Edwards Aquifer Authority

Annual Financial Report
December 31, 2020

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Financial Section

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RSM US LLP

Independent Auditor's Report

Members of the Board of Directors
Edwards Aquifer Authority

We have audited the accompanying financial statements of the Edwards Aquifer Authority (the EAA) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the EAA's basic financial statements, as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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. In making those risk assessments, the auditor considers internal control relevant to the EAA'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 EAA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the EAA as of December 31, 2020 and 2019, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic 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, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

RSM US LLP

San Antonio, Texas
March 23, 2021

This discussion and analysis serves as an introduction to the Edwards Aquifer Authority's (the EAA) basic financial statements and provides an overview and analysis of financial activities for the year ended December 31, 2020, 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, 2020, 2019, and 2018, 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 a ninth 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 remained relatively constant in 2020 from 2019, increasing $23,380 or .07%, and increasing $32,819 or .10% in 2019 from 2018.

- The assets and deferred outflows of resources of the EAA exceeded liabilities and deferred inflows of resources as of December 31, 2020 by $54,810,674 (*net position*). Of this amount, $28,891,677 is reported as *restricted*, obligated to the EAHCP, with an *unrestricted* amount of $10,316,606 available to meet ongoing EAA general operating obligations. The remaining balance of $15,602,391 consists of the EAA's net investment in capital assets.

- EAA total net position increased by $2,349,634 or 4.5%, from 2019, of which a decrease of $1,054,594 is related to net investment in capital assets, an increase of $3,256,732 is related to EAA General Operations and an increase of $147,496 is related to EAHCP.

- In 2020, the EAA implemented a Government Finance Officers Association "best practice" recommendation related to the capitalization thresholds for capital assets. The EAA implemented a capitalization threshold policy change that increased the capitalization limit from $1,000 to $5,000 (purchase price per unit) and resulted in a write-off of $1,179,334 related to the reclassification of prior recorded capital assets that did not meet this threshold.

- In 2020, the EAA repaid $85,000 towards the principal portion of its General Improvement Revenue Note, issued in 2011. No additional debt was issued during 2020. Note 5 to the basic financial statements provides details of the long-term debt obligation.

- As of December 31, 2020, accrued conservation rebates of $81,984 are held pending payment to certain nonagricultural permit holder's 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

For financial reporting purposes, the EAA is considered a special-purpose government engaged solely in business-type activities. Accordingly, it presents the following sets of financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These statements present information that is useful in assessing the financial health of the EAA.

Statement of Net Position

The Statement of Net Position presents EAA's 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.

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 note 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.

Statements of Cash Flows

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 2020, the EAA reports positive balances in all three categories of net position. Total net position as of December 31, 2020 was $54,810,674 of which $15,602,391 is represented by the EAA's net investment in capital assets (land, buildings, vehicles, software, hardware and equipment).

Total net position increased by $2,349,634 in 2020 and increased $4,970,669 from 2018 to 2019. The 2020 increase is primarily related to EAHCP Springflow Protection measures and Refugia expense decreases offset by the decrease in net investment in capital assets resulting from the capitalization threshold policy change. The 2019 increase is primarily related to the donated land and improvements to the Edwards Aquifer Conservation (EAC), a nonprofit, supporting organization of the EAA reported as a blended component unit in the EAA's financial statements and EAHCP Refugia expense decreases. Unrestricted net position and net investment in capital assets increased $2,202,138 in 2020 and increased $7,581,091 from 2018 to 2019.

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		
	2020	2019	2018
Assets:			
Current assets	$ 15,465,787	$ 12,167,766	$ 10,864,079
Restricted current assets—EAHCP	34,943,567	34,452,188	35,537,598
Capital assets, net	18,437,391	19,576,985	14,088,303
Long-term assets	22,557	51,048	78,152
Total assets	68,869,302	66,247,987	60,568,132
Deferred outflows of resources:			
Deferred outflows related to pension	1,001,749	2,212,654	1,312,404
Total assets and deferred outflows of resources	$ 69,871,051	$ 68,460,641	$ 61,880,536
Liabilities:			
Current liabilities	$ 9,432,980	$ 9,772,746	$ 9,615,205
Noncurrent liabilities	4,979,697	5,975,948	4,511,187
Total liabilities	14,412,677	15,748,694	14,126,392
Deferred inflows of resources:			
Deferred inflows related to pension	647,700	250,907	263,773
Net position:			
Net investment in capital assets	15,602,391	16,656,985	11,083,303
Restricted—Habitat Conservation Plan	28,891,677	28,744,181	31,354,603
Unrestricted	10,316,606	7,059,874	5,052,465
Total net position	54,810,674	52,461,040	47,490,371
Total liabilities, deferred inflows of resources and net position	$ 69,871,051	$ 68,460,641	$ 61,880,536

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 2020	2019	2018
Total operating revenues	$ 31,813,895	$ 31,839,011	$ 31,863,282
Total operating expenses	28,628,047	33,231,437	36,679,718
Operating income (loss)	3,185,848	(1,392,426)	(4,816,436)
Nonoperating revenue (expenses):			
Interest income	461,152	1,000,046	787,104
Interest expense	(108,720)	(111,923)	(114,993)
Gain (loss) on sale and disposal of capital assets	(1,188,646)	574	4,144
Capital contributions	-	5,474,398	-
Total nonoperating revenues (expenses), net	(836,214)	6,363,095	676,255
Change in net position	2,349,634	4,970,669	(4,140,181)
Net position at beginning of year	52,461,040	47,490,371	51,630,552
Net position at end of year	$ 54,810,674	$ 52,461,040	$ 47,490,371

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 a ninth 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 2020, the aquifer management fee rate for EAA General Operations was $50 per acre-foot and $34 per acre-foot for the EAHCP.

Overall operating revenues decreased $25,116 (0.1%) from 2019 to 2020 and decreased $24,271 (0.1%) from 2018 to 2019. The decrease in 2020 is primarily related to enforcement settlement decreases offset by increases in agricultural revenue and other miscellaneous charges. The decrease in 2019 is primarily related to EAC revenue decreases offset by increases in enforcement settlements.

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 $18,505,365 (58.2%) in 2020, and $17,015,440 (53.4%) in 2019. The aquifer management fee charged to agricultural users, as set by the EAA Act, is $2 per acre-foot. Agricultural fee revenue represents $182,340 (0.6%) and $161,351 (0.5%) of the total aquifer management fee operating revenues for years 2020 and 2019, respectively. In 2019, the aquifer management fee charged to nonagricultural permit holders for general operations was increased to $46 per acre-foot from the $42 per acre-foot in 2018 and increased to $50 per acre-foot in 2020. These aquifer management fee rates yielded an 8.8% increase in 2020 and a 9.6% increase in 2019 revenues.

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 $13,195,717 (41.4%) in 2020 and $14,662,262 (46.1%) in 2019. The program aquifer management fee charged to nonagricultural permit holders was decreased to $38 per acre-foot in 2019 from $42 per acre-foot in 2018 and decreased to $34 per acre-foot in 2020. These program aquifer management fee rates yielded a 10.0% reduction in 2020 revenues and a 9.0% reduction in 2019 revenues.

Net aquifer management fee and program aquifer management fee revenue, as a percentage of total operating revenue, remains relatively consistent each year at 99.7% in 2020 and 99.5% in 2019. Enforcement settlements revenue are for settlements paid by various entities for EAA rules violations or judgements and represents 0.1% and 0.3% in 2020 and 2019, 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 revenue representing 0.3% in 2020 and 0.2% in 2019.

The following information depicts the components of operating revenues, for both program areas, for the fiscal years ended December 31, 2020, 2019 and 2018.

