



EDWARDS AQUIFER
AUTHORITY

MANAGE • ENHANCE • PROTECT

INCLUSION IMAGINATION INNOVATION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years Ended

December 31, 2021 & December 31, 2020

San Antonio, Texas



**EDWARDS AQUIFER
AUTHORITY**

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For the Fiscal Years Ended December 31, 2021 and December 31, 2020

(Prepared by the Edwards Aquifer Authority Administration & Financial Services Team)

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Introductory Section

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Financial Report
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December 31, 2020

Christopher P. Morill

Executive Director/CEO

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STRATEGIC PLAN SUMMARY

MISSION STATEMENT

The Edwards Aquifer Authority manages, enhances, and protects the Edwards Aquifer system.

VISION STATEMENT

The Edwards Aquifer Authority is a regional water management agency that regulates with integrity, transparency, respect, and commitment to the sustainability of the aquifer.

GUIDING PRINCIPLES

Inclusion • Imagination • Innovation

CORE VALUES

Collaboration • Creativity • Integrity • Professionalism • Science-Based • Stewardship

THEMATIC GOALS

Sustainability • Credibility

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THE EDWARDS AQUIFER AUTHORITY ACT

The Edwards Aquifer Authority Act¹, as adopted by the Texas Legislature in 1993, created the Edwards Aquifer Authority (the “EAA”) to preserve and protect the Edwards Aquifer as a unique groundwater resource. However, legal challenges related to the passage of the act prevented the EAA from operating until June 1996. The Act created a 17-member board of directors, including 15 directors elected from single-member districts across the region, and two non-voting appointed directors. The board carries out its duties, as prescribed by the Act, by setting policy aimed at fulfilling the mission of managing, enhancing and protecting the aquifer.

¹ Act of May 30, 1993, 73rd Leg., R.S., ch. 626, 1993 Tex. Gen. Laws 2350; as amended by Act of May 16, 1995, 74th Leg., R.S., ch. 524, 1995 Tex. Gen. Laws 3280; Act of May 29, 1995, 74th Leg., R.S., ch. 261, 1995 Tex. Gen. Laws 2505; Act of May 6, 1999, 76th Leg., R.S., ch. 163, 1999 Tex. Gen. Laws 634; Act of May 25, 2001, 77th Leg., R.S., ch. 1192, 2001 Tex. Gen. Laws 2696; Act of May 28, 2001, 77th Leg., R.S., ch. 966, §§ 2.60–2.62 and 6.01–6.05, 2001 Tex. Gen. Laws 1991, 2021-22 and 2075-76; Act of June 1, 2003, 78th Leg., R.S., ch. 1112, § 6.01(4), 2003 Tex. Gen. Laws 3188, 3193; Act of May 23, 2007, 80th Leg., R.S., ch. 510, 2007 Tex. Gen. Laws 900; Act of May 28, 2007, 80th Leg., R.S., ch. 1351, §§ 2.01–2.12, 2007 Tex. Gen. Laws 4612, 4627; Act of May 28, 2007, 80th Leg., R.S., ch. 1430, §§ 12.01–12.12, 2007 Tex. Gen. Laws 5848, 5901; and Act of May 21, 2009, 81st Leg., R.S., ch. 1080, 2009 Tex. Gen. Laws 2818; Act of May 20, 2013, 83rd Leg., R.S., ch. 783, 2013 Tex. Gen. Laws 1998; Act of May 20, 2019, 86th Leg., R.S., ch. 904 Tex. Gen. Laws; Act of May 22, 2019, 86th Leg., R.S., ch. 1135 Tex. Gen. Laws; and Act of May 25, 2019, 86th Leg., R.S., ch 585 Tex. Gen. Laws.

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June 22, 2022

To Chairman Luana Buckner, the Edwards Aquifer Authority (EAA) Board of Directors, and the citizens of Texas within the jurisdictional region of the EAA:

We are pleased to present the annual comprehensive financial report of the EAA for the fiscal years ended December 31, 2021 and December 31, 2020. The EAA is responsible for the accuracy and completeness of the information included in this report. To the best of our knowledge, all information in this report is accurate in all respects and is presented in a manner designed to enable the reader to gain an understanding of the EAA's financial and operational activities.

This annual comprehensive financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the EAA's organizational chart, and a list of the board of directors.

The financial section includes the basic financial statements, the required supplementary information and other information, as well as the auditor's report on the basic financial statements. In the independent auditor's report, the firm RSM US LLP, issued an unmodified opinion on the financial statements for the year ended December 31, 2021. The independent auditor's report is located at the front of the Financial Section of this report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The statistical section includes selected financial and demographic information. This information is presented in both single-year and multi-year formats. Multi-year information dates back to 2012.

Profile of the EAA

The southern segment of the Edwards Aquifer is one of the world's unique groundwater resources, spanning about 180 miles of south central Texas. It is the primary water resource for a region of more than two million people and for an ecological system of aquatic life, including several federally-listed threatened and endangered species. Cities, towns, rural communities, businesses, and farms all depend on the aquifer's water for household, agricultural, industrial, and recreational purposes. The diversity of uses illustrates the importance of the aquifer to the lives and livelihoods of residents in the Edwards Aquifer region.

The EAA, created by the Texas Legislature to preserve and protect this unique groundwater resource, is governed by a board of directors that sets policy to manage, enhance, and protect the aquifer system. The 17-member board consists of 15 elected members from the region and 2 non-voting appointed members which carry out the duties set forth in the EAA Act.

Economic Conditions

The EAA’s jurisdiction includes all or portions of eight counties — Atascosa, Bexar, Caldwell, Comal, Guadalupe, Hays, Medina, and Uvalde. According to the U.S. Census Bureau, all but one county experienced growth between 2012 and 2021 as evident in the table below.

County	2012 Population Total	2021 Population Estimate	2012-2021 Population Change	2012-2021 % Population Change
Atascosa	46,113	49,939	3,826	8.3%
Bexar	1,788,858	2,028,236	239,378	13.4%
Caldwell	38,711	46,791	8,080	20.9%
Comal	115,097	174,986	59,889	52.0%
Guadalupe	139,714	177,036	37,322	26.7%
Hays	168,855	255,397	86,542	51.3%
Medina	46,867	51,981	5,114	10.9%
Uvalde	26,760	24,729	-2,031	-7.6%
Total – EAA Jurisdiction	2,370,975	2,809,095	438,120	18.5%

Source: U.S. Census Bureau

In terms of percentage population change, Comal County experienced the most significant growth, gaining 59,889 residents (52.0%) since 2012. San Antonio, the county seat of Bexar County and home to approximately 2 million people according to the 2020 – 2021 U.S. Census Bureau population estimate, is the nation's seventh largest city. Comal, Guadalupe, and Hays counties, located in or near the rapidly-growing corridor between San Antonio and Austin, also experienced significant percentage population increases since 2012. A region map is available on page 19.

Bexar County represents about 72.2% of the total population of the EAA’s region. The average unemployment rate in Bexar County for 2021, according to the Texas Workforce Commission, was 5.4%, down from 7.5% in 2020. The local unemployment rate was below the 2021 state-wide average of 5.7% and slightly higher than the national average of 5.3%.

As noted in the February 2022 publication of the Federal Reserve Bank of Dallas “San Antonio Economic Indicators” report, economic growth in the San Antonio Metro area increased an annualized 2.0% in the fourth quarter of 2021 with job growth led by leisure and hospitality, professional and business services, and mining. As of December 2021, 98.4% of jobs lost during the pandemic months of March and April 2020 have been recovered.

The median home price in San Antonio's housing market in November 2021 was \$305,602, an 11.4% gain year over year. The Texas median home price was at \$318,922, a 9.8% gain. San Antonio home sales were up 6% in the first 11 months of 2021 compared to same period in 2020 and slightly below the state's 7.3% increase.

The Edwards Aquifer plays a critical role in the continued viability of the entire region as a home for citizens and businesses. As the primary source of water for all uses, the quantity and quality of water provided by the Edwards Aquifer are vital to the region's economic sustainability.

Financial Policies and Long-Term Financial Planning

The EAA's management is responsible for administering the internal control structure designed to protect the EAA's assets from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements conforming with accounting principles generally accepted in the United States of America. The EAA's accounting system and purchasing process serves to safeguard assets and provides reasonable assurance that financial transactions are executed properly and efficiently. However, due to inherent limitations, a control system, regardless of how well designed and operated, can provide only reasonable, not absolute, assurance that objectives of the control system are met.

Budgeting controls. The EAA's bylaws adopted by the board of directors require the General Manager to prepare an annual budget prior to the start of each fiscal year. The budget includes estimated funds available from all sources and includes appropriations for expenses anticipated in that year to conduct the activities of the EAA. The General Manager is authorized to expend funds in amounts up to, but not exceeding the amounts included in the budget adopted by the board. In addition, the bylaws require board approval of any individual EAA expenditure or budget adjustment exceeding \$50,000. The board receives regular monthly reports comparing the EAA's actual expenses to the budget.

General government functions. Funding for the EAA's general government programs comes primarily from an aquifer management fee charged to non-agricultural (municipal and industrial) and agricultural users of Edwards Aquifer groundwater. Beginning in 2012, a "program aquifer management fee" was assessed to non-agricultural users to fund the Edwards Aquifer Habitat Conservation Plan (EAHCP) activities in addition to general operating costs. Aquifer management fees and program aquifer management fees are charged to non-agricultural permit holders based on the amount of groundwater authorized under a permit, whereas the aquifer management fee for agricultural users is charged on groundwater actually used during the preceding year. While the agricultural fee rate of \$2.00 per acre-foot is set in statute (the EAA Act), non-agricultural fee rates are set by the board of directors and may fluctuate from year to year based on the annual budget needs of the EAA. However, since 2012, the combined rate of \$84.00 per acre-foot for non-agricultural users has remained unchanged. Nonetheless, in 2019, the Texas Legislature amended the EAA Act to limit increases to the non-agricultural fee rate to no more than eight percent (8%) per year.

For more information on the EAA's revenue and expense activity in 2021, please refer to the MD&A included in the financial section of this report.

Strategic Plan. In May 2021, the board of directors adopted the Strategic Plan for years 2021-2030, called "The Edwards Aquifer: The Next Generation and Beyond." The 10-year planning horizon presented within the Strategic Plan builds on the initial 25 years of the EAA's successful implementation of the EAA Act, the legislative statute from which the EAA derives its legal authority to operate and which provides the premise and purpose of the EAA's mission. The EAA vision for the future, however, looks far beyond the next decade and imagines a legacy of sustainability for the Edwards Aquifer that can lead to unprecedented certainty in the quantity and quality of water available from this resource for future generations to come.

