385	38,945	1,440
LID/BMP Management	15,000	15,000	14,976	24
Litter Control/Floating Vegetation	25,000	35,000	35,000	-
Non-Native Animal Species Control	45,000	45,000	45,000	-
Old Channel Restoration	50,000	50,000	31,509	18,491
Restoration—Riparian Zones	125,000	125,000	124,997	3
Riparian Improvements—Riffle Beetle	25,000	25,000	24,196	804
Water Quality Monitoring	30,000	27,500	10,357	17,143
	864,230	871,730	802,138	69,592
Supplies:				
Field supplies	-	2,500	1,126	1,374
	-	2,500	1,126	1,374
Total—Comal Springs	864,230	874,230	803,264	70,966

(Continued)

Edwards Aquifer Authority

Schedule of Expenses—Budget and Actual (Habitat Conservation Plan)—Non-GAAP Basis (Continued)
Year Ended December 31, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual Amounts	Final Budget
Modeling and research:				
Professional and technical services:				
Applied environmental research	$ 240,000	$ 240,000	$ 40,598	$ 199,402
	240,000	240,000	40,598	199,402
Property Services				
Non-Capital Assets	$ 10,000	$ 10,000	$ -	$ 10,000
	10,000	10,000	-	10,000
Total - Modeling & Research	250,000	250,000	40,598	209,402
Refugia:				
Professional and technical services:				
NFHTC Refugia	1,166,375	1,447,937	1,195,719	252,218
Total—NFHTC Refugia	1,166,375	1,447,937	1,195,719	252,218
Depreciation	-	-	41,435	(41,435)
Total expenditures	13,767,440	14,059,002	19,689,212	(5,630,209)
Capital expenditures*:				
HCP—Program Administration				
Modeling and Research	-	-	-	-
	-	-	-	-
Total expenditures and capital expenditures	$ 13,767,440	$ 14,059,002	$ 19,689,212	$ (5,630,210)

*Capital expenditures are reflected in the statements of net position basic financial statements.

Budget amendments:
(1) Budget Amendment approved 06/14/2022 $ 291,562