	2020	Percent of Total	2019	Percent of Total	2018	Percent of Total
Operating revenues:						
Aquifer management fees	$ 18,505,365	58.2%	$ 17,015,440	53.4%	$ 15,524,731	48.7%
Program aquifer management fees	13,195,717	41.4%	14,662,262	46.1%	16,120,152	50.6%
Enforcement settlements	23,596	0.1%	100,424	0.3%	42,807	0.1%
Other charges	89,217	0.3%	60,885	0.2%	175,592	0.6%
Total	$ 31,813,895	100.0%	$ 31,839,011	100.0%	$ 31,863,282	100.0%

OPERATING EXPENSES

Total EAA operating expenses decreased $4,603,390 (13.9%) in 2020 and decreased $3,448,281 (9.4%) in 2019. 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

	2020	Percent of Total	2019	Percent of Total	2018	Percent of Total
Salaries and wages	$ 8,482,086	29.6%	$ 7,657,437	23.0%	$ 7,115,797	19.4%
Employee benefits	2,516,679	8.8%	2,746,627	8.3%	2,464,838	6.7%
Professional and technical services	14,873,943	52.0%	19,768,770	59.5%	24,297,898	66.3%
Property services	1,287,467	4.5%	974,153	2.9%	818,100	2.2%
Other services	465,735	1.6%	746,633	2.3%	701,974	1.9%
Supplies	348,926	1.2%	401,887	1.2%	421,700	1.2%
Depreciation	653,211	2.3%	935,930	2.8%	859,411	2.3%
Total	$ 28,628,047	100.0%	$ 33,231,437	100.0%	$ 36,679,718	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 $775,127 (10.6%) in 2020 and $513,103 (7.6%) in 2019 related to cost-of-living and merit increases, filling of vacant positions and accrual updates related to compensated absences. In 2020, the increase related specifically to compensated absences was $481,889 (48.5%) of the total 2020 increase. During 2020, the COVID-19 pandemic contributed to unutilized earned leave and increased accrual balances at year-end.

Employee benefits: Employee benefits decreased $222,663 (8.5%) in 2020 and increased $290,467 (12.5%) in 2019 due primarily 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. Offsets to the decrease in 2020 and contributors to the increase in 2019 relate to increased employer-related taxes consistent with the increase in salaries and wages, contributions to employee 401a programs and employee reimbursement for tuition/student loans.

Professional and technical services: Professional and technical services decreased $473,852 (17.0%) in 2020 and decreased $765,877 (21.6%) in 2019. The decrease in 2020 primarily related to decreases in legal expenses ($142,909), general professional services ($193,959), lab services ($115,903) and various aquifer hydrologic-related studies ($66,940) offset by increases in legislative services ($25,692), interlocal support ($19,902) and EA model changes ($45,488). The decrease in 2019 primarily related to decreases in legal expenses ($264,959), election expenses ($170,794) and interlocal support ($397,416) offset by increases in lab services ($63,029).

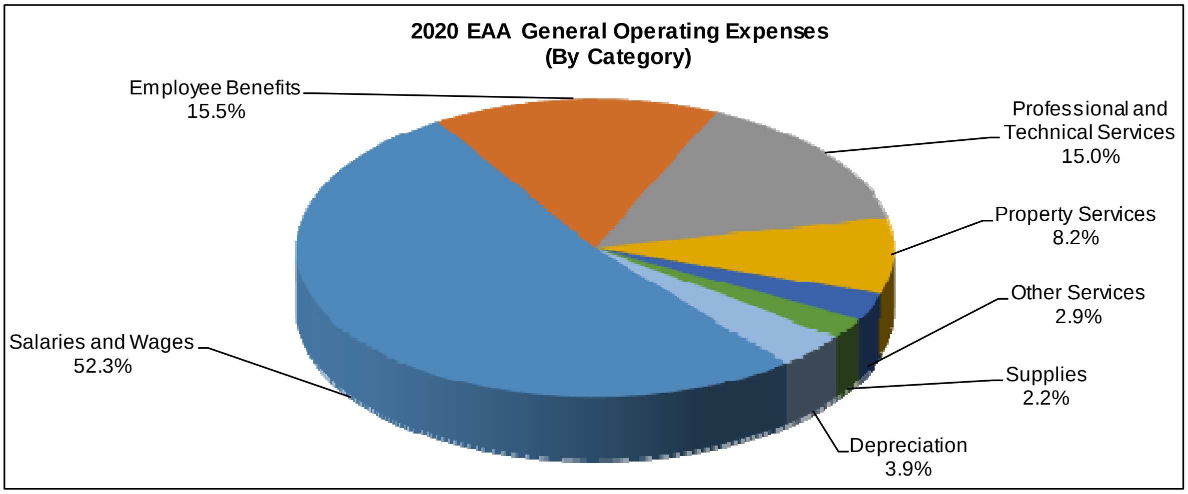
Property services, other services and supplies: Property services, other services and supplies had a combined total of $2,063,392 in 2020, representing a $476 decrease. This decrease is related to decreases in expenses for supplies, training costs for staff, meetings/event sponsorships, conservation grants, vehicle and general facilities maintenance costs, and public/legal notice expense while being offset by increases in noncapital equipment purchases, equipment maintenance and support/subscription based services. In 2019, total expenses were $2,063,868, representing an $180,594 (9.6%) increase. This increase primarily related to increases in equipment maintenance and support/subscription based services, vehicle and general facilities maintenance costs, public/legal notice expenses for proposed rule changes and training costs for staff while being offset by a decrease in office/promotional supplies and noncapital equipment purchases.

Depreciation expense: Depreciation expense decreased $287,902 (32.4%) in 2020 and increased $75,216 (9.3%) in 2019. As previously mentioned, a policy change increasing the capitalization threshold for capital assets occurred in 2020 resulting in the reclassification of assets that no longer met the threshold resulting in decreased related depreciation expense. The increase in 2019 is related to partial year depreciation of new equipment purchased during the year and the transfer of construction in process from prior years which were put into production.

The following information, also depicted in table and graphic form, summarizes EAA General Operations operating expenses for the fiscal years ended December 31, 2020, 2019 and 2018.

EAA General Operations—Operating Expenses

	2020	Percent of Total	2019	Percent of Total	2018	Percent of Total
Salaries and wages	$ 8,063,369	52.3%	$ 7,288,242	46.6%	$ 6,775,139	44.2%
Employee benefits	2,388,040	15.5%	2,610,703	16.7%	2,320,236	15.1%
Professional and technical services	2,311,098	15.0%	2,784,950	17.8%	3,550,827	23.1%
Property services	1,272,811	8.2%	967,598	6.2%	815,741	5.3%
Other services	449,155	2.9%	714,934	4.6%	667,248	4.4%
Supplies	341,426	2.2%	381,336	2.4%	400,285	2.6%
Depreciation	599,638	3.9%	887,540	5.7%	812,324	5.3%
Total	$ 15,425,537	100.0%	$ 15,635,303	100.0%	$ 15,341,800	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 increased $49,522 (13.4%) in 2020 and increased $28,537 (8.4%) in 2019. The increases in 2020 and 2019 related to employee merit increases, filling of vacant positions and accrual updates related to compensated absences. In 2020, the increase related specifically to compensated absences was $11,397 (23.0%) of the total 2020 increase. As discussed earlier in this analysis, the COVID-19 pandemic contributed to unutilized earned leave and increased accrual balances at year-end.

Employee benefits: Employee benefits decreased $7,285 (5.4%) in 2020 and decreased $8,678 (6.0%) in 2019 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. Offsets to the decrease in 2020 and 2019 relate to increased employer-related taxes consistent with the increase in salaries and wages and additional employer insurance costs for filled positions.