The EAA is committed to furthering the long-term sustainability of the Edwards Aquifer through a responsible balance of regulatory, education and conservation-focused programming and partnerships that perpetuate shared value in the aquifer among all uses and needs. This comprehensive and collaborative approach to resource management, enhancement, and protection undergirds the mission and vision of the agency's work and is demonstrated in thematic goals of "Sustainability and Credibility" in the Strategic Plan, supported by achievement of key objectives through the use of the guiding principles and core values included in the Strategic Plan.

Underscoring the significance of these goals is the region's anticipated population growth over the next 50 years. This increased demand for water reinforces the importance of the EAA's role in effectively managing withdrawals from the aquifer, as mandated by statute, and the requirement to maintain compliance with the Incidental Take Permit issued by the U.S. Fish and Wildlife Service to address the needs of natural habitats of federally protected species. Likewise, as population grows, protecting the quality and quantity of water entering the aquifer will remain critical to the region over the coming generations.

To accomplish the EAA's strategic goals, there must be an infrastructure of professional staff and resources that complement these efforts. Underlying this concept is the idea that effective policy and regulation requires accurate and timely information, focusing on providing knowledge of the aquifer and awareness of the EAA mission to the public. Lastly, maintaining stability in the fee rate structure and managing the appropriate reserves for funding the EAHCP will contribute to the long-term financial stability of the EAA.

The Strategic Plan and the annual operating and capital budgets are vital components of the EAA's long-range financial plan.

Major Initiatives

As provided for in the Edwards Aquifer Authority Act, the EAA is vested with the powers, rights, and privileges necessary to manage, conserve, preserve, and protect the aquifer and to increase the recharge of, and prevent the waste or pollution of water in the aquifer. The below actions and initiatives further this directive.

Drought Management. In times of declining groundwater levels, the EAA implements a Critical Period Management (CPM) Plan to help sustain aquifer and springflow levels. This program helps slow the rate of decline in aquifer levels and spring discharges during periods of little or no rain by reducing the amount of groundwater permit holders may withdraw from the aquifer. The charts below provide the aquifer level triggers for CPM stages and the corresponding amount of withdrawal reduction required. In 2021, the San Antonio Pool was in Stage 1 (88 days) and Stage 2 (11 days) resulting in a 5.71% annual withdrawal reduction. In 2020, the San Antonio Pool was in Stage 1 (114 days) resulting in a 6.25% annual withdrawal reduction. The Uvalde Pool has not experienced CPM reductions since 2015.

San Antonio Pool

TRIGGER (based on 10-day average)	CRITICAL PERIOD STAGE I	CRITICAL PERIOD STAGE II	CRITICAL PERIOD STAGE III	CRITICAL PERIOD STAGE IV	CRITICAL PERIOD STAGE V
Index Well J-17 Level (MSL)	<660	<650	<640	<630	<625
San Marcos Springs Flow (CFS)	<96	<80	N/A	N/A	N/A
Comal Springs Flow (CFS)	<225	<200	<150	<100	<45/40*
Withdrawal Reduction	20%	30%	35%	40%	44%

Uvalde Pool

TRIGGER (based on 10-day average)	CRITICAL PERIOD STAGE I	CRITICAL PERIOD STAGE II	CRITICAL PERIOD STAGE III	CRITICAL PERIOD STAGE IV	CRITICAL PERIOD STAGE V
Index Well J-27 Level (MSL)	N/A	<850	<845	<842	<840
San Marcos Springs Flow (CFS)	N/A	N/A	N/A	N/A	N/A
Comal Springs Flow (CFS)	N/A	N/A	N/A	N/A	N/A
Withdrawal Reduction	N/A	5%	20%	35%	44%

Field Research Park. In late 2019, the Edwards Aquifer Conservancy (a 501(c)(3) supporting organization for the EAA) was gifted a 151-acre property from the City of San Antonio. This property, located on the Edwards Aquifer Recharge Zone, is recognized as the EAA Field Research Park (FRP) and is the focal point for conducting long-term data collection and research related to groundwater sustainability. The FRP also provides a demonstration site for nature-based land management solutions that may improve infiltration of surface runoff for enhanced recharge to the aquifer. For the foreseeable future, research at the FRP will focus on these practices with the goal of quantifying any positive effects on infiltration of surface water and soil water holding capacity that may result from them. Other potential benefits related to the practices include potential reductions in sediment loading into surface streams and carbon sequestration. Site specific groundwater levels and chemistry, weather metrics, soil moisture, evapotranspiration, and stream flow data have been monitored since early 2021. Soil hydraulic conductivity monitoring began in early 2022. The goal of FRP research is directed at improved generational aquifer sustainability.

Conservation Grant Program. The EAA’s Groundwater Conservation Grant program has helped users of Edwards groundwater develop and implement water-saving projects since the program’s inception in 2009. The EAA solicits proposals from Edwards groundwater permit holders for projects that improve the efficiency of their water usage

while at the same time successfully implementing practices that support the EAA's Groundwater Conservation Plan. In 2021, the EAA awarded \$300,000 in conservation grants to EAA irrigation permit holders. Projects selected from the 2021 solicitation included the installation of a center pivot sprinkler system that serves 125 acres of previously flood-irrigated farmland and the installation of a center pivot sprinkler system that will serve more than 252 acres of farmland.

Edwards Aquifer Habitat Conservation Plan. In 2012, the EAA board approved the EAHCP start-up funding with anticipation of approval of the EAHCP by the U.S. Fish & Wildlife Service (USFWS). With the approval of the EAHCP, the USFWS issued an Incidental Take Permit (ITP) on March 18, 2013 which will expire on March 31, 2028.

The EAHCP identifies springflow and habitat conservation measures along with supporting program activities designed to protect the aquatic habitats of populations of Covered Species in the event of limited recharge. The Refugia program is one of those supporting measures with the goal to preserve the capacity of these species to be re-established in the event of the loss of populations due to a catastrophic event such as unexpected loss of springflow or a chemical spill, and to allow research on those species. Establishing off-site Refugia for the Covered Species is necessary to provide back-up populations that can be used to re-establish endemic populations in case of extirpation from the wild.

Calendar year 2021 marked the 9th year of EAHCP implementation. A number of programmatic highlights occurred in 2021, specifically the planning for a multi-year ITP renewal process in coordination with the USFWS. Also, over 15,000 native aquatic plants were planted in both Comal and San Marcos river systems. Furthermore, the EAA completed applied research on the cotton lure sampling technique used for monitoring the Comal Springs riffle beetle. Finally, the much-anticipated Sessom Creek Stream Restoration Project began construction in 2021, which aims to mitigate erosion and sediment loads that impact critical habitat downstream as a tributary of the San Marcos River.

Other Information

Independent audit. Section 49.191 of the Texas Water Code requires an annual audit to be conducted by an independent certified public accountant or an auditor licensed by the Texas Board of Public Accountancy within 120 days after the fiscal year-end. Following selection by the board of directors, the accounting firm of RSM US LLP conducted the 2021 audit. The independent auditor's report on the basic financial statements is included in the financial section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the EAA for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2020. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report.

A Certificate of Achievement is valid for a period of one year only. We expect that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The employees of the EAA, in carrying out the mission to manage, enhance, and protect the Edwards Aquifer system, continue to provide a valuable service to citizens within the EAA's jurisdiction. Their professionalism and dedication undergirds the effectiveness and efficiency of our work.


In particular, the preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Administration and Financial Services Team. We wish to express our appreciation to all members who assisted and contributed to this effort.

Finally, we thank the EAA Board of Directors, for demonstrating leadership, support, and dedication to the highest standards of professionalism and transparency in the governance of the EAA.

Sincerely,


roland ruiz (Jun 22, 2022 09:33 CDT)

Roland Ruiz
General Manager


Felix Marquez (Jun 22, 2022 10:23 CDT)

Felix Marquez
Assistant to the Treasurer &
Executive Director – Administration and
Financial Services

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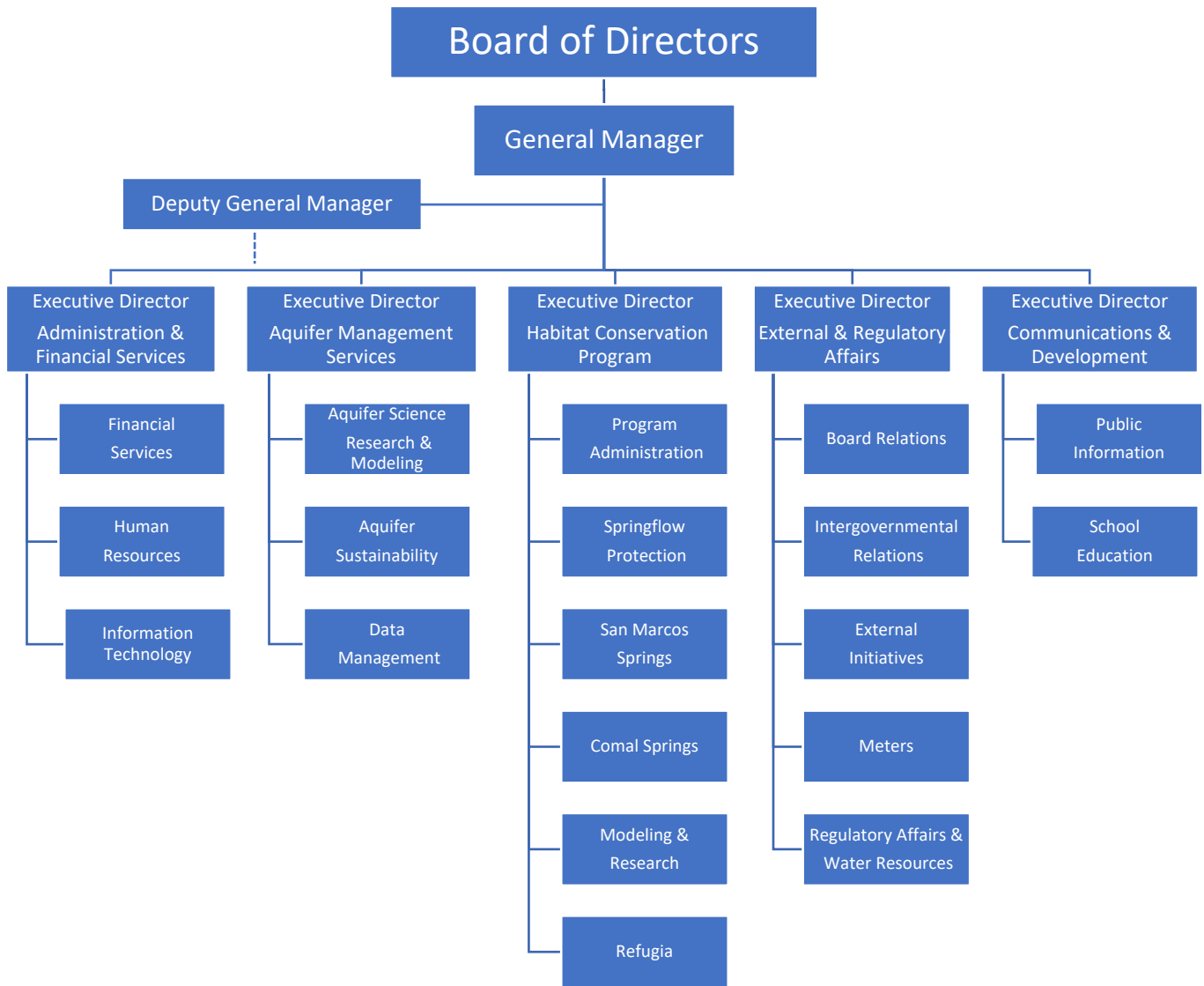
Board of Directors

