



**RSM US LLP**

19026 Ridgewood Pkwy  
Suite 400  
San Antonio, TX 78259  
T +1 210 828 6281  
[www.rsmus.com](http://www.rsmus.com)

March 23, 2021

Members of the Board of Directors  
Edwards Aquifer Authority  
San Antonio, Texas

Attention: Ms. Luana Buckner, Chairman of the Board

This letter is to inform the Board of Directors of the Edwards Aquifer Authority (the EAA) about significant matters related to the conduct of our audit as of and for the year ended December 31, 2020, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

#### **Our Responsibilities With Regard to the Financial Statement Audit**

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated October 27, 2020. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

#### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We have issued a separate communication, dated October 27, 2020, regarding the planned scope and timing of our audit and identified significant risks.

#### **Significant Accounting Practices, Including Policies, Estimates and Disclosures**

In our meeting with you, we will discuss our views about the qualitative aspects of the EAA's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The following is a list of the matters that will be discussed, including the significant estimates, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

- Useful lives of capital assets
- Net pension liability and related disclosures
- The EAA adopted the Governmental Accounting Standards Board Statements No. 84 and 97, which as further described in the notes to the financial statements, did not have a material impact on the financial statements

#### **Audit Adjustments and Uncorrected Misstatements**

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

We identified the following uncorrected misstatements that management has concluded are not, individually or in the aggregate, material to the financial statements. We agree with management's conclusion in that regard.

|   | Debit (Credit) to Correct the Misstatements |                    |               |             |                    |
|---|---|--------------------|---------------|-------------|--------------------|
|   | Assets                                      | Liabilities        | Net Position  | Revenue     | Expense            |
| Reversing effect of prior-year judgmental misstatement  | \$ -  | \$ -               | \$ 25,000     | \$ -        | \$ (25,000)        |
| Unrecorded misstatement—judgmental:<br>To record the difference in the pension assumption selected by TCDRS from the experience study |   |                    |               |             |                    |
| Total uncorrected misstatements   | 70,000                                      | (70,000)           | -             | -           | -                  |
| Cumulative net position and fund balance misstatements  | <u>\$ 70,000</u>                            | <u>\$ (70,000)</u> | <u>25,000</u> | <u>\$ -</u> | <u>\$ (25,000)</u> |
|   |   |                    | <u>\$ -</u>   |             |                    |

### Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### Consultation With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### Significant Issues Discussed With Management

No significant issues arising from the audit were discussed with or were the subject of correspondence with management.

### Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

### Management Representations

Attached is a copy of the management representation letter we obtained from management.

### Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the EAA's audited financial statements is to read the information and consider whether its content or manner of its presentation is materially consistent with the financial information covered by our auditor's report or whether it contains a material misstatement of fact.

We will read the EAA's Introductory and Statistical Sections of the comprehensive annual financial report and will consider whether the information or the manner in which it is presented is materially inconsistent with information or the manner of presentation of the financial statements. Based on our reading, we will determine whether the information or manner of presentation requires revision.

### Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the EAA.

Ms. Luana Buckner, Chairman of the Board  
Edwards Aquifer Authority  
March 23, 2021  
Page 3

This report is intended solely for the information and use of the Board of Directors and is not intended to be, and should not be, used by anyone other than this specified party.

*RSM VS LLP*



March 23, 2021

RSM US, LLP  
19026 Ridgewood Pkwy Ste. 400  
San Antonio, TX 78259

This representation letter is provided in connection with your audit of the basic financial statements of the Edwards Aquifer Authority (the EAA), as of and for the years ended December 31, 2020 and 2019, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP)

We confirm, to the best of our knowledge and belief, that as of March 23, 2021:

**Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter, dated October 27, 2020, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Types of related-party transactions engaged in by the EAA include:
  - a. Those with the South Central Texas Water Advisory Committee (SCTWAC). SCTWAC advises the EAA Board of Directors on downstream water rights and issues. Costs incurred are a result of SCTWAC performing duties on behalf of the EAA.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. There is no known actual or possible litigation and claims to be accounted for and disclosed in accordance with U.S. GAAP.

8. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
9. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are not subject to the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), because we have not received, expended, or otherwise been the beneficiary of the required amount of Federal awards during the period that would result in a single audit.
10. We have informed you of all uncorrected misstatements.

As of and for the year ended December 31, 2020, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the financial statements as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

|   | Debit (Credit) to Correct the Misstatements |                    |               |             |                    |
|---|---|--------------------|---------------|-------------|--------------------|
|   | Assets                                      | Liabilities        | Net Position  | Revenue     | Expense            |
| Reversing effect of prior-year judgmental misstatement  | \$ -  | \$ -               | \$ 25,000     | \$ -        | \$ (25,000)        |
| Unrecorded misstatement—judgmental:<br>To record the difference in the pension assumption selected by TCDRS from the experience study |   |                    |               |             |                    |
| Total uncorrected misstatements   | 70,000                                      | (70,000)           | -             | -           | -                  |
| Cumulative net position and fund balance misstatements  | <u>\$ 70,000</u>                            | <u>\$ (70,000)</u> | <u>25,000</u> | <u>\$ -</u> | <u>\$ (25,000)</u> |
|   |   |                    | <u>\$ -</u>   |             |                    |

#### Information Provided

11. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the EAA from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the governing, or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All transactions have been recorded in the accounting records and are reflected in the financial statements.

13. We assessed the risk that the financial statements may be materially misstated as a result of fraud. However, no matters were identified that should be reported to you.
14. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
15. We have no knowledge of allegations of fraud or suspected fraud affecting the EAA's financial statement involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the basic financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the EAA's financial statements received in communications from employees, former employees, analysts, regulators, short sellers or others.
17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
18. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
19. We have disclosed to you the identity of the EAA's related parties and all related-party relationships and transactions of which we are aware.
20. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the ability to record, process, summarize and report financial data.
21. There have been no communications from regulatory agencies concerning noncompliance with, or the deficiencies in, financial reporting practices.
22. We agree with the findings of specialists in evaluating our estimated liabilities for the net pension liability of the EAA. We have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
23. We believe the actuarial assumptions and methods used to measure the EAA net pension liability and related costs for financial accounting purposes are appropriate in the circumstances.
24. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

### Supplementary Information

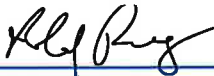
25. With respect to supplementary information presented in relation to financial statements as a whole:

- a. We acknowledge our responsibility for the presentation of such information.
- b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.
- e. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended user of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

26. With respect to the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability, Schedule of the EAA's Pension Contribution, and Notes to Required Supplementary Information—presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements.

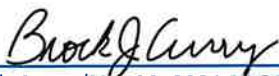
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
- b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. The underlying significant assumptions or interpretations regarding the measurement or presentation of such information include the actuary assumptions to the TCDRS pension plan.

Edwards Aquifer Authority



Roland Ruiz (Mar 23, 2021 12:38 CDT)

Roland Ruiz, General Manager



Brock Curry (Mar 23, 2021 14:21 CDT)

Brock Curry, Deputy General Manager



Felix Marquez (Mar 23, 2021 15:34 CDT)

Felix Marquez, Executive Director of  
Administration and Financial Services



Shelly Hendrix (Mar 23, 2021 15:38 CDT)

Shelly Hendrix, Controller/Director of Finance