Professional and technical services: Professional and technical services decreased $4,469,971 (26.3%) in 2020. This decrease was related to lower Regional Water Conservation Program expenses ($3,907,350), NFHTC Refugia expenses ($771,168), ASR O&M expenses ($149,203), expiring ASR Leases ($104,055), modeling and research expenses ($43,639) and San Marcos Springs maintenance tasks ($10,609). These decreases were offset by increases in expenses related to program administration consulting services ($109,966), ASR Forbearance ($175,228), VISPO ($166,147) and Comal Springs maintenance tasks ($64,720). Professional and technical services decreased $3,763,251 (18.1%) in 2019. This decrease was related to lower NFHTC Refugia expenses ($2,116,562), completion of the EAHCP NAS Science review ($336,984), expiring ASR Leases ($2,806,301) and ASR O&M expenses ($125,889). These decreases were offset by increases in expenses related to ASR Forbearance ($1,511,906), VISPO ($11,000) and San Marcos/Comal Springs maintenance tasks ($97,400).

The following table depicts 2020, 2019 and 2018 expenses for each of the programmatic areas.

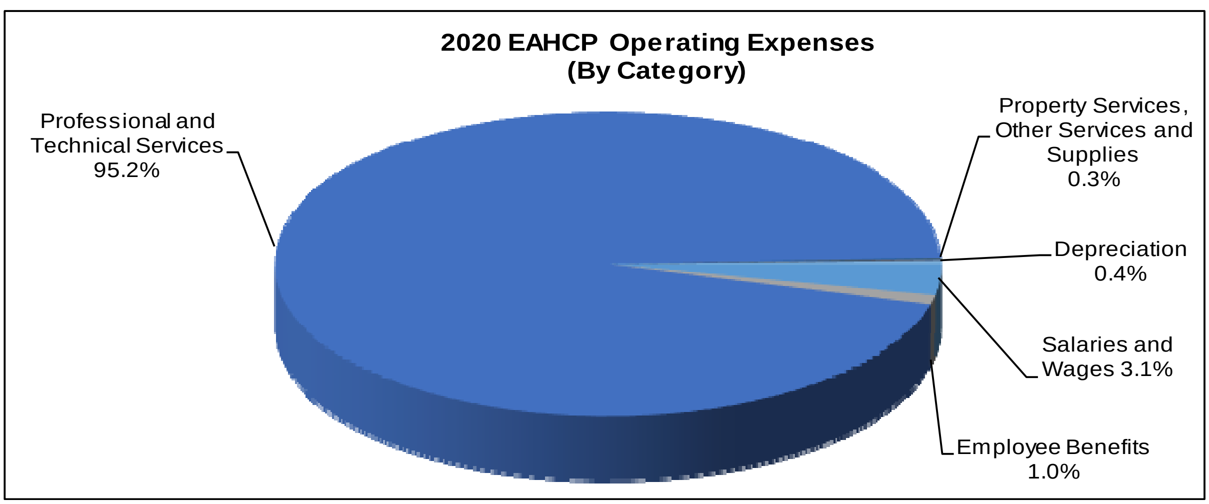
EAHCP—Professional and Technical Services

	2020	Percent of Total	2019	Percent of Total	2018	Percent of Total
Program Administration	$ 277,266	2.2%	$ 167,301	1.0%	$ 466,039	2.2%
Springflow Protection	9,544,547	76.3%	13,363,784	78.7%	14,794,395	71.3%
San Marcos Springs	912,350	7.3%	922,959	5.4%	851,549	4.1%
Comal Springs	834,576	6.7%	769,856	4.5%	743,823	3.6%
Modeling and Research	37,229	0.3%	80,869	0.5%	95,652	0.5%
NHFTC Refugia	907,881	7.2%	1,679,051	9.9%	3,795,613	18.3%
Total	$ 12,513,849	100.0%	$ 16,983,820	100.0%	$ 20,747,071	100.0%

The following information, also depicted in table and graphic form, summarizes EAHCP operating expenses for the fiscal years ended December 31, 2020, 2019 and 2018.

EAHCP—Operating Expenses

	2020	Percent of Total	2019	Percent of Total	2018	Percent of Total
Salaries and wages	$ 418,717	3.1%	$ 369,195	2.1%	$ 340,658	1.6%
Employee benefits	128,639	1.0%	135,924	0.8%	144,602	0.7%
Professional and technical services	12,513,849	95.2%	16,983,820	96.5%	20,747,071	97.2%
Property services	14,656	0.1%	6,555	0.0%	2,359	0.0%
Other services	16,125	0.1%	31,699	0.2%	34,726	0.2%
Supplies	7,500	0.1%	20,551	0.1%	21,415	0.1%
Depreciation	50,619	0.4%	48,390	0.3%	47,087	0.2%
Total	$ 13,150,105	100.0%	$ 17,596,134	100.0%	$ 21,337,918	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 and disposale of capital assets, and capital contributions.

Interest income: Interest income decreased $538,894 (53.9%) in 2020 and increased $212,942 (27.1%) in 2019. Interest rates began to decline in 2020 with the onset of the COVID-19 pandemic and continued declining throughout the year. Increases in 2019 are related to increased investments in certificates of deposit (CDs) at higher rates and improved rates offered by Negotiable Order of Withdrawal (NOW) accounts and Securities/CDs. The NOW accounts provided greater returns than the traditional money market account (MMA) with the EAA depository institution. The average yield on NOW/MMA accounts were 0.29% and 1.80% for 2020 and 2019, respectively. The average yield on Securities/CDs were 0.88% and 2.38% for 2020 and 2019, respectively. In 2020, balances in NOW/MMA accounts increased $3,921,277 (118.4%) and decreased $7,196,125 (21.1%) in 2019. Investments in CDs increased $18,971 (.1%) in 2020 and $7,649,482 (65.0%) in 2019.

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. Interest expense totaled $108,720 and $111,923 for years 2020 and 2019, respectively.

Gain (loss) on sale and disposal of capital assets: Loss on sale of capital assets totaled $1,188,646 in 2020 and a $574 gain in 2019. This category includes disposal of obsolete equipment such as vehicles, computers, furniture and water flow meters. As previously mentioned, a capitalization threshold policy change for capital assets occurred in 2020 raising the capitalization limit from $1,000 to $5,000 (purchase price per unit) and resulted in a net loss of $1,179,334 related to the reclassification of assets that no longer met this threshold. Other disposals in 2020, related to surplus sales of capital and noncapital assets, resulted in a net loss of $9,312.

Capital contributions: There were no capital contributions received during 2020. During 2019, capital contributions of donated land and improvements totaling $5,474,398 were received by the EAC (a nonprofit, supporting organization of the EAA reported as a blended component unit in the EAA's financial statements).

CAPITAL ASSETS

EAA investment in capital assets, net of accumulated depreciation, is $18,437,391 at December 31, 2020. The net decrease in 2020 of $1,139,594 is primarily related to the capitalization threshold policy change for capital assets previously mentioned, offset by new capital purchases of a vehicle, other building improvements, the database development project that completed during the year and new construction in progress related to education/outreach exhibits. In 2019, the increase is primarily related to the donated land and improvements mentioned earlier in this document, as well as, continued development in progress/construction in progress related to year three of a database development project, various hardware/software additions and other water sampling/monitoring equipment.

	December 31		
	2020	2019	2018
Land	$ 7,570,092	$ 7,570,092	$ 2,210,901
Buildings and improvements	11,006,887	10,963,575	10,818,350
Furniture and equipment	5,367,096	7,945,182	7,355,966
Vehicles	711,811	741,517	613,726
Work in progress	-	-	131,611
Construction in progress	109,076	667,336	376,436
Total capital assets	24,764,962	27,887,702	21,506,990
Less accumulated depreciation	6,327,571	8,310,717	7,418,687
Total capital assets, net of accumulated depreciation	$ 18,437,391	$ 19,576,985	$ 14,088,303

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 the 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 2020 or 2019. The long-term debt balance at December 31, 2020 is $2,835,000 ($2,920,000 at December 31, 2019).