<u>County/District No.</u>	<u>Director</u>	<u>Term Expires</u>
Bexar County		
District 1	Carol Patterson	December 1, 2022
District 2	Byron Miller	December 1, 2024
District 3	Abelardo A. Salinas, III	December 1, 2022
District 4	Benjamin F. Youngblood, Secretary	December 1, 2024
District 5	Randall Perkins	December 1, 2022
District 6	Deborah Carington	December 1, 2024
District 7	Enrique Valdivia, Vice-Chairman	December 1, 2022
Comal County		
District 8	Kathleen Tobin Krueger	December 1, 2024
Comal & Guadalupe Counties		
District 9	Ron Walton, Sr.	December 1, 2022
Hays County		
District 10	Austin Bodin	December 1, 2024
Hays & Caldwell Counties		
District 11	Rachel Allyn Sanborn	December 1, 2022
Medina County		
District 12	Scott Yanta	December 1, 2024
Medina & Atascosa Counties		
District 13	Luana Buckner, Chairman	December 1, 2022
Uvalde County		
District 14	Don Baker	December 1, 2024
District 15	Rader Gilleland	December 1, 2022
South Central Texas Water Advisory Committee Representative		
	Gary Middleton	December 1, 2024
Medina/Uvalde County Representative (appointed by Commissioner's Court)		
	Fohn Bendele	December 1, 2024

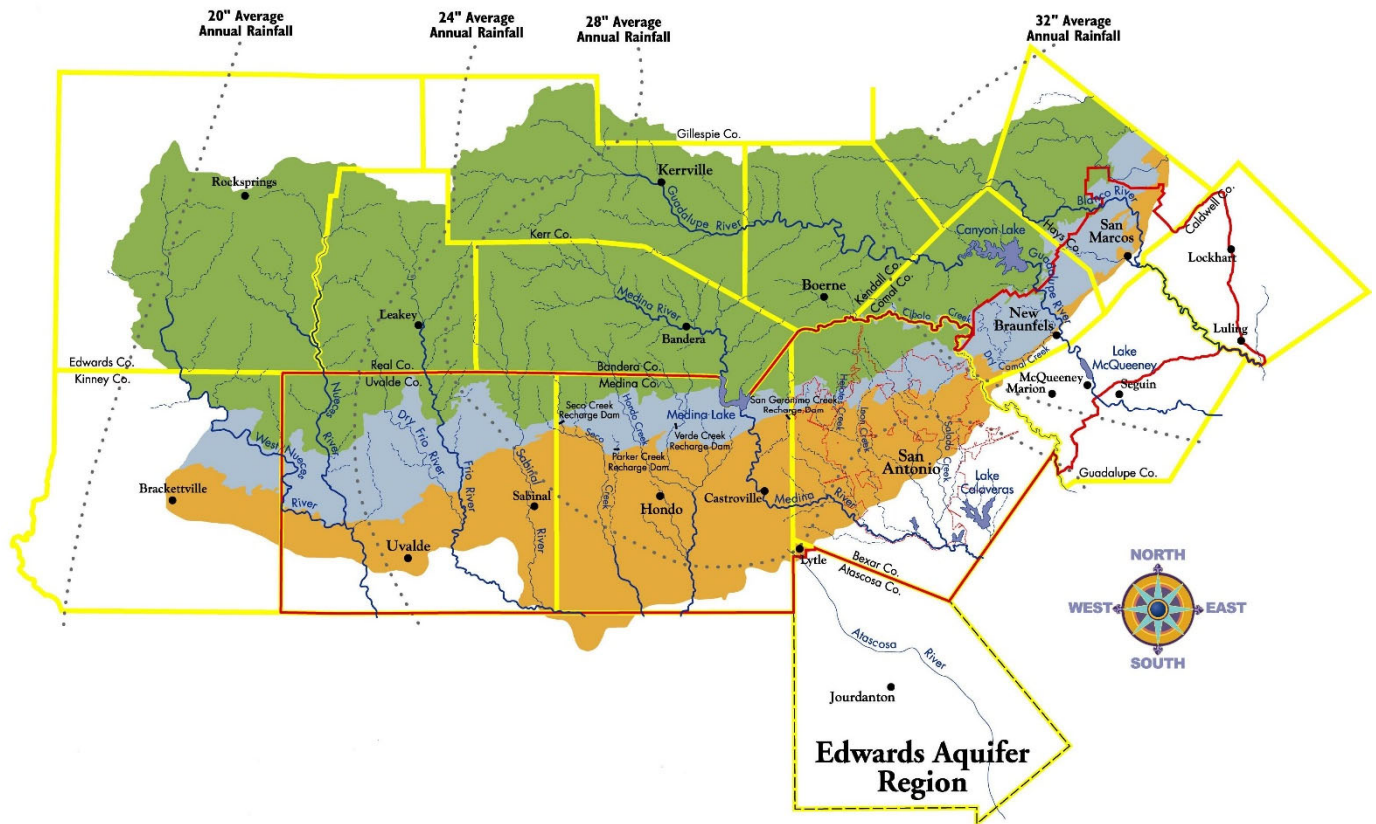
Note: Board of Director listing as of the date of the Annual Comprehensive Financial Report submission

THE EDWARDS AQUIFER AUTHORITY

ORGANIZATIONAL TEAM STRUCTURE



THE EDWARDS AQUIFER REGION



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Financial Section

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Independent Auditor's Report

Board of Directors
Edwards Aquifer Authority

Report on the Audit of the Financial Statements**Opinion**

We have audited the financial statements of Edwards Aquifer Authority (EAA), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise EAA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above, present fairly, in all material respects, the financial position of Edwards Aquifer Authority as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the Schedules of Expenses—Budget and Actual (General Operations and Habitat Conservation Plan)—Non-GAAP Basis and the Introductory and Statistical Sections, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

RSM US LLP

San Antonio, Texas
April 7, 2022

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Edwards Aquifer Authority

Management's Discussion and Analysis

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

Condensed financial data is presented for the three years ended December 31, 2021, 2020, and 2019, 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 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 decreased \$385,418, or 1.2%, from 2020 and remained relatively constant in 2020 from 2019, increasing \$23,380, or 0.07%.
- A conservation grant for \$100,000 was received in 2021 to supplement EAA funds provided to permit holders for conservation initiatives.
- The Edwards Aquifer Conservancy (EAC), a nonprofit, supporting organization of EAA reported as a blended component unit in EAA's financial statements, received a contribution in 2021 of \$850,000 to be used for funding acquisition of conservation easements as part of the EAA aquifer sustainability program. This contribution is recognized in the financial statements as unearned revenue.
- The assets and deferred outflows of resources of EAA exceeded liabilities and deferred inflows of resources as of December 31, 2021 by \$58,241,477 (net position). Of this amount, \$29,099,665 is reported as restricted, obligated to the EAHCP, with an unrestricted amount of \$12,998,426 available to meet ongoing EAA general operating obligations. The remaining balance of \$16,143,386 consists of EAA's net investment in capital assets.
- EAA total net position increased \$3,430,803 or 6.3%, from 2020, of which an increase of \$540,995 is related to net investment in capital assets, an increase of \$2,681,820 is related to EAA General Operations and an increase of \$207,988 is related to EAHCP.
- In 2021, EAA repaid \$90,000 towards the principal portion of its General Improvement Revenue Note, issued in 2011. No additional debt was issued during 2021. Note 5 to the financial statements provides details of the long-term debt obligation.
- In 2021, EAA repaid \$34,313 towards the lease liability for the Morgan's Wonderland Camp – Education Outreach Center capital lease obligation. The lease obligation, which commenced May 1, 2021, totaled \$2,156,714. Note 5 to the financial statements provides details of the long-term capital lease obligation.
- As of December 31, 2021, accrued conservation rebates of \$81,984 are held pending payment to certain nonagricultural permit holders once outstanding compliance matters are resolved. In 2014,

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Management's Discussion and Analysis

EAA discontinued the aquifer management fee conservation rebate program. Under the rebate program, nonagricultural permit holders received a rebate of aquifer management fees paid for groundwater conserved in the previous year. The rebate was not applicable to the EAHCP program aquifer management fee.

USING THIS ANNUAL REPORT

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

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

Statement of Net Position

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

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

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

Net position is presented in three major categories. Amounts presented as "Net Investment in Capital Assets" represent 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. 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.

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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 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 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 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.

Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts and cash payments of EAA during a period. The Statement of Cash Flows also helps users assess (1) the ability of 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 2021, EAA reports positive balances in all three categories of net position. Total net position as of December 31, 2021 was \$58,241,477 of which \$16,143,386 is represented by EAA's net investment in capital assets (land, buildings, vehicles, software, hardware and equipment).

Total net position increased \$3,430,803 in 2021 and increased \$2,349,634 from 2019 to 2020. The increase in 2021 is primarily related to EAHCP Springflow Protection decreases and the decrease in net investment in capital assets in 2020 resulting from the capitalization threshold policy change. Unrestricted net position and net investment in capital assets increased \$3,222,815 in 2020 and increased \$2,202,138 from 2019 to 2020.

