



October 27, 2020

Finance-Administration Committee and Board of Directors
Edwards Aquifer Authority
900 East Quincy Street
San Antonio, TX 78215

RSM US LLP

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Attention: Ms. Luana Buckner, Chairman of the Board

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit Edwards Aquifer Authority's (the Authority) business-type activities as of and for the year ending December 31, 2020, which collectively comprise the basic financial statements. Management is responsible for the preparation of the required supplementary information (RSI) and supplementary information presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

A separate letter has been issued dated October 27, 2020 that communicates matters related to the planned scope and timing of our audit of the Authority's financial statements as of and for the year ending December 31, 2020.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

In making our risk assessments, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

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We will also communicate to the Finance-Administration Committee and Board of Directors (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The only fund that you have told us is maintained by the Authority and that is to be included as part of our audit is an enterprise fund.

The component unit whose financial statements you have told us is to be included as part of the Authority's basic financial statements is Edwards Aquifer Conservancy.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that it will not conclude on subsequent events earlier than the date of the management representation letter referred to below;
3. 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; and
4. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management and, when appropriate, those charged with governance written confirmation concerning representations made to us in connection with the audit, including among other items:

1. That management has fulfilled its responsibilities as set out in the terms of this letter; and
2. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that the Authority complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators or others.

Management is responsible for the preparation of the RSI in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the RSI in any document that contains the supplementary information and indicates that the auditor has reported on such RSI. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

The Finance-Administration Committee and Board of Directors are responsible for informing us of their views about the risks of fraud within the Authority, and their knowledge of any fraud or suspected fraud affecting the Authority.

Edwards Aquifer Authority agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, Edwards Aquifer Authority agrees to contact us before it includes our reports, or otherwise makes reference to us, in any public or private securities offering. Our association with an official statement is a matter for which separate arrangements may be necessary. Edwards Aquifer Authority agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when Edwards Aquifer Authority seeks such consent, we will be under no obligation to grant such consent or approval.

Records and Assistance

If circumstances arise relating to the condition of the Authority's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Authority's books and records. The Authority will determine that all such data, if necessary, will be so reflected. Accordingly, the Authority will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Authority personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with Ms. Shelly Hendrix, Director/Controller—Financial Services. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Accounting Services

In connection with our audit, you have requested us to assist with drafting the financial statements and related disclosures using the trial balance and supporting schedules prepared by management of the Authority.

Ms. Shelly Hendrix, Director/Controller—Financial Services, will oversee the services, make all significant judgments that are the proper responsibility of management, evaluate the adequacy of the services, make an informed judgment about the results of the services and accept responsibility for them. You also agree to establish and maintain internal control over these services, including ongoing monitoring activities. At the conclusion of our audit, we will ask you to provide written representations to that effect.

Other Relevant Information

RSM US LLP may mention the Authority's name and provide a general description of the engagement in RSM US LLP's client lists and marketing materials.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In addition, we may utilize financial information you have provided to us in connection with this engagement for purposes of creating benchmarking data to be used by RSM US LLP professionals and other clients. This benchmarking data is aggregated with data from a minimum of five other entities so that users of the data are unable to associate the data with any single entity in the database.

If any term or provision of this Arrangement Letter is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

Parties' Understandings Concerning Situation Around COVID-19

RSM US LLP and Edwards Aquifer Authority acknowledge that, at the time of the execution of this Arrangement Letter, federal, state and local governments, both domestic and foreign, have restricted travel and/or the movement of their citizens due to the ongoing and evolving situation around COVID-19. In addition, like many organizations and companies in the United States and around the globe, RSM US LLP has restricted its employees from travel and onsite work, whether at a client facility or an RSM US LLP facility, to protect the health of both RSM US LLP's and its clients' employees. Accordingly, to the extent that any of the services described in this Arrangement Letter requires or relies on RSM US LLP or Edwards Aquifer Authority personnel to travel and/or perform work onsite, either at Edwards Aquifer Authority's or RSM US LLP's facilities, including, but not limited to, maintaining business operations and/or IT infrastructure, RSM US LLP and Edwards Aquifer Authority acknowledge and agree that the performance of such work may be delayed, significantly or indefinitely, and thus certain services described herein may need to be rescheduled and/or suspended at either RSM US LLP's or Edwards Aquifer Authority's sole discretion. RSM US LLP and Edwards Aquifer Authority agree to provide the other with prompt written notice (email will be sufficient) in the event any of the services described herein will need to be rescheduled and/or suspended. RSM US LLP and Edwards Aquifer Authority also acknowledge and agree that any delays or workarounds due to the situation surrounding COVID-19 may increase the cost of the services described herein. RSM US LLP will obtain Edwards Aquifer Authority's prior written approval (email will be sufficient) for any increase in the cost of RSM US LLP services that may result from the situation surrounding COVID-19.

Fees, Costs and Access to Workpapers

Our fees for the services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement plus directly billed expenses, including report processing, travel, meals and fees for services from other professionals, as well as a charge of 5% of fees for all other expenses, including indirect administrative expenses such as technology, research and library databases, communications, photocopying, postage and clerical assistance. Our fee estimate and completion of our work are based upon the following criteria:

1. Anticipated cooperation from Authority personnel
2. Timely responses to our inquiries
3. Timely completion and delivery of client assistance requests
4. Timely communication of all significant accounting and financial reporting matters
5. The assumption that unexpected circumstances will not be encountered during the engagement.