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

ECONOMIC FACTORS AFFECTING THE FUTURE

The 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, 2020 and 2019

	2020	2019
Current assets:		
Cash and cash equivalents	**$ 7,335,250**	$ 4,496,439
Investments	**7,717,085**	7,420,099
Restricted assets (Habitat Conservation Plan):		
Cash and cash equivalents	**23,085,210**	22,396,134
Investments	**11,718,569**	11,996,585
Program fees receivable, net	**139,788**	59,469
Aquifer management fees receivable, net	**370,887**	200,788
Property taxes receivable, net	**1,305**	472
Miscellaneous receivable	**12,769**	22,864
Note receivable	**28,491**	27,104
Total current assets	**50,409,354**	46,619,954
Noncurrent assets:		
Note receivable	**22,557**	51,048
Capital assets, net	**18,437,391**	19,576,985
Total noncurrent assets	**18,459,948**	19,628,033
Total assets	**68,869,302**	66,247,987
Deferred outflows of resources—pension	**1,001,749**	2,212,654
Total assets and deferred outflows of resources	**$ 69,871,051**	$ 68,460,641

The accompanying notes are an integral part of these statements.

		2020		2019
Current liabilities:				
Accounts payable	**$**	**2,351,947**	$	2,681,930
VISPO liabilities (payable from restricted assets)		**2,508,070**		2,333,415
ASR liabilities (payable from restricted assets)		**3,543,820**		3,374,592
Compensated absences		**760,109**		860,343
Accrued liabilities		**179,034**		437,466
Note payable		**90,000**		85,000
Total current liabilities		**9,432,980**		9,772,746
Noncurrent liabilities:				
Net pension liability		**1,410,960**		2,910,749
Compensated absences		**741,753**		148,215
Accrued liabilities		**81,984**		81,984
Note payable		**2,745,000**		2,835,000
Total noncurrent liabilities		**4,979,697**		5,975,948
Total liabilities		**14,412,677**		15,748,694
Deferred inflows of resources—pension		**647,700**		250,907
Total liabilities and deferred inflows of resources	**$**	**15,060,377**	$	15,999,601
Net position:				
Net investment in capital assets	**$**	**15,602,391**	$	16,656,985
Restricted—Habitat Conservation Plan		**28,891,677**		28,744,181
Unrestricted		**10,316,606**		7,059,874
Total net position	**$**	**54,810,674**	$	52,461,040

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Edwards Aquifer Authority

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Operating revenues:		
Aquifer management fees:		
Nonagricultural users (net of rebates)	**$ 18,323,025**	$ 16,854,089
Agricultural users	**182,340**	161,351
Program fees—Habitat Conservation Plan	**13,195,717**	14,662,262
Enforcement settlements	**23,596**	100,424
Other charges	**89,217**	60,885
Total operating revenues	**31,813,895**	31,839,011
Operating expenses:		
Salaries and wages	**8,482,086**	7,657,437
Employee benefits	**2,516,679**	2,746,627
Professional and technical services	**14,873,943**	19,768,770
Property services	**1,287,467**	974,153
Other services	**465,735**	746,633
Supplies	**348,926**	401,887
Depreciation	**653,211**	935,930
Total operating expenses	**28,628,047**	33,231,437
Operating income (loss)	**3,185,848**	(1,392,426)
Nonoperating revenues (expenses):		
Interest income	**461,152**	1,000,046
Interest expense	**(108,720)**	(111,923)
Gain (loss) on sale and disposal of capital assets	**(1,188,646)**	574
Capital contributions	**-**	5,474,398
Total nonoperating revenues (expenses), net	**(836,214)**	6,363,095
Change in net position	**2,349,634**	4,970,669
Net position at beginning of year	**52,461,040**	47,490,371
Net position at end of year	**$ 54,810,674**	$ 52,461,040

The accompanying notes are an integral part of these statements.

Edwards Aquifer Authority

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from customers	**$ 31,571,525**	$ 32,075,030
Payments to suppliers	**(16,962,770)**	(21,607,066)
Payments to employees	**(10,653,104)**	(9,893,870)
Net cash provided by operating activities	**3,955,651**	574,094
Cash flows from noncapital financing activities:		
Collections on note receivable	**27,104**	25,785
Net cash provided by noncapital financing activities	**27,104**	25,785
Cash flows from capital and related financing activities:		
Payments on long-term note payable	**(85,000)**	(85,000)
Purchases of capital assets	**(706,130)**	(951,055)
Proceeds from sale of capital assets	**3,867**	1,415
Interest paid	**(109,785)**	(112,988)
Net cash used in capital and related financing activities	**(897,048)**	(1,147,628)
Cash flows from investing activities:		
Purchase of investments	**(11,329,561)**	(17,916,684)
Sale of investments	**11,310,589**	10,268,267
Interest received	**461,152**	1,000,046
Net cash provided by (used in) investing activities	**442,180**	(6,648,371)
Net increase (decrease) in cash and cash equivalents	**3,527,887**	(7,196,120)
Cash and cash equivalents at beginning of the year	**26,892,573**	34,088,693
Cash and cash equivalents at end of the year	**$ 30,420,460**	$ 26,892,573
Reconciliation to statement of net position:		
Cash and cash equivalents	**$ 7,335,250**	$ 4,496,439
Restricted—cash and cash equivalents (Habitat Conservation Plan)	**23,085,210**	22,396,134
	$ 30,420,460	$ 26,892,573

(Continued)

Edwards Aquifer Authority

Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	**$ 3,185,848**	$ (1,392,426)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	**653,211**	935,930
Change in operating assets, deferred inflows, liabilities, and deferred outflows:		
Program fees receivable, net—Habit Conservation Plan	**(80,319)**	74,648
Aquifer management fees receivable, net	**(170,099)**	68,628
Property taxes receivable, net	**(833)**	(102)
Miscellaneous receivables	**10,095**	93,230
Deferred outflows of resources—pension	**1,210,905**	(900,250)
Accounts payable	**(329,983)**	(1,066,669)
VISPO liabilities (payable from restricted assets)	**174,655**	13,106
ASR liabilities (payable from restricted assets)	**169,228**	1,511,906
Accrued liabilities	**(257,365)**	(117,110)
Compensated absences	**493,304**	46,507
Net pension liability	**(1,499,789)**	1,319,562
Deferred inflows of resources—pension	**396,793**	(12,866)
Net cash provided by operating activities	**$ 3,955,651**	$ 574,094
Noncash—capital and related financing activities:		
Contribution of capital assets	**$ -**	$ 5,474,398

The accompanying notes are an integral part of these statements.

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Note 1. Summary of Significant Accounting Policies

Reporting entity: Edwards Aquifer Authority (the 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. The EAA covers all of Uvalde, Medina and Bexar counties and portions of Atascosa, Comal, Guadalupe, Caldwell and Hays counties.

The 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 the EAA adopt and enforce reasonable rules and orders to manage and protect the Edwards Aquifer. Therefore, the 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 the 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 the EAA. As a supporting organization, it is intended that the EAC be operated, supervised and controlled by the 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 the 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 the 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). As of and for the year ended December 31, 2020, EAC's total assets were $5,542,836 ($5,587,286 at December 31, 2019), total liabilities were $0 ($1,484 at December 31, 2019), net position was $5,542,836 ($5,585,802 at December 31, 2019), total revenues were $9,439 ($5,507,587 for the year ended December 31, 2019) and total expenses were $52,405 ($55,091 for the year ended December 31, 2019). Although the EAC is a legally separate entity, it is, in substance, part of the EAA's operation; therefore, it is reported as a blended component unit in the EAA's financial statements.