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

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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		
	2021	2020	2019
Assets:			
Current assets	\$ 18,441,320	\$ 15,465,787	\$ 12,167,766
Restricted current assets—EAHCP	35,303,877	34,943,567	34,452,188
Capital assets, net	21,010,787	18,437,391	19,576,985
Long-term assets	-	22,557	51,048
Total assets	74,755,984	68,869,302	66,247,987
Deferred outflows of resources:			
Deferred outflows related to pension	2,432,630	1,001,749	2,212,654
Total assets and deferred outflows of resources	\$ 77,188,614	\$ 69,871,051	\$ 68,460,641
Liabilities:			
Current liabilities	\$ 9,318,963	\$ 9,432,980	\$ 9,772,746
Noncurrent liabilities	8,792,204	4,979,697	5,975,948
Total liabilities	18,111,167	14,412,677	15,748,694
Deferred inflows of resources:			
Deferred inflows related to pension	835,970	647,700	250,907
Net position:			
Net investment in capital assets	16,143,386	15,602,391	16,656,985
Restricted—Habitat Conservation Plan	29,099,665	28,891,677	28,744,181
Unrestricted	12,998,426	10,316,606	7,059,874
Total net position	58,241,477	54,810,674	52,461,040
Total liabilities, deferred inflows of resources and net position	\$ 77,188,614	\$ 69,871,051	\$ 68,460,641

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Management's Discussion and Analysis

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		
	2021	2020	2019
Total operating revenues	\$ 31,344,992	\$ 31,813,895	\$ 31,839,011
Total operating expenses	27,917,078	28,628,047	33,231,437
Operating income (loss)	3,427,914	3,185,848	(1,392,426)
Nonoperating revenue (expenses):			
Interest income	161,466	461,152	1,000,046
Interest expense	(159,159)	(108,720)	(111,923)
Gain (loss) on sale and disposal of capital assets	582	(1,188,646)	574
Capital contributions	-	-	5,474,398
Total nonoperating revenues (expenses), net	2,889	(836,214)	6,363,095
Change in net position	3,430,803	2,349,634	4,970,669
Net position at beginning of year	54,810,674	52,461,040	47,490,371
Net position at end of year	\$ 58,241,477	\$ 54,810,674	\$ 52,461,040

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 tenth 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 2021, the aquifer management fee rate for EAA General Operations was \$50 per acre-foot and \$34 per acre-foot for the EAHCP, unchanged from the 2020 rates.

Overall operating revenues decreased \$468,903 (1.5%) from 2020 to 2021 and decreased \$25,116 (0.1%) from 2019 to 2020. The decrease in 2021 revenue is primarily related to a conservation grant (\$100,000), offset by decreases in aquifer management fee revenue (\$385,418) and EAHCP other program funding sources (\$250,000). Although the aquifer management fee rates remained constant from 2020 to 2021, aquifer management revenues were lower in 2021 due to a decrease of approximately 4,125 acre-feet billed to nonagricultural permit holders and lower agricultural permit holder use. The decrease in 2020 is primarily related to enforcement settlement decreases offset by increases in agricultural revenue and other miscellaneous charges.

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EAA General Operations

The aquifer management fee supports the general operating activities of EAA. Of the overall operating revenue, the aquifer management fee represents \$18,260,032 (58.3%) in 2021, \$18,505,365 (58.2%) in 2020. The aquifer management fee charged to agricultural users, as set by the EAA Act, is \$2 per acre-foot. Agricultural fee revenue represents \$143,395 (0.5%) and \$182,340 (0.6%) of the total aquifer management fee operating revenues for years 2021 and 2020, respectively. In 2020, the aquifer management fee charged to nonagricultural permit holders for general operations increased from \$46 per acre-foot to \$50 per acre-foot and remained constant at this rate for 2021

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 \$12,319,633 (38.3%) in 2021 and \$12,459,941 (39.2%) in 2020. The program aquifer management fee charged to nonagricultural permit holders in 2021 did not change from the 2020 rate of \$34 per acre-foot which decreased from the 2019 rate of \$38 per acre-foot. EAHCP program other funding sources decreased in 2021 to \$486,000 from \$736,000 in 2020 and represents 1.6% and 2.3% of overall operating revenues for 2021 and 2020, respectively.

Net aquifer management fee and program aquifer management fee revenue, as a percentage of total operating revenue, was 99.1% in 2021, a decrease from 99.7% in 2020. Compromise and Settlements revenue are for settlements paid by various entities for EAA rules violations or judgements and represents 0.2% and 0.1% in 2021 and 2020, respectively, of total operating revenues. Other charges come from such sources as well registration fees, transfer application fees, well construction application fees, reimbursement for public information requests and conservation grant/easement revenue representing 0.7% in 2021 and 0.3% in 2020.

The following information depicts the components of operating revenues, for both program areas, for the years-ended December 31, 2021, 2020 and 2019.

	2021	Percent of Total	2020	Percent of Total	2019	Percent of Total
Operating revenues:						
Aquifer management fees	\$ 18,260,032	58.3%	\$ 18,505,365	58.2%	\$ 17,015,440	53.4%
Program aquifer management fees	12,805,633	40.9%	13,195,717	41.4%	14,662,262	46.1%
Enforcement settlements	60,284	0.2%	23,596	0.1%	100,424	0.3%
Other charges	219,043	0.7%	89,217	0.3%	60,885	0.2%
Total	<u>\$ 31,344,992</u>	<u>100.0%</u>	<u>\$ 31,813,895</u>	<u>100.0%</u>	<u>\$ 31,839,011</u>	<u>100.0%</u>

OPERATING EXPENSES

Total EAA operating expenses decreased \$710,969 (2.5%) in 2021 and decreased \$4,603,390 (13.9%) in 2020. 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.

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EAA General Operations and EAHCP Operating Expenses

	2021	Percent of Total	2020	Percent of Total	2019	Percent of Total
Salaries and wages	\$ 8,335,357	29.9%	\$ 8,482,086	29.6%	\$ 7,657,437	23.0%
Employee benefits	2,417,793	8.7%	2,516,679	8.8%	2,746,627	8.3%
Professional and technical services	13,826,046	49.6%	14,873,943	52.0%	19,768,770	59.5%
Property services	1,400,134	5.0%	1,287,467	4.5%	974,153	2.9%
Other services	755,227	2.7%	465,735	1.6%	746,633	2.3%
Supplies	372,570	1.3%	348,926	1.2%	401,887	1.2%
Depreciation	809,951	2.9%	653,211	2.3%	935,930	2.8%
Total	\$ 27,917,078	100.0%	\$ 28,628,047	100.0%	\$ 33,231,437	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 decreased \$178,198 (2.2%) in 2021 related to decreases in compensated absences accrual updates offset by cost of living and merit increases and increased \$775,127 (10.6%) in 2020 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 \$98,524 (4.1%) in 2021 and decreased \$222,663 (8.5%) in 2020. Decreases of \$229,804 in 2021 and \$236,476 in 2020, were due to the recording of the actuarially determined pension expense for each year and other related reclassification entries to deferred outflow/inflow of resources related to pension expense in accordance with GASB Statement No. 68 and GASB Statement No. 71. Further detail concerning the change in contributions and continuation of GASB Statements is presented in the notes to the basic financial statements. Increases of \$131,280 and \$13,813 in 2021 and 2020, respectively, relate to increased employer-related taxes consistent with the increase in salaries and wages, contributions to employee 401a programs, and employee-related insurance costs to offset the overall decreases.

Professional and technical services: Professional and technical services increased \$432,214 (18.7%) in 2021 and decreased \$473,852 (17.0%) in 2020. The increases in 2021 related to increases in lab services (\$61,784), replacement/upgrades to above ground storage tanks for permit holders (\$156,858), ongoing maintenance and support services for the EAA Permit Database (\$250,560), and general professional services (\$123,702) offset by decreases in legal services (\$100,402), various aquifer hydrologic related studies and EA model changes (\$47,917), and interlocal support (\$11,515). The decrease in 2020 primarily related to decreases in legal expenses (\$142,909), general professional services (\$193,959), lab services (\$115,902) 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).

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Management's Discussion and Analysis

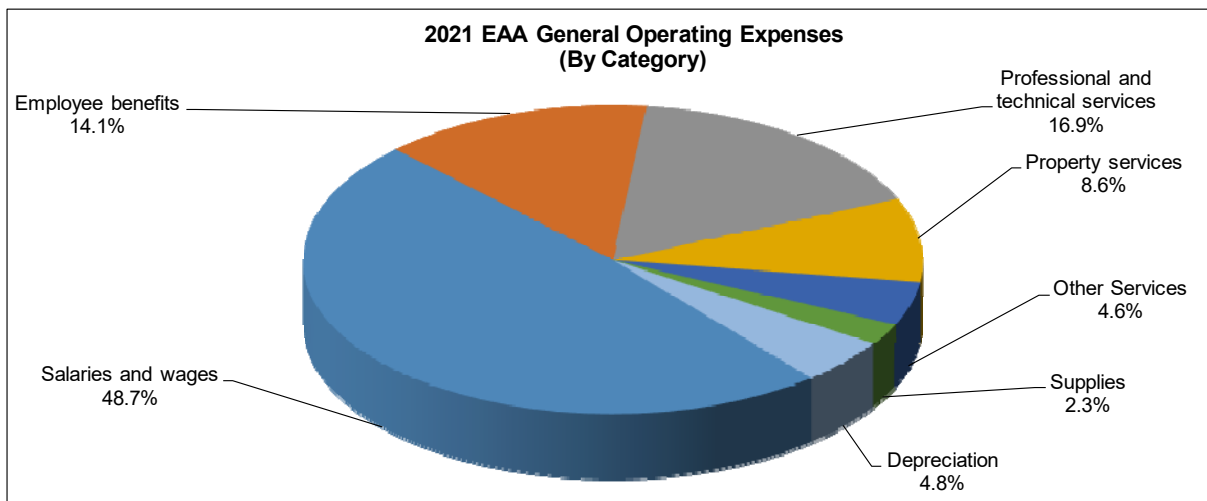
Property services, other services and supplies: Property services, other services and supplies had a combined total of \$2,502,334 in 2021, representing a \$438,942 increase and \$2,063,392 in 2020, representing a \$476 decrease from 2019. The increase in 2021 is related to increases in conservation grants, facilities maintenance costs, meeting/event sponsorships, property/casualty insurance, public and legal notices, training and uniform costs for staff, noncapital equipment purchases, utility costs and decreases in support/subscription-based services, promotional supplies/printing, and vehicles maintenance. The decrease in 2020 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.