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Our fee for the services described in this letter will not exceed \$57,750 unless the scope of the engagement is changed, the assistance in which the Authority has agreed to furnish is not provided, or unexpected conditions are encountered, in which case, we will discuss the situation with you before proceeding.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position.

The audit documentation for this engagement is the property of RSM US LLP and constitutes confidential information.

Review of audit documentation by a successor auditor or as part of due diligence will be agreed to, accounted for and billed separately.

In the event we are requested or authorized by Edwards Aquifer Authority or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for Edwards Aquifer Authority, Edwards Aquifer Authority will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

You have informed us that you intend to prepare a comprehensive annual financial report (CAFR) and submit it for evaluation by the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting. Our association with the CAFR is to consist of a review of the presentation and content included therein. Our fee above does not include any time for us to prepare, compile, or print the CAFR. If any such assistance is requested, it will be subject to a change in scope and separate billing arrangement.

Termination

Your failure to make full payment of any and all undisputed amounts invoiced in a timely manner constitutes a material breach for which we may refuse to provide deliverables and/or, upon written notice, suspend or terminate our services under this Arrangement Letter. We will not be liable to you for any resulting loss, damage or expense connected with the suspension or termination of our services due to your failure to make full payment of undisputed amounts invoiced in a timely manner.

In the event you terminate this engagement, you will pay us for all services rendered (including deliverables and products delivered), expenses incurred and noncancelable commitments made by us on your behalf through the effective date of termination.

We will not be responsible for any delay or failure in our performance resulting from acts beyond our reasonable control or unforeseen or unexpected circumstances, such as, but not limited to, acts of God, government or war, riots or strikes, disasters, fires, floods, epidemics, pandemics or outbreaks of communicable disease, cyberattacks, and internet or other system or network outages. At your option, you may terminate this Arrangement Letter where our services are delayed; however, you are not excused from paying us for all amounts owed for services rendered and deliverables provided prior to the termination of this Arrangement Letter.

When an engagement has been suspended at the request of management or those charged with governance and work on that engagement has not recommenced within 120 days of the request to suspend our work, we may, at our sole discretion, terminate this Arrangement Letter without further obligation to you. Resumption of our work following termination may be subject to our client acceptance procedures and, if resumed, will require additional procedures not contemplated in this Arrangement Letter. Accordingly, the scope, timing and fee arrangement discussed in this Arrangement Letter will no longer apply. In order for us to recommence work, the execution of a new Arrangement Letter will be required.

We may terminate this Arrangement Letter upon written notice if we determine that our continued performance would result in a violation of law, regulatory requirements, applicable professional or ethical standards, or our client acceptance or retention standards.

Indemnification and Claim Resolution

Because RSM US LLP will rely on Edwards Aquifer Authority and its management and Finance-Administration Committee and Board of Directors to discharge the foregoing responsibilities, Edwards Aquifer Authority holds harmless and releases RSM US LLP and its partners and employees from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing misrepresentation by a member of Edwards Aquifer Authority's management that has caused, in any respect, RSM US LLP's breach of contract or negligence.

In no event shall either party be liable to the other for claims of punitive, consequential, special or indirect damages. RSM US LLP's liability for all claims, damages and costs of Edwards Aquifer Authority arising from this engagement is limited to an amount not to exceed five (5) times the amount of fees paid by Edwards Aquifer Authority to RSM US LLP for the services rendered under this Arrangement Letter.

These provisions shall survive the termination of this arrangement for services.

Information Security—Miscellaneous Terms

RSM US LLP is committed to the safe and confidential treatment of Edwards Aquifer Authority's proprietary information. RSM US LLP is required to maintain the confidential treatment of client information in accordance with relevant industry professional standards which govern the provision of services described herein. Edwards Aquifer Authority agrees that it will not provide RSM US LLP with any unencrypted electronic confidential or proprietary information, and the parties agree to utilize commercially reasonable measures to maintain the confidentiality of Edwards Aquifer Authority information, including the use of collaborate sites to ensure the safe transfer of data between the parties.

Reporting

We will issue a written report upon completion of our audit of Edwards Aquifer Authority's financial statements. Our report will be addressed to the Finance-Administration Committee and Board of Directors of Edwards Aquifer Authority. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

This letter constitutes the complete and exclusive statement of agreement between RSM US LLP and Edwards Aquifer Authority, superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties.

Electronic Signatures and Counterparts

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities or (iv) a digital signature. This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts" of such documents, if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

Ms. Luana Buckner, Chairman of the Board
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Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities.

RSM US LLP

A handwritten signature in black ink, appearing to read "Joel Perez, Jr.", is written over a light gray rectangular background.

Joel Perez, Jr., Partner

Confirmed on behalf of Edwards Aquifer Authority:

Luana Buckner, Chairman of the Board

Date

Roland Ruiz, General Manager

Date

Felix Marquez, Executive Director of
Administration and Financial Services

Date