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 the EAA are management fees charged to users of the aquifer. The EAA also recognizes other fees such as transfer application, well construction and registration fees as operating revenues.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

In 2012, the 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 Edwards Aquifer. The EAA bills program fees to nonagriculture users of the aquifer to build a reserve for future program expenses. These fees will be recognized as operating revenue and collected program fees will be restricted for use towards program 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. The EAA has restricted cash and equivalents for use on the EAHCP.

Restricted and unrestricted investments: Investments (nonparticipating certificates of deposit (CDs)) are reported at amortized cost.

Aquifer management fees receivable: Aquifer management fees receivable consist of fees due from agriculture and nonagriculture users of the aquifer. The related allowance for uncollectible accounts is evaluated by management on a periodic basis. As of December 31, 2020 and 2019, the allowance for doubtful accounts related to aquifer management fees receivable totaled $26,911 and $15,947, respectively.

Program fees receivable—Habitat Conservation Plan: Program fees receivable consist of fees due from nonagriculture 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, 2020 and 2019, the allowance for doubtful accounts related to program fees receivable—Habitat Conservation Plan totaled $13,670 and $11,192, respectively.

Property taxes receivable: Effective July 28, 1996, legislation abolished any taxing power of the EAA. However, the 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, 2020 and 2019, the allowance for doubtful accounts related to property taxes receivable totaled $16,860 and $18,275, respectively.

Note receivable: The 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, 2020, the outstanding balance on the note totaled $51,048 ($78,152 in 2019).

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 $0 in donated capital assets received during fiscal year ended December 31, 2020 ($5,474,398 during fiscal year ended December 31, 2019). In the current year, EAA had a change in accounting policy regarding the capitalization threshold for capital assets, which changed from capital assets having a unit cost equal to or greater than $1,000 to $5,000. In accordance with U.S. GAAP, the change was reported prospectively beginning January 1, 2020.

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 the 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

Impairment of long-lived assets: The 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.

Compensated absences: It is the 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, 2020 and 2019, accrued personal leave payable totaled $839,850 and $617,470, 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, 2020 and 2019, the accrued sick leave payable totaled $662,012 and $391,088, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Restricted and unrestricted resources: It is the 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 the 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.

Contingencies: Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the EAA, but which will only be resolved when one or more future events occur or fail to occur. The 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 the EAA or unasserted claims that may result in such proceedings, the 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 the 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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 ending December 31, 2020 and 2019.

Reclassifications: Certain reclassifications have been made in the prior-year financial statements to conform to the current-year presentation. There is no impact on total net position.

Current GASB implementations: GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting for Internal Revenue Code Section 457 Deferred Compensation Plans*, issued June 2020, paragraphs 4 and 5 are effective for the EAA beginning with its fiscal year ended December 31, 2020. The remainder of GASB Statement No. 97 will not be effective for the EAA until its fiscal year ended December 31, 2022. The objective of GASB Statement No. 97 paragraphs 4 and 5 is to improve guidance regarding the absence of a governing board in determining financial accountability and the applicability of the financial burden criterion in determining if a deferred compensation plan is a component unit. The EAA has adopted GASB Statement No. 97 paragraphs 4 and 5 in this annual report; the adoption of this pronouncement did not have a material impact on the financial statements of the EAA.

GASB Statement No. 84, *Fiduciary Activities*, issued February 2017, is effective for the EAA beginning with its fiscal year ended December 31, 2020. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The EAA has adopted GASB Statement No. 84 in this annual report; the adoption of this pronouncement did not have a material impact on the financial statements of the EAA.

Future GASB implementations: GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the EAA beginning with its fiscal year ending December 31, 2022, with earlier adoption encouraged. GASB Statement No. 87 establishes a single approach to accounting for and 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, nonlease components embedded in lease contracts (such as service agreements) and leases with related parties.

Management is currently evaluating the impact this pronouncement will have on the financial statements of the EAA and believes such an impact could be significant, but cannot be quantified until an evaluation is complete.

Subsequent events: The EAA has evaluated subsequent events through March 23, 2021, the date the financial statements were available to be issued.

Note 2. Deposits and Investments

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

	December 31			
	2020		2019	
Petty cash	$	729	$	603
Money market and checking account		30,419,731		26,891,970
CDs		19,435,654		19,416,684
Total cash and investments	$	49,856,114	$	46,309,257

Cash deposits: At December 31, 2020, the carrying amount of the EAA cash on hand and deposits, including CDs, totaled $49,856,114 ($46,309,257 at December 31, 2019) and the bank balance totaled $49,878,329 ($46,425,373 at December 31, 2019). All deposits are insured by federal depository insurance and/or collateralized with securities held in the EAA's name.

Investments: The 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 the 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.

The EAA does not have any investments subject to interest rate risk, credit risk or concentration of credit risk.

Note 3. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance at December 31, 2019	Additions	Retirements	Transfers	Balance at December 31, 2020
Capital assets not being depreciated:					
Land	$ 7,570,092	$ -	$ -	$ -	$ 7,570,092
Construction in progress	667,336	109,076	-	(667,336)	109,076
	8,237,428	109,076	-	(667,336)	7,679,168
Capital assets being depreciated:					
Buildings and improvements	10,963,575	126,021	(82,709)	-	11,006,887
Furniture and equipment	7,945,182	431,849	(3,677,271)	667,336	5,367,096
Vehicles	741,517	39,184	(68,890)	-	711,811
	19,650,274	597,054	(3,828,870)	667,336	17,085,794
Accumulated depreciation:					
Buildings and improvements	(2,390,519)	(242,369)	45,944	-	(2,586,944)
Furniture and equipment	(5,454,307)	(356,289)	2,530,639	-	(3,279,957)
Vehicles	(465,891)	(54,553)	59,774	-	(460,670)
	(8,310,717)	(653,211)	2,636,357	-	(6,327,571)
Total capital assets being depreciated, net	11,339,557	(56,157)	(1,192,513)	667,336	10,758,223
Capital assets, net	$ 19,576,985	$ 52,919	$ (1,192,513)	$ -	$ 18,437,391

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance at December 31, 2018	Additions	Retirements	Transfers	Balance at December 31, 2019
Capital assets not being depreciated:					
Land	$ 2,210,901	$ 5,359,191	$ -	$ -	$ 7,570,092
Construction in progress	508,047	290,900	-	(131,611)	667,336
	2,718,948	5,650,091	-	(131,611)	8,237,428
Capital assets being depreciated:					
Buildings and improvements	10,818,350	145,225	-	-	10,963,575
Furniture and equipment	7,355,966	502,346	(44,741)	131,611	7,945,182
Vehicles	613,726	127,791	-	-	741,517
	18,788,042	775,362	(44,741)	131,611	19,650,274
Accumulated depreciation:					
Buildings and improvements	(2,155,147)	(235,372)	-	-	(2,390,519)
Furniture and equipment	(4,848,524)	(649,683)	43,900	-	(5,454,307)
Vehicles	(415,016)	(50,875)	-	-	(465,891)
	(7,418,687)	(935,930)	43,900	-	(8,310,717)
Total capital assets being depreciated, net	11,369,355	(160,568)	(841)	131,611	11,339,557
Capital assets, net	$ 14,088,303	$ 5,489,523	$ (841)	$ -	$ 19,576,985

Note 4. Accounts Payable

Accounts payable is comprised of the following:

	December 31 2020		December 31 2019	
Health care reimbursement accounts	$	322,973	$	315,389
Travel reimbursements		69,542		42,550
Trade payables		1,959,432		2,323,991
Total accounts payable	$	2,351,947	$	2,681,930