Depreciation expense: Depreciation expense increased \$162,690 (27.1%) in 2021 and decreased \$287,902 (32.4%) in 2020. The increase in 2021 is related to the addition of capital assets. 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 following information, also depicted in table and graphic form, summarizes EAA general operations operating expenses for the years ended December 31, 2021, 2020 and 2019.

EAA General Operations—Operating Expenses

	FY2021	Percent of Total	FY2020	Percent of Total	FY2019	Percent of Total
Salaries and wages	\$ 7,885,171	48.7%	\$ 8,063,369	52.3%	\$ 7,288,242	46.6%
Employee benefits	2,289,516	14.1%	2,388,040	15.5%	2,610,703	16.7%
Professional and technical services	2,743,312	16.9%	2,311,098	15.0%	2,784,950	17.8%
Property services	1,395,566	8.6%	1,272,811	8.2%	967,598	6.2%
Other Services	740,313	4.6%	449,155	2.9%	714,934	4.6%
Supplies	366,455	2.3%	341,426	2.2%	381,336	2.4%
Depreciation	762,328	4.8%	599,638	3.9%	887,540	5.7%
Total	\$ 16,182,661	100.0%	\$ 15,425,537	100.0%	\$ 15,635,303	100.0%



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EAHCP

In 2013, 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 \$31,469 (7.5%) in 2021 and \$49,522 (13.4%) in 2020. The increases in 2021 and 2020 related to employee cost of living and merit increases, and accrual updates related to compensated absences. In 2020, the increase related specifically to compensated absences was \$11,397 (23%) of the total 2020 increase. As discussed earlier in this document, the COVID-19 pandemic contributed to unutilized earned leave and increased accrual balances at year-end in 2020.

Employee benefits: Employee benefits decreased \$362 (0.3%) in 2021 and \$7,285 (5.4%) in 2020 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 2021 and 2020 relate to increased employer-related taxes consistent with the increase in salaries and wages and employee-related insurance costs.

Professional and technical services: Professional and technical services decreased \$1,431,115 (11.4%) in 2021 and \$4,469,971 (26.3%) in 2020. The decrease in 2021 was primarily related to the completion of funding for two EAHCP program expenses under the Regional Water Conservation Program (\$600,400) and ASR O&M (\$408,255), as well as, decreases in water quality monitoring expenses (\$201,146), San Marcos Springs maintenance tasks (\$180,840), ASR Leasing and Forbearance (\$40,292), modeling and research (\$27,246), and program administration consulting services (\$32,431). These decreases were offset by increases in biological monitoring services (\$25,558), Comal Springs maintenance tasks (\$16,598), NFHTC Refugia expenses (\$15,430), and VISPO (\$1,905). The 2020 decrease was related to lower Regional Water Conservation Program expenses (\$3,907,350), NFHTC Refugia expenses (\$771,169), 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).

The following table depicts 2021, 2020 and 2019 expenses for each of the programmatic areas.

	2021	Percent of Total	2020	Percent of Total	2019	Percent of Total
Program Administration	\$ 244,835	2.2%	\$ 277,266	2.2%	\$ 167,301	1.0%
Springflow Protection	8,497,505	76.3%	9,544,547	76.3%	13,363,784	78.7%
San Marcos Springs	657,319	7.3%	912,350	7.3%	922,959	5.4%
Comal Springs	749,777	6.7%	834,576	6.7%	769,856	4.5%
Modeling and Research	9,984	0.3%	37,229	0.3%	80,869	0.5%
NFHTC Refugia	923,314	7.2%	907,881	7.3%	1,679,051	9.9%
Total	\$ 11,082,734	100.0%	\$ 12,513,849	100.0%	\$ 16,983,820	100.0%

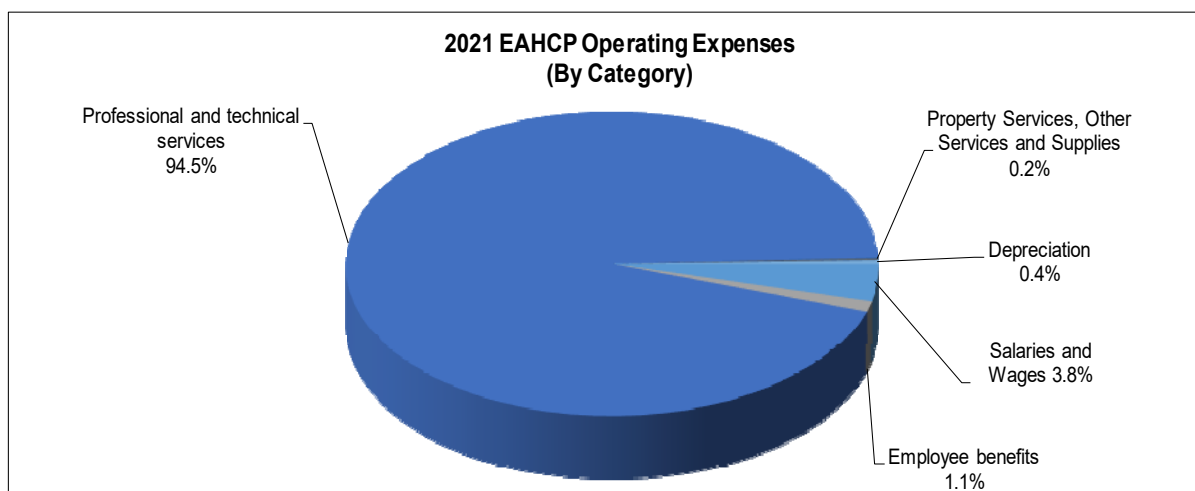
The following information, also depicted in table and graphic form, summarizes EAHCP operating expenses for the years ended December 31, 2021, 2020 and 2019.

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Management’s Discussion and Analysis

EAHCP—Operating Expenses

	2021	Percent of Total	2020	Percent of Total	2019	Percent of Total
Salaries and wages	\$ 450,186	3.8%	\$ 418,717	3.1%	\$ 369,195	2.1%
Employee benefits	128,276	1.1%	128,639	1.0%	135,924	0.8%
Professional and technical services	11,082,731	94.5%	12,513,849	95.2%	16,983,820	96.5%
Property services	4,568	0.0%	14,656	0.1%	6,555	0.0%
Other services	14,156	0.1%	16,125	0.1%	31,699	0.2%
Supplies	6,115	0.1%	7,500	0.1%	20,551	0.1%
Depreciation	44,670	0.4%	50,619	0.4%	48,390	0.3%
Total	\$ 11,730,702	100.0%	\$ 13,150,105	100.0%	\$ 17,596,134	100.0%



NONOPERATING REVENUES AND EXPENSES

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

Interest income: Interest income decreased \$299,686 (65%) in 2021 and \$538,894 (53.9%) in 2020. Interest rates began to decline in 2020 with the onset of the COVID-19 pandemic and continued declining throughout the year and stayed at a low level throughout 2021. The average yield on NOW/MMA accounts were 0.22% and 0.29% for 2021 and 2020, respectively. The average yield on CDs was 0.25% and 0.88% for 2021 and 2020, respectively. In 2021, balances in NOW/MMA accounts increased \$2,883,720 (9.5%) and \$3,921,277 (118.4%) in 2020. Investments in CDs increased \$600,770 (3.1%) in 2021 and \$18,971 (0.1%) in 2020.

Interest expense: Interest expense related to the 2011 issued General Improvement Revenue Note, Series 2011, decreased each year as payments were made to the principal balance of the note. In 2021, the Morgan’s Wonderland Camp – Education Outreach Center capital lease commenced and included interest expense as of the inception date of May 1, 2021. Interest expense totaled \$159,159 and \$108,720 for years 2021 and 2020, respectively.

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Gain/loss on sale of capital assets: Gain on sale of capital assets totaled \$582 in 2021 and loss of \$1,188,646 in 2020. This category includes disposal and/or surplus sales of obsolete equipment such as vehicles, computers, furniture and water flow meters, as well as other noncapital assets. 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 \$1,183,692 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 \$4,954.

CAPITAL ASSETS

EAA investment in capital assets, net of accumulated depreciation, is \$21,010,787 at December 31, 2021, a net increase of \$2,573,396 from the December 31, 2020, balance of \$18,437. The net increase in 2021 is primarily related to various building improvements, hardware, an off-road vehicle, property under capital lease and construction in progress related to education/outreach exhibits which will be completed in 2022. The 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 was completed during the year and new construction in progress related to education/outreach exhibits.

	December 31		
	2021	2020	2019
Land	\$ 7,570,092	\$ 7,570,092	\$ 7,570,092
Buildings and improvements	11,054,674	11,006,887	10,963,575
Furniture and equipment	5,601,166	5,367,096	7,945,182
Vehicles	728,667	711,811	741,517
Property under capital lease	2,156,714	-	-
Construction in progress	1,030,044	109,076	667,336
Total capital assets	28,141,357	24,764,962	27,887,702
Less accumulated depreciation	7,130,570	6,327,571	8,310,717
Total capital assets, net of accumulated depreciation	\$ 21,010,787	\$ 18,437,391	\$ 19,576,985

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

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

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Management's Discussion and Analysis

LONG-TERM DEBT

In 2011, EAA issued \$3,370,000 in General Improvement Revenue Note. No debt has been issued in 2021 or 2020. The long-term debt balance at December 31, 2021 is \$2,745,000 (\$2,835,000 at December 31, 2020). In 2019, the EAA entered into a capital lease obligation for the Morgan's Wonderland Camp – Education Outreach Center. The lease commenced on May 1, 2021. The long-term lease obligation at December 31, 2021 is \$2,122,401.

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

ECONOMIC FACTORS AFFECTING THE FUTURE

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

CONTACTING THE EAA FINANCIAL MANAGEMENT TEAM

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

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

Basic Financial Statements

Edwards Aquifer Authority

**Statements of Net Position
December 31, 2021 and 2020**

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 10,078,491	\$ 7,335,250
Investments	8,018,212	7,717,085
Restricted assets (Habitat Conservation Plan):		
Cash and cash equivalents	23,225,688	23,085,210
Investments	12,018,213	11,718,569
Program fees receivable, net	59,976	139,788
Aquifer management fees receivable, net	203,948	370,887
Property taxes receivable, net	974	1,305
Miscellaneous receivable	117,138	12,769
Note receivable	22,557	28,491
Total current assets	53,745,197	50,409,354
Noncurrent assets:		
Note receivable	-	22,557
Capital assets, net	21,010,787	18,437,391
Total noncurrent assets	21,010,787	18,459,948
Total assets	74,755,984	68,869,302
Deferred outflows of resources—pension	2,432,630	1,001,749
Total assets and deferred outflows of resources	\$ 77,188,614	\$ 69,871,051

The accompanying notes are an integral part of these statements.

	2021	2020
Current liabilities:		
Accounts payable	\$ 1,815,451	\$ 2,351,947
VISPO liabilities (payable from restricted assets)	2,509,975	2,508,070
ASR liabilities (payable from restricted assets)	3,694,237	3,543,820
Compensated absences	805,261	760,109
Accrued liabilities	210,932	179,034
Capital lease	53,107	-
Note payable	230,000	90,000
Total current liabilities	9,318,963	9,432,980
Noncurrent liabilities:		
Net pension liability	2,501,984	1,410,960
Compensated absences	773,942	741,753
Accrued liabilities	81,984	81,984
Capital lease	2,069,294	-
Note payable	2,515,000	2,745,000
Unearned revenue	850,000	-
Total noncurrent liabilities	8,792,204	4,979,697
Total liabilities	18,111,167	14,412,677
Deferred inflows of resources—pension	835,970	647,700
Total liabilities and deferred inflows of resources	\$ 18,947,137	\$ 15,060,377
Net position:		
Net investment in capital assets	\$ 16,143,386	\$ 15,602,391
Restricted—Habitat Conservation Plan	29,099,665	28,891,677
Unrestricted	12,998,426	10,316,606
Total net position	\$ 58,241,477	\$ 54,810,674

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Edwards Aquifer Authority

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020**

	2021	2020
Operating revenues:		
Aquifer management fees:		
Nonagricultural users (net of rebates)	\$ 18,116,637	\$ 18,323,025
Agricultural users	143,395	182,340
Program fees—Habitat Conservation Plan	12,805,633	13,195,717
Enforcement settlements	60,284	23,596
Other charges	219,043	89,217
Total operating revenues	31,344,992	31,813,895
Operating expenses:		
Salaries and wages	8,335,357	8,482,086
Employee benefits	2,417,793	2,516,679
Professional and technical services	13,826,046	14,873,943
Property services	1,400,134	1,287,467
Other services	755,227	465,735
Supplies	372,570	348,926
Depreciation	809,951	653,211
Total operating expenses	27,917,078	28,628,047
Operating income	3,427,914	3,185,848
Nonoperating revenues (expenses):		
Interest income	161,466	461,152
Interest expense	(159,159)	(108,720)
Gain (loss) on sale and disposal of capital assets	582	(1,188,646)
Total nonoperating revenues (expenses), net	2,889	(836,214)
Change in net position	3,430,803	2,349,634
Net position at beginning of year	54,810,674	52,461,040
Net position at end of year	\$ 58,241,477	\$ 54,810,674

The accompanying notes are an integral part of these statements.

Edwards Aquifer Authority

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from customers	\$ 32,337,629	\$ 31,571,525
Payments to suppliers	(16,738,644)	(16,962,770)
Payments to employees	(10,793,801)	(10,653,104)
Net cash provided by (used in) operating activities	4,805,184	3,955,651
Cash flows from noncapital financing activities:		
Collections on note receivable	28,491	27,104
Net cash provided by noncapital financing activities	28,491	27,104
Cash flows from capital and related financing activities:		
Payments on long-term note payable	(90,000)	(85,000)
Purchases of capital assets	(1,226,635)	(706,130)
Proceeds from sale of capital assets	582	3,867
Payments on capital lease payable	(34,313)	-
Interest paid	(160,287)	(109,785)
Net cash used in capital and related financing activities	(1,510,653)	(897,048)
Cash flows from investing activities:		
Purchase of investments	(12,048,632)	(11,329,561)
Sale of investments	11,447,863	11,310,589
Interest received	161,466	461,152
Net cash provided by (used in) investing activities	(439,303)	442,180
Net increase in cash and cash equivalents	2,883,719	3,527,887
Cash and cash equivalents at beginning of the year	30,420,460	26,892,573
Cash and cash equivalents at end of the year	\$ 33,304,179	\$ 30,420,460
Reconciliation to statement of net position:		
Cash and cash equivalents	\$ 10,078,491	\$ 7,335,250
Restricted—cash and cash equivalents (Habitat Conservation Plan)	23,225,688	23,085,210
	\$ 33,304,179	\$ 30,420,460
Noncash—capital and related financing activities:		
Capital lease obligations	\$ 2,156,714	\$ -

(Continued)

Edwards Aquifer Authority

Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,427,914	\$ 3,185,848
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	809,951	653,211
Change in operating assets, deferred inflows, liabilities, and deferred outflows:		
Program fees receivable, net—Habit Conservation Plan	79,812	(80,319)
Aquifer management fees receivable, net	166,939	(170,099)
Property taxes receivable, net	329	(833)
Miscellaneous receivables	(104,369)	10,095
Unearned revenue	850,000	-
Deferred outflows of resources—pension	(1,430,881)	1,210,905
Accounts payable	(536,496)	(329,983)
VISPO liabilities (payable from restricted assets)	1,905	174,655
ASR liabilities (payable from restricted assets)	150,417	169,228
Accrued liabilities	33,028	(257,365)
Compensated absences	77,341	493,304
Net pension liability	1,091,024	(1,499,789)
Deferred inflows of resources—pension	188,270	396,793
Net cash provided by operating activities	\$ 4,805,184	\$ 3,955,651

The accompanying notes are an integral part of these statements.

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Edwards Aquifer Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

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

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

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

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

Edwards Aquifer Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

	December 31	
	2021	2020
Assets:		
Current assets	\$ 934,235	\$ 71,607
Capital assets, net	5,468,275	5,471,229
Total assets	<u>6,402,510</u>	<u>5,542,836</u>
Liabilities:		
Noncurrent liabilities	\$ 850,000	\$ -
Total liabilities	<u>850,000</u>	<u>-</u>
Net position:		
Unrestricted	5,552,510	5,542,836
Total net position	<u>5,552,510</u>	<u>5,542,836</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 6,402,510</u>	<u>\$ 5,542,836</u>

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

	Years Ended December 31	
	2021	2020
Total operating revenues	\$ 13,314	\$ 8,814
Total operating expenses	3,712	52,405
Operating income (loss)	<u>9,602</u>	<u>(43,591)</u>
Nonoperating revenue (expenses):		
Interest income	72	625
Total nonoperating revenues	<u>72</u>	<u>625</u>
Change in net position	9,674	(42,966)
Net position at beginning of year	5,542,836	5,585,802
Net position at end of year	<u>\$ 5,552,510</u>	<u>\$ 5,542,836</u>

Edwards Aquifer Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

	Years Ended December 31	
	2021	2020
Net cash provided by (used in) operating activities	\$ 862,556	\$ (40,637)
Net cash provided by investing activities	72	625
Net increase (decrease) in cash and cash equivalents	862,628	(40,012)
Cash and cash equivalents at beginning of the year	71,607	111,619
Cash and cash equivalents at end of the year	\$ 934,235	\$ 71,607
Reconciliation to statement of net position:		
Cash and cash equivalents	\$ 934,235	\$ 71,607
	Years Ended December 31	
	2021	2020
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 9,602	\$ (43,591)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	2,954	2,954
Change in operating assets, deferred inflows, liabilities and deferred outflows	850,000	-
Net cash provided by (used in) operating activities	\$ 862,556	\$ (40,637)

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

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

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

Edwards Aquifer Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Edwards Aquifer. EAA bills EAHCP fees to nonagricultural users of the aquifer to build a reserve for future program expenses. The Program HCP fee is \$34 per acre-foot. These fees are recognized as operating revenue and reported as restricted for use towards program expenses.

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

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

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

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

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

Restricted and unrestricted investments: Investments (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, 2021 and 2020, the allowance for doubtful accounts related to aquifer management fees receivable totaled \$26,662 and \$26,911, 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, 2021 and 2020, the allowance for doubtful accounts related to program fees receivable—Habitat Conservation Plan totaled \$14,799 and \$13,670, respectively.

Property taxes receivable: Effective July 28, 1996, legislation abolished any taxing power of EAA. However, EAA does collect delinquent taxes owed to the EAA predecessor agency, the Edwards Underground Water District. Delinquent taxes receivable have been reported in the financial statements, net of the allowance for uncollectible taxes. As of December 31, 2021 and 2020, the allowance for doubtful accounts related to property taxes receivable totaled \$16,860.

Note receivable: EAA entered into an agreement pursuant to a settlement in the principal amount of \$494,680, with an annual interest rate of 5%. Principal and interest are due and payable in monthly installments beginning June 1, 2017, and continue through May 1, 2024. At December 31, 2021, the outstanding balance on the note totaled \$22,557 (\$51,048 in 2020).

Edwards Aquifer Authority

Notes to Basic Financial Statements

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 the year ended December 31, 2021 (\$0 during the year ended December 31, 2020). Amortization of assets acquired under capital leases is included with depreciation and amortization expense on owned assets.

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

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

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

Impairment of long-lived assets: EAA reviews the carrying value of assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results; trends and prospects; and effects of obsolescence, demand, competition and other economic factors. As of December 31, 2021 and 2020, there were no impairments of long-lived assets.

Compensated absences: It is EAA's policy to permit employees to accumulate earned, but unused personal and sick leave benefits. Personal leave is accrued when earned by the employee and reported as a liability. Employees may accumulate 10 to 15 hours a month of personal leave depending on their length of employment, and up to 320 hours of unused personal leave may be carried over from one year to the next. Upon termination, employees are paid for unused personal leave. As of December 31, 2021 and 2020, accrued personal leave payable totaled \$863,278 and \$839,850, 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, 2021 and 2020, the accrued sick leave payable totaled \$715,925 and \$662,012, respectively. For financial statement purposes, both accrued personal leave and accrued sick leave are reported as compensated absences.

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

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

Edwards Aquifer Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. There were no loss contingencies recognized in the years ended December 31, 2021 and 2020.