Note 5. Long-Term Liabilities

In 2011, the 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 the EAA's administrative headquarters. The note has an outstanding balance of $2,835,000, 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:						
2021	$	90,000	$	105,468	$	195,468
2022		230,000		100,329		330,329
2023		240,000		91,556		331,556
2024		250,000		82,407		332,407
2025		260,000		72,881		332,881
2026-2030		1,445,000		208,993		1,653,993
2031		320,000		8,021		328,021
	$	2,835,000	$	669,655	$	3,504,655

A summary of changes in long-term liabilities at December 31, 2020, is as follows:

	Balance at December 31, 2019		Additions		Reductions		Balance at December 31, 2020		Due Within One Year	
Business-type activities:										
Note payable:										
Revenue note	$	2,920,000	$	-	$	(85,000)	$	2,835,000	$	90,000
Compensated absences		1,008,558		1,048,146		(554,842)		1,501,862		760,109
Net pension liability		2,910,749		2,677,667		(4,177,456)		1,410,960		-
Total business-type activities long-term liabilities	$	6,839,307	$	3,725,813	$	(4,817,298)	$	5,747,822	$	850,109

Note 5. Long-Term Liabilities (Continued)

A summary of changes in long-term liabilities at December 31, 2019, is as follows:

	Balance at December 31, 2018	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Business-type activities:					
Note payable:					
Revenue note	$ 3,005,000	$ -	$ (85,000)	$ 2,920,000	$ 85,000
Compensated absences	962,051	985,196	(938,689)	1,008,558	860,343
Net pension liability	1,591,187	2,716,047	(1,396,485)	2,910,749	-
Total business-type activities long-term liabilities	$ 5,558,238	$ 3,701,243	$ (2,420,174)	$ 6,839,307	$ 945,343

Note 6. Retirement Plans

TCDRS: The 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 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.

Note 6. Retirement Plans (Continued)

Funding policy: The 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 the EAA based on the covered payroll of the employees. Under the TCDRS Act, the regular contribution rate for the 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 the EAA was 180% of the required employee contribution. This regular contribution rate of the 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 the 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 the EAA to contribute the same amount as the employees. The employee contribution rate and the EAA contribution rate may be changed by the governing body of the 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, the EAA contributed a total rate of 9.43%.

Plan benefits: Effective on the date of participation, the 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 the 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.

The 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 the 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 the 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, the 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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to, but not yet receiving benefits	60
Active employees	93
Total	181

Contributions: The contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The EAA 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 the EAA are required to contribute at a rate set by statute. The contribution requirements of plan members and the EAA are established and may be amended. For 2020 and 2019, the contribution rate for the plan members was 7.00% of gross pay. The EAA pays a matching portion to the pension plan totaling 9.43% of gross pay for 2020 (9.30% for 2019), which totaled $757,976 for 2020 ($687,893 for 2019).

Net pension liability: The EAA's net pension liability was measured as of December 31, 2019, 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, 2019 and 2018, were based on the results of an actuarial experience study for the period from January 1, 2013 through December 31, 2016, except where required to be different by GASB Statement No. 68.

The total pension liability at December 31, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Individual Entry Age Normal
Asset valuation method	5 year smooth market
Inflation	2.75%
Salary increases	4.90% average over career including inflation
Investment rate of return	8.10% (gross of administrative expenses)
COLA	None

Mortality rates were based on the following.

Depositing members: 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014 for December 31, 2019 and 2018.

Service retirees, beneficiaries and nondepositing members: 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014 for December 31, 2019 and 2018.

Disabled retirees: 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014 for December 31, 2019 and 2018.

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

Note 6. Retirement Plans (Continued)

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 April 2020 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon; the most recent analysis was performed in 2017.

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	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities—Developed	MSCI World Ex USA (net) Index	7.00%	5.20%
International Equities—Emerging	MSCI EM Standard (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distress Securities Index (4)	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index plus 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. Fund of Funds Composite Index	8.00%	2.30%
		100.00%	

(1) Target asset allocation adopted at the June 2020 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per investment consultant's 2020 capital market assumptions.

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

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

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

Discount rate: The discount rate used to measure the total pension liability was 8.1%. 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 the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

Note 6. Retirement Plans (Continued)

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, 2019:

Changes in Net Pension Liability

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at beginning of year	$ 20,909,446	$ 17,998,697	$ 2,910,749
Changes for the year:			-
Service cost	757,008	-	757,008
Interest on total pension liability (1)	1,722,735	-	1,722,735
Effect of economic/demographic (gains) or losses	181,656	-	181,656
Effect of assumptions changes or inputs (2)	-	-	-
Refund of contributions	(31,380)	(31,380)	-
Benefit payments	(780,667)	(780,667)	-
Administrative expenses	-	(16,268)	16,268
Member contributions	-	517,769	(517,769)
Net investment income	-	2,955,345	(2,955,345)
Employer contributions	-	687,893	(687,893)
Other (3)	-	16,450	(16,450)
Balances at end of year	$ 22,758,798	$ 21,347,839	$ 1,410,960

(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 the EAA, calculated using the discount rate of 8.1%, as well as what the EAA's net pension liability (asset) would be if it were calculated using a discount rate that is 1.0 percentage point lower (7.10%) or 1.0 percentage point higher (9.10%) than the current rate:

	1.00% Decrease	Current Discount Rate	1.00% Increase
	7.10%	8.10%	9.10%
Total pension liability	$ 25,812,241	$ 22,758,798	$ 20,186,926
Fiduciary net position	21,347,838	21,347,838	21,347,838
Net pension liability	$ 4,464,403	$ 1,410,960	$ (1,160,912)

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 fiscal year December 31, 2020, the EAA recognized pension-related expense of $865,884.

Deferred inflows and outflows of resources related to pensions: At December 31, 2020, 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	$ 159,646	$ 181,064
Changes of assumptions	84,127	-
Net difference between projected and actual earnings	-	466,636
Contributions made subsequent to measurement date	757,976	-
	$ 1,001,749	$ 647,700

The $757,976 reported as deferred outflows of resources related to pensions resulting from the EAA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

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:	
2020	$ (90,957)
2021	(126,491)
2022	73,553
2023	(260,032)
	$ (403,927)

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, 2020, the EAA reported payables to TCDRS of $88,456 ($55,554 for 2019) for legally required employer contributions and $65,662 ($41,815 for 2019) for legally required employee contributions, which had been withheld from employee wages, but not yet remitted to TCDRS.

Note 7. Deferred Compensation Plan

The 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 balance sheets.

Note 8. Retirement Health Savings Plan

The EAA offers all full-time employees a retirement health savings plan (RHS), a defined contribution plan. The plan allows deposits from the 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 balance sheet.

Note 9. Operating Leases

The EAA leases groundwater rights from various permit holders in support of the EAHCP ASR Leasing Program. During each lease year, the 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. The 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 lease expense for the years ended December 31, 2020 and 2019, totaled $2,484,002 and $2,582,057, respectively.

Note 9. Operating Leases (Continued)

Future minimum payments on leases at December 31, 2020, are as follows:

Years ending December 31:		
2021	$	2,293,293
2022		2,051,909
2023		2,040,641
2024		2,040,506
2025		1,840,264
2026-2027		3,374,976
	$	13,641,589

Note 10. Risk Management

The 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. The 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.

The 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 the 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, 2020 and 2019, $22,776,297 and $22,879,273, respectively, were earned from one customer. These revenues account for approximately 72% of the total EAA operating revenues for the years ended December 31, 2020 and 2019.

Note 12. Related-Party Transactions

The EAA is responsible for reimbursing the SCTWAC members for actual and necessary expenses incurred while performing their duties on behalf of the EAA. Accordingly, the EAA reimbursed SCTWAC members $0 for the years ended December 31, 2020 and 2019.

Note 13. Commitments

Regional Water Conservation Program: On January 1, 2016, the 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, 2020 and 2019, totaled $600,400 and $4,507,750, respectively.