Current GASB implementations: GASB Statement No. 98, *The Annual Comprehensive Financial Report*, issued October 2021, will be effective for EAA beginning with its year ended December 31, 2021. The statement replaces the terms comprehensive annual financial report and comprehensive financial reports with annual comprehensive financial report and annual comprehensive financial reports. The adoption of this pronouncement did not have any financial impact on the financial statements of EAA.

Edwards Aquifer Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Future GASB implementations: GASB Statement No. 87, *Leases*, issued June 2017, will be effective for EAA beginning with its 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.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting for Internal Revenue Code Section 457 Deferred Compensation Plans*, issued June 2020, paragraphs 6 through 9 will be effective for EAA for the year ending December 31, 2022. The objective of GASB Statement No. 97 paragraphs 6 through 9 modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution other post-employment benefit plans, and other employee benefit plans (for example, certain Section 457 plans). This statement also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans.

Management is currently evaluating the impact GASB Statement No. 87 will have on the financial statements of EAA and believes such impact could be significant, but cannot be quantified until an evaluation is complete. No significant impact to the financial statements is expected for GASB Statement No. 97.

Note 2. Deposits and Investments

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

	December 31	
	2021	2020
Petty cash	\$ 1,051	\$ 729
Money market and checking account	33,303,128	30,419,731
CDs	20,036,425	19,435,654
Total cash and investments	<u>\$ 53,340,604</u>	<u>\$ 49,856,114</u>

Cash deposits: At December 31, 2021, the carrying amount of EAA's cash on hand and deposits, including CDs, totaled \$53,340,604 (\$49,856,114 at December 31, 2020) and the bank balance totaled \$53,422,150 (\$49,878,329 at December 31, 2020). All deposits are insured by federal depository insurance and/or collateralized with securities held in EAA's name.

Edwards Aquifer Authority

Notes to Basic Financial Statements

Note 2. Deposits and Investments (Continued)

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

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

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, 2021, was as follows:

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

Edwards Aquifer Authority

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

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

	Balance at December 31,				Balance at December 31,
	2019	Additions	Retirements	Transfers	2020
Capital assets not being depreciated:					
Land	\$ 7,570,092	\$ -	\$ -	\$ -	\$ 7,570,092
Construction in progress	667,336	109,076	-	(667,336)	109,076
	<u>8,237,428</u>	<u>109,076</u>	<u>-</u>	<u>(667,336)</u>	<u>7,679,168</u>
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
	<u>19,650,274</u>	<u>597,054</u>	<u>(3,828,870)</u>	<u>667,336</u>	<u>17,085,794</u>
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)
	<u>(8,310,717)</u>	<u>(653,211)</u>	<u>2,636,357</u>	<u>-</u>	<u>(6,327,571)</u>
Total capital assets being depreciated, net	11,339,557	(56,157)	(1,192,513)	667,336	10,758,223
Capital assets, net	<u>\$ 19,576,985</u>	<u>\$ 52,919</u>	<u>\$ (1,192,513)</u>	<u>\$ -</u>	<u>\$ 18,437,391</u>

Note 4. Accounts Payable

Accounts payable is comprised of the following:

	December 31	
	2021	2020
Health care reimbursement accounts	\$ 320,579	\$ 322,973
Travel reimbursements	81,941	69,542
Trade payables	1,412,931	1,959,432
Total accounts payable	<u>\$ 1,815,451</u>	<u>\$ 2,351,947</u>

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Notes to Basic Financial Statements

Note 5. Long-Term Liabilities

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

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

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

	Balance at December 31,			Balance at December 31,	
	2019	Additions	Reductions	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	-	(1,499,789)	1,410,960	-
Total business-type activities long-term liabilities	\$ 6,839,307	\$ 3,725,813	\$ (4,817,298)	\$ 5,747,822	\$ 850,109

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

Years ending December 31:	Principal	Interest	Total
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	270,000	62,980	332,980
2027-2031	1,495,000	154,034	1,649,034
	\$ 2,745,000	\$ 564,187	\$ 3,309,187

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

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Notes to Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

Future minimum lease payments under the capital lease as of December 31, 2021, were as follows:

Years ending December 31:	
2022	\$ 132,000
2023	133,760
2024	136,435
2025	139,164
2026	141,947
Thereafter	<u>2,375,648</u>
Future minimum lease payments	3,058,954
Less amount of net minimum lease payments attributable to interest	<u>936,553</u>
Present value of net minimum lease payments	2,122,401
Less current portion of capitalized lease obligations	<u>53,107</u>
Long-term portion of capital lease obligations	<u><u>\$ 2,069,294</u></u>

Interest expense for the year ended December 31, 2021, totaled \$53,687. The cost and accumulated depreciation of the property under the lease for the year ended December 31, 2021 totaled \$2,156,714 and \$71,890, respectively.

Note 6. Retirement Plans

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

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

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

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Notes to Basic Financial Statements

Note 6. Retirement Plans (Continued)

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

If a plan has had adverse experience, the TCDRS Act has provisions which allow the employer to contribute a fixed supplemental contribution rate determined by the TCDRS's actuary above the regular rate. During the year, EAA contributed a total rate of 9.43%.

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

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

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

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

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

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Notes to Basic Financial Statements

Note 6. Retirement Plans (Continued)

Employees covered by benefit terms: At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to, but not yet receiving benefits	58
Active employees	92
Total	<u>180</u>

Contributions: The contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. EAA's contribution rate is based on the TCDRS funding policy adopted by the TCDRS board of trustees and must conform with the TCDRS Act. Plan members and EAA are required to contribute at a rate set by statute. The contribution requirements of plan members and EAA are established and may be amended. For 2021 and 2020, the contribution rate for the plan members was 7.00% of gross pay. EAA pays a matching portion to the pension plan totaling 9.43% of gross pay for 2021 (9.43% for 2020), which totaled \$754,933 for 2021 (\$757,976 for 2020).

Net pension liability: EAA's net pension liability was measured as of December 31, 2020, 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, 2020 and 2019, 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, 2020, 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	2.50%
Salary increases	4.60% average over career including inflation
Investment rate of return	7.60% (gross of administrative expenses)
COLA	None

Mortality rates were based on the following.

Depositing members: 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, 2020 and 2019.

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, 2020 and 2019.

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, 2020 and 2019.

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Notes to Basic Financial Statements

Note 6. Retirement Plans (Continued)

There were no changes to the methods or benefit terms that affected measurement of the total pension liability since the prior measurement period. There was a change made to actuarial assumptions, in relation to the investment rate of return.

Long-term expected rate of return on assets: The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant. The numbers shown are based on January 2021 information for a 10-year time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
International Equities—Developed	MSCI World Ex USA (net) Index	5.00%	4.25%
International Equities—Emerging	MSCI EM Standard (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distress Securities Index (3)	4.00%	5.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index plus 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (5)	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-0.70%
		100.00%	

- (1) Target asset allocation adopted at the March 2021 TCDRS Board meeting.
- (2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per the 2021 capital market assumptions.
- (3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.
- (4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.
- (5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs

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

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Notes to Basic Financial Statements

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, 2020:

Changes in Net Pension Liability	Changes in Net Pension Liability		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at beginning of year	\$ 22,758,798	\$ 21,347,838	\$ 1,410,960
Changes for the year:			
Service cost	840,610	-	840,610
Interest on total pension liability (1)	1,882,905	-	1,882,905
Effect of economic/demographic (gains) or losses	343,944	-	343,944
Effect of assumptions changes or inputs (2)	1,552,967.00	-	1,552,967
Refund of contributions	(57,799)	(57,799)	-
Benefit payments	(663,581)	(663,581)	-
Administrative expenses	-	(17,675)	17,675
Member contributions	-	562,655	(562,655)
Net investment income	-	2,206,599	(2,206,599)
Employer contributions	-	757,976	(757,976)
Other (3)	-	19,848	(19,848)
Balances at end of year	\$ 26,657,844	\$ 24,155,861	\$ 2,501,984

- (1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
- (2) Reflects the change in the discount rate from 8.1% to 7.6%.
- (3) Relates to allocation of system-wide items.

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Notes to Basic Financial Statements

Note 6. Retirement Plans (Continued)

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

	1.00% Decrease	Current Discount Rate	1.00% Increase
	6.60%	7.60%	8.60%
Total pension liability	\$ 30,354,584	\$ 26,657,845	\$ 23,557,552
Fiduciary net position	24,155,861	24,155,861	24,155,861
Net pension liability (asset)	<u>\$ 6,198,723</u>	<u>\$ 2,501,984</u>	<u>\$ (598,309)</u>

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

Pension expense: For the year December 31, 2021, EAA recognized pension-related expense of \$603,346.

Deferred inflows and outflows of resources related to pensions: At December 31, 2021, 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	\$ 393,698	\$ 111,221
Changes of assumptions	1,283,999	-
Net difference between projected and actual earnings	-	724,749
Subtotal of deferred outflows and inflows of resources	<u>1,677,697</u>	<u>835,970</u>
Contributions made subsequent to measurement date	754,933	-
Total outflows and inflows subject to amortization	<u>\$ 2,432,630</u>	<u>\$ 835,970</u>

The \$754,933 reported as deferred outflows of resources related to pensions resulting from EAA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022.

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:	
2021	\$ 162,183
2022	362,227
2023	28,642
2024	288,675
	<u>\$ 841,727</u>

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Notes to Basic Financial Statements

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, 2021, EAA reported payables to TCDRS of \$87,470 (\$88,456 for 2020) for legally required employer contributions and \$64,930 (\$65,662 for 2020) for legally required employee contributions, which had been withheld from employee wages, but not yet remitted to TCDRS.

Note 7. Deferred Compensation Plan

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

Note 8. Retirement Health Savings Plan

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

Note 9. Operating Leases

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

The lease terms range from five to 15 years in length. Lease expense is reflected in the professional and technical services expense for the years ended December 31, 2021 and 2020, and totaled \$2,293,293 and \$2,484,002, respectively.

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Notes to Basic Financial Statements

Note 9. Operating Leases (Continued)

Future minimum payments on leases at December 31, 2021, are as follows:

Years ending December 31:	
2022	\$ 2,051,909
2023	2,040,641
2024	2,040,506
2025	1,840,264
2026	1,738,383
2027	1,636,593
	<u>\$ 11,348,296</u>

Note 10. Risk Management

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

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

Note 11. Major Customer

Of the EAA aquifer management fees and EAHCP program fees revenues for the years ended December 31, 2021 and 2020, \$22,633,069 and \$22,776,297, respectively, were earned from one customer. These revenues account for approximately 72% of the total EAA operating revenues for the years ended December 31, 2021 and 2020.