Note 13. Commitments (Continued)

Long-Term Refugia Program: Effective January 1, 2017, the 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 the 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, 2020 and 2019, totaled $907,881 and $1,679,051, respectively, with future commitments (subject to USFWS's future performance) of $10,612,386 through the end of the contract term in 2028.

VISPO Program: In 2013, the 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 the EAA to make withdrawals from the aquifer during times of certain droughts, as defined within the Agreement. The EAA currently has signed Agreements ranging from 5- to 10-year periods. The 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 the 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. The EAA did not pay any Forbearance Year payments in 2020 and 2019.

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, 2020 and 2019, the Standby Fee payments owed to participants totaled $2,508,070 and $2,341,927, respectively.

Note 13. Commitments (Continued)

Springflow Protection—ASR Forbearance Program: In 2018, the 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 the EAA to make withdrawals from the aquifer during times of certain droughts, as defined within the Agreement. The EAA currently has signed 8, 9 and 10-year Agreements. The 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 nonforbearance year. At December 31, 2020 and 2019, the payments owed to participants totaled $3,543,820 and $3,374,592, 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. The EAA did not pay any Forbearance Year payments in 2020 and 2019.

Morgan's Wonderland Camp—Educational Outreach Center: In August 2019, the EAA signed an agreement to establish mutual duties and obligations in relation to the construction of a building on Morgan's Wonderland (MW) Camp's property that will eventually house the EAA Education Outreach Center. Even though construction of the building is not expected to be completed until April 2021, the EAA signed a lease agreement with MW in October 2019. In accordance with the agreement, the lease does not commence until EAA takes possession of the building and accepts the improvements outlined in the lease agreement; the lease is expected to commence on April 1, 2021. The initial term of the lease is 20 years with monthly rental payments totaling $3,146,954 over the life of the lease. The lease includes an option to purchase the building during the initial lease term for a total purchase price of $1,270,500. The EAA is still assessing the overall impact this lease agreement will have on its financial statements.

Note 14. Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the EAA's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. The EAA is actively managing the business to maintain its cash flow and management believes the EAA has adequate liquidity.

Required Supplementary Information

Edwards Aquifer Authority

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

	2020	2019	2018	2017	2016	2015
Total pension liability (asset):						
Service cost	**$ 757,008**	$ 759,482	$ 747,169	$ 706,738	$ 602,028	$ 489,730
Interest on total pension liability	**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	**-**	-	124,877	-	130,138	-
Effect of economic/demographic (gains) or losses	**181,656**	(256,411)	28,641	(51,936)	(59,429)	1,430,223
Benefit payments/refunds of contributions	**(812,047)**	(709,477)	(398,594)	(409,843)	(342,992)	(290,907)
Net change in total pension liability	**1,849,352**	1,406,662	1,967,170	1,551,465	1,347,045	3,100,290
Total pension liability at beginning of year	**20,909,446**	19,502,784	17,535,614	15,984,149	14,637,104	11,536,814
Total pension liability at end of year (a)	**$ 22,758,798**	$ 20,909,446	$ 19,502,784	$ 17,535,614	$ 15,984,149	$ 14,637,104
Fiduciary net position:						
Employer contributions	**$ 687,893**	$ 642,663	$ 634,609	$ 633,744	$ 595,130	$ 347,051
Member contributions	**517,769**	483,205	486,557	457,341	425,093	234,099
Investment income, net of investment expenses	**2,955,345**	(329,039)	2,199,859	986,342	(85,302)	791,075
Benefit payments/refunds of contributions	**(812,047)**	(709,477)	(398,594)	(409,843)	(342,992)	(290,907)
Administrative expenses	**(16,268)**	(14,457)	(11,911)	(10,725)	(9,384)	(9,392)
Other	**16,450**	14,205	9,571	39,840	(3,934)	10,094
Net change in fiduciary net position	**3,349,142**	87,100	2,920,091	1,696,699	578,611	1,082,020
Fiduciary net position at beginning of year	**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)	**$ 21,347,839**	$ 17,998,697	$ 17,911,597	$ 14,991,506	$ 13,294,807	$ 12,716,196
Net pension liability at end of year = (a)-(b)	**$ 1,410,960**	$ 2,910,749	$ 1,591,187	$ 2,544,108	$ 2,689,342	$ 1,920,908
Fiduciary net position as a percentage of total pension liability	**93.80%**	86.08%	91.84%	85.49%	83.17%	86.88%
Covered payroll	**$ 6,902,933**	$ 6,950,814	$ 6,533,445	$ 6,072,752	$ 5,852,465	$ 5,660,961
Net pension liability as a percentage of covered payroll	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. The EAA adopted GASB Statement No. 68 in 2015; therefore, only six years are presented. The full trend information will be accumulated over the next four 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
2011	$ 262,793	$ 262,793	$ -	$ 4,939,718	5.3%
2012	270,728	270,728	-	5,176,445	5.2%
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%

(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:

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.
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	11.8 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, 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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
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.
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.

* 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, 2020

	Budgeted Amounts			Variance With
	Original	Final	Actual Amounts	Final Budget
Salaries and wages:				
Salaries and wages	$ 7,973,252	$ 7,973,252	$ 7,577,152	$ 396,100
Overtime	12,000	12,000	4,328	7,672
Compensated absences	-	-	481,889	(481,889)
	7,985,252	7,985,252	8,063,369	(78,117)
Employee benefits:				
Allowances	40,200	40,200	39,150	1,050
Insurance	647,115	647,115	547,197	99,918
Medical allowance reimbursement	225,000	225,000	328,782	(103,782)
Pension expense and retirement contributions	740,125	740,125	888,207	(148,082)
Taxes	636,688	636,688	548,305	88,383
Tuition reimbursement	48,000	48,000	36,399	11,601
	2,337,128	2,337,128	2,388,040	(50,912)
Professional and technical services:				
Contractual professional services	3,561,425	3,854,906	1,681,737	2,173,169
Legal services	600,000	625,000	620,765	4,235
Pre-employment services	11,000	11,000	3,852	7,148
Records services	7,000	7,000	3,893	3,107
Temporary services	6,000	6,000	852	5,148
	4,185,425	4,503,906	2,311,099	2,192,807
Property services:				
Equipment maintenance	70,725	70,725	38,658	32,067
Equipment rental	58,500	50,850	35,224	15,626
Event sponsorships	135,000	103,005	27,146	75,859
Facilities maintenance	488,500	513,682	221,737	291,945
Hosting, SAAS and support agreements	564,033	619,835	533,712	86,123
Facilities rental	120,250	68,850	477	68,373
Noncapital furniture and equipment	137,250	411,770	318,583	93,187
Pest control	2,100	2,800	1,479	1,321
Constituency services	25,000	25,000	5,000	20,000
Security and fire	15,000	15,000	13,006	1,994
Vehicle maintenance	42,000	67,000	64,805	2,195
Waste disposal	4,500	4,500	3,880	620
Water and sewage	8,700	9,700	9,104	596
	1,671,558	1,962,717	1,272,811	689,906

(Continued)

Edwards Aquifer Authority

Schedule of Expenses—Budget and Actual (General Operations)—Non-GAAP Basis (Continued)
Year Ended December 31, 2020

	Budgeted Amounts			Variance With
	Original	Final	Actual Amounts	Final Budget
Other services:				
Bad-debt expense	$ -	$ -	$ 8,358	$ (8,358)
Conferences, seminars and training	158,500	136,900	22,133	114,767
Conservation grants	100,000	100,000	99,963	37
Fees, licenses and permits	12,100	14,600	6,019	8,581
Meeting expenses	178,250	171,953	46,038	125,915
Printing	83,250	74,500	36,869	37,631
Property and casualty	111,311	111,311	97,775	13,536
Public and legal notices	117,600	115,100	37,804	77,296
Telecommunication services	137,434	135,954	93,068	42,886
Travel and lodging	8,500	4,500	1,129	3,371
	906,945	864,818	449,156	415,662
Supplies:				
Clothing	10,000	10,000	3,023	6,977
Computer supplies	76,000	46,000	18,179	27,821
Electrical services	94,000	71,110	70,860	250
Event materials and supplies	20,300	33,300	21,327	11,973
Field supplies	84,500	88,500	46,688	41,812
Fuel	35,000	17,800	16,438	1,362
Kitchen and janitorial	40,000	69,408	54,326	15,082
Memberships	32,939	37,509	28,767	8,742
Office supplies	49,600	49,600	32,333	17,267
Postage	20,000	17,000	10,177	6,823
Promotional supplies	78,000	78,000	25,074	52,926
Subscriptions and publications	23,100	26,600	14,235	12,365
	563,439	544,827	341,427	203,400
Depreciation	-	-	599,638	(599,638)
Total operating expenditures	17,649,747	18,198,648	15,425,540	2,773,108
Nonoperating expenditures:				
Interest expense—debt	108,727	108,727	108,720	7
Capital expenditures and note principal*	1,139,000	1,025,310	786,876	238,434
Total expenditures, capital expenditures and note principal	$ 18,897,474	$ 19,332,685	$ 16,321,136	$ 3,011,549

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

Budget amendments:

(1) Budget Amendment approved 3/10/2020 $ 435,211

Edwards Aquifer Authority

Schedule of Expenses—Budget and Actual (Habitat Conservation Plan)—Non-GAAP Basis
Year Ended December 31, 2020

	Budgeted Amounts			Variance With
	Original	Final	Actual Amounts	Final Budget
Program administration:				
Salaries and wages:				
Salaries and wages	$ 498,347	$ 498,347	$ 407,320	$ 91,027
Compensated absences	-	-	11,397	(11,397)
	498,347	498,347	418,717	79,630
Employee benefits:				
Allowances	3,000	3,000	3,200	(200)
Insurance	49,580	49,580	31,536	18,044
Medical allowance reimbursement	17,500	17,500	21,933	(4,433)
Pension expense and retirement contributions	46,994	46,994	41,704	5,290
Taxes	40,014	40,014	30,266	9,748
	157,088	157,088	128,639	28,449
Professional and technical services:				
Contractual professional services	313,000	302,376	277,266	25,110
	313,000	302,376	277,266	25,110
Property services:				
Hosting, SAAS, and support agreements	-	180	97	83
Noncapital furniture and equipment	1,500	1,500	-	1,500
	1,500	1,680	97	1,583
Other services:				
Bad-debt expense	-	-	2,478	(2,478)
Printing	8,000	8,000	3,748	4,252
Telecommunication services	-	800	335	465
Conferences, seminars and training	27,500	27,300	4,429	22,871
Meeting expenses	20,000	18,200	5,135	13,065
Travel and lodging	-	-	-	-
	55,500	54,300	16,125	38,175
Supplies:				
Field supplies	-	1,000	831	169
Office supplies	1,500	1,520	1,363	157
Memberships	2,000	2,000	1,000	1,000
	3,500	4,520	3,194	1,326
Total—program administration	1,028,935	1,018,311	844,038	174,273
Springflow Protection:				
Professional and technical services:				
SAWS ASR Leasing	5,891,594	5,891,594	6,027,822	(136,228)
SAWS ASR O&M	408,255	408,255	408,255	-
Regional municipal water conservation	600,400	600,400	600,400	-
VISPO	2,508,070	2,508,070	2,508,070	-
Total—Springflow Protection	9,408,319	9,408,319	9,544,547	(136,228)

(Continued)

Edwards Aquifer Authority

Schedule of Expenses—Budget and Actual (Habitat Conservation Plan)—Non-GAAP Basis (Continued)
Year Ended December 31, 2020

	Budgeted Amounts			Variance With
	Original	Final	Actual Amounts	Final Budget
San Marcos Springs:				
Professional and technical services:				
Bank Stabilization/Permanent Access	$ -	$ -	$ -	$ -
Biological Monitoring	371,929	371,929	186,212	185,717
Household Hazardous Waste Mgmt.	30,000	30,000	27,539	2,461
LID/BMP Management	200,000	230,000	218,452	11,548
Litter Control/Floating Vegetation	44,688	46,986	44,683	2,303
Management—Key Public Rec Areas	56,000	56,000	56,000	-
Non-Native Animal Species Control	27,285	23,000	22,800	200
Non-Native Plant Species Control	119,277	200,000	199,314	686
Restoration—Riparian Zones	20,000	20,000	12,259	7,741
TX Wild Rice Enhancement/Restoration	73,750	20,000	20,000	-
Water quality monitoring	160,536	146,205	125,090	21,115
	1,103,465	1,144,120	912,349	231,771
Property services:				
Noncapital assets	-	8,559	8,559	-
	-	8,559	8,559	-
Supplies:				
Field supplies	12,000	12,000	1,984	10,016
	12,000	12,000	1,984	10,016
Total—San Marcos Springs	1,115,465	1,164,679	922,892	241,787
Comal Springs:				
Professional and technical services:				
Aquatic Vegetation Restoration	100,000	100,000	99,985	15
Biological Monitoring	383,845	383,845	209,541	174,304
Decaying Vegetation Removal	15,000	-	-	-
Gill Parasite Control	10,000	10,000	9,975	25
Household Hazardous Waste Program	38,000	38,000	30,000	8,000
LID/BMP Management	155,000	180,000	85,394	94,606
Litter Control/Floating Vegetation	30,000	30,000	23,205	6,795
Non-Native Animal Species Control	50,000	50,000	49,880	120
Old Channel Restoration	50,000	50,000	49,986	14
Restoration—Riparian Zones	125,000	140,000	139,871	129
Riparian Improvements—Riffle Beetle	10,000	10,000	9,998	2
Water Quality Monitoring	131,874	146,205	126,741	19,464
	1,098,719	1,138,050	834,576	303,474
Supplies:				
Field supplies	12,000	12,000	2,321	9,679
	12,000	12,000	2,321	9,679
Total—Comal Springs	1,110,719	1,150,050	836,897	313,153

(Continued)

Edwards Aquifer Authority

Schedule of Expenses—Budget and Actual (Habitat Conservation Plan)—Non-GAAP Basis (Continued)
Year Ended December 31, 2020

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance With Final Budget
Modeling and research:				
Professional and technical services:				
Applied environmental research	$ 240,000	$ 234,000	$ 37,229	$ 196,771
Property services:				
Hosting, SAAS, and support agreements	-	6,000	6,000	-
Total—Modeling and Research	240,000	240,000	43,229	196,771
Refugia:				
Professional and technical services:				
NFHTC Refugia	1,151,682	1,513,649	907,881	605,768
Total—NFHTC Refugia	1,151,682	1,513,649	907,881	605,768
Depreciation	-	-	50,619	(50,619)
Total expenditures	14,055,120	14,495,008	13,150,103	1,344,905
Capital expenditures*:				
HCP—Program Administration				
San Marcos Springs	7,000	9,065	9,065	-
Comal Springs	7,000	7,000	-	7,000
HCP Program	4,500	4,500	-	4,500
Modeling and Research	10,000	10,000	-	10,000
	28,500	30,565	9,065	21,500
Total expenditures and capital expenditures	$ 14,083,620	$ 14,525,573	$ 13,159,168	$ 1,366,405

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

Budget amendments:

(1) Budget Amendment approved 05/12/2020	$ 24,986
(2) Budget Amendment approved 06/09/2020	361,967
(3) Budget Amendment approved 09/8/2020	25,000
(4) Budget Amendment approved 11/10/2020	30,000