Note 12. Related-Party Transactions

EAA is responsible for reimbursing the SCTWAC members for actual and necessary expenses incurred while performing their duties on behalf of EAA. Accordingly, EAA reimbursed SCTWAC members \$0 for each of the years ended December 31, 2021 and 2020.

Note 13. Commitments

Regional Water Conservation Program: On January 1, 2016, EAA entered into an interlocal cooperation contract with SAWS to achieve various goals of the Regional Water Conservation Program of the EAHCP by implementing various conservation measures. SAWS, in exchange for the transfer of conserved water into the EAA Groundwater Trust and implementing stated conservation measures in the agreement, receives payment for those activities. Expenses under the contract for the years ended December 31, 2021 and 2020, totaled \$0 and \$600,400, respectively.

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Notes to Basic Financial Statements

Note 13. Commitments (Continued)

Long-Term Refugia Program: Effective January 1, 2017, EAA and the U.S. Fish and Wildlife Service (USFWS) entered into an agreement for the Implementation of a Refugia Program under the Edwards Aquifer Habitat Conservation Plan (Refugia Contract). The Refugia Contract, in an amount not to exceed \$18,876,267, extends through March 31, 2028. In accordance with the Refugia Contract, an annual work plan is provided by the USFWS, and approved by EAA, for the services to be performed under the Refugia Contract each year. Payment to USFWS is based on performance of completion of tasks. Expenses under the contract for the years ended December 31, 2021 and 2020, totaled \$923,311 and \$907,881, respectively, with future commitments (subject to USFWS's future performance) of \$9,689,073 through the end of the contract term in 2028.

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

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

Forbearance Years payment is subject to well level at Well J-17, as defined in the Agreement on October 1 of each year. However, the permit holder may opt out of a Forbearance Year payment if the well level on the following January 1 increases (to a level defined within the Agreement) and the permit holder gives written notice to EAA by January 15. The Forbearance Year payment for 10-year agreements for years 1 through 5 are based on \$172.50 per acre-foot per annum and, for years 6 through 10, are based on \$210.60 per acre-foot per annum. The Forbearance Year payment for 5-year agreements, effective prior to January 1, 2019, begins at \$150 per acre foot with a 1.5% increase, compounded annually, per year, and 5-year agreements effective January 1, 2019, and later are based on \$160 per acre-foot per annum. EAA did not pay any Forbearance Year payments in 2021 and 2020.

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, 2021 and 2020, the Standby Fee payments owed to participants totaled \$2,509,975 and \$2,508,070, respectively.

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Notes to Basic Financial Statements

Note 13. Commitments (Continued)

Springflow Protection—ASR Forbearance Program: In 2018, EAA implemented a springflow protection forbearance program in support of the Aquifer Storage and Recovery (ASR) Program of the EAHCP (Springflow Protection Program, or Program). The Program is governed by the Springflow Protection Program Forbearance Agreement (the Agreement) signed on a voluntary basis by permit holders, whereby permit holders will be compensated to forbear exercising their right under permits issued by EAA to make withdrawals from the aquifer during times of certain droughts, as defined within the Agreement. EAA currently has signed 8, 9 and 10-year Agreements. EAA has options to terminate the Agreement if it is determined that the Program be discontinued as a conservation measure by the Implementing Committee of the EAHCP under Subsection 7.12.4.f. of the Funding and Management Agreement, at its sole discretion, one of them being by providing advance written notice of termination to the permit holder by July 1 of any year during the term of the Agreement, in which case the Agreement terminates on December 31 of the same year in which the notice is timely given. In accordance with the Agreement, permit holders receive a payment of \$100 per acre-foot per annum irrespective of whether the year is a forbearance or nonforbearance year. At December 31, 2021 and 2020, the payments owed to participants totaled \$3,694,237 and \$3,543,820, respectively.

Forbearance years are determined by the Ten-year Rolling Average of the Estimated Annual Recharge to the Aquifer determined from the annual USGS report on the Estimated Annual Recharge to the Aquifer. In a Forbearance Year, the permit holder agrees to forbear from making withdrawals of groundwater from the Aquifer in accordance with the Agreement. EAA did not pay any Forbearance Year payments in 2021 and 2020.

Required Supplementary Information

Edwards Aquifer Authority

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

	2021	2020	2019	2018	2017	2016	2015
Total pension liability (asset):							
Service cost	\$ 840,610	\$ 757,008	\$ 759,482	\$ 747,169	\$ 706,738	\$ 602,028	\$ 489,730
Interest on total pension liability	1,882,905	1,722,735	1,613,068	1,465,077	1,306,506	1,194,041	962,577
Effect of plan changes	-	-	-	-	-	(176,742)	508,666
Effect of assumption of changes or inputs	1,552,967	-	-	124,877	-	130,138	-
Effect of economic/demographic (gains) or losses	343,945	181,656	(256,411)	28,641	(51,936)	(59,429)	1,430,223
Benefit payments/refunds of contributions	(721,380)	(812,047)	(709,477)	(398,594)	(409,843)	(342,992)	(290,907)
Net change in total pension liability	3,899,047	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	22,758,798	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)	\$ 26,657,845	\$ 22,758,798	\$ 20,909,446	\$ 19,502,784	\$ 17,535,614	\$ 15,984,149	\$ 14,637,104
Fiduciary net position:							
Employer contributions	\$ 757,976	\$ 687,893	\$ 642,663	\$ 634,609	\$ 633,744	\$ 595,130	\$ 347,051
Member contributions	562,655	517,769	483,205	486,557	457,341	425,093	234,099
Investment income, net of investment expenses	2,206,599	2,955,345	(329,039)	2,199,859	986,342	(85,302)	791,075
Benefit payments/refunds of contributions	(721,380)	(812,047)	(709,477)	(398,594)	(409,843)	(342,992)	(290,907)
Administrative expenses	(17,675)	(16,268)	(14,457)	(11,911)	(10,725)	(9,384)	(9,392)
Other	19,848	16,450	14,205	9,571	39,840	(3,934)	10,094
Net change in fiduciary net position	2,808,023	3,349,142	87,100	2,920,091	1,696,699	578,611	1,082,020
Fiduciary net position at beginning of year	21,347,839	17,998,697	17,911,597	14,991,506	13,294,807	12,716,196	11,634,176
Fiduciary net position at end of year (b)	\$ 24,155,862	\$ 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)	\$ 2,501,984	\$ 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	90.61%	93.80%	86.08%	91.84%	85.49%	83.17%	86.88%
Covered payroll	\$ 8,037,922	\$ 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	31.13%	20.44%	41.88%	24.35%	41.89%	45.95%	33.93%

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

See notes to required supplementary information.

Edwards Aquifer Authority

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

Years Ending December 31	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Covered Payroll (2)	Actual Contribution as a Percent of Covered Payroll
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%
2021	757,976	757,976	-	8,037,922	9.4%

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

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

See notes to required supplementary information.

Edwards Aquifer Authority

Notes to Required Supplementary Information

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

Edwards Aquifer Authority

Notes to Required Supplementary Information

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	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. 2019: New inflation, mortality and other assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: Employer contributions reflect that the member contribution rate was increased to 7%. 2016: No changes in plan provisions were reflected in the Schedule.

Edwards Aquifer Authority

Notes to Required Supplementary Information

** 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, 2021**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget
Salaries and wages:				
Salaries and wages	\$ 8,438,725	\$ 8,438,725	\$ 7,806,993	\$ 631,732
Overtime	12,000	12,000	3,631	8,369
Compensated absences	-	-	74,547	(74,547)
	<u>8,450,725</u>	<u>8,450,725</u>	<u>7,885,171</u>	<u>565,554</u>
Employee benefits:				
Allowances	40,200	40,200	38,949	1,251
Insurance	888,439	888,439	583,358	305,081
Medical allowance reimbursement	285,334	285,334	393,010	(107,676)
Pension expense and retirement contributions	784,798	784,798	676,333	108,465
Taxes	673,758	673,758	569,273	104,485
Tuition reimbursement	48,000	48,000	28,593	19,407
	<u>2,720,529</u>	<u>2,720,529</u>	<u>2,289,516</u>	<u>431,013</u>
Professional and technical services:				
Contractual professional services	4,411,247	4,177,182	2,215,035	1,962,147
Legal services	600,000	600,000	520,363	79,637
Pre-employment services	11,000	11,000	3,952	7,048
Records services	7,000	7,000	3,962	3,038
Temporary services	6,000	4,400	-	4,400
	<u>5,035,247</u>	<u>4,799,582</u>	<u>2,743,312</u>	<u>2,056,270</u>
Property services:				
Equipment maintenance	65,000	112,845	83,714	29,131
Equipment rental	56,000	47,882	35,594	12,288
Event sponsorships	155,250	131,050	43,165	87,885
Facilities maintenance	373,500	399,745	373,586	26,159
Hosting, SAAS and support agreements	575,189	564,096	426,380	137,716
Facilities rental	152,250	108,350	4,246	104,104
Noncapital furniture and equipment	297,900	380,910	349,932	30,978
Pest control	2,100	1,920	1,920	-
Constituency services	25,000	25,000	-	25,000
Security and fire	15,000	19,215	19,420	(205)
Vehicle maintenance	50,000	47,510	45,110	2,400
Waste disposal	4,500	3,525	3,476	49
Water and sewage	8,700	9,700	9,023	677
	<u>1,780,389</u>	<u>1,851,748</u>	<u>1,395,566</u>	<u>456,182</u>

(Continued)

Edwards Aquifer Authority

**Schedule of Expenses—Budget and Actual (General Operations)—Non-GAAP Basis (Continued)
Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Other services:				
Bad-debt expense	\$ -	\$ -	\$ (421)	\$ 421
Conferences, seminars and training	147,000	132,558	42,725	89,833
Conservation grants	200,000	222,337	300,000	(77,663)
Fees, licenses and permits	12,100	12,100	10,058	2,042
Meeting expenses	170,600	166,500	72,874	93,626
Printing	93,250	80,650	20,578	60,072
Property and casualty	109,152	124,608	124,564	44
Public and legal notices	115,600	108,600	59,967	48,633
Telecommunication services	142,384	142,384	109,968	32,416
Travel and lodging	10,500	6,500	-	6,500
	<u>1,000,586</u>	<u>996,237</u>	<u>740,313</u>	<u>255,924</u>
Supplies:				
Clothing	15,000	25,000	17,647	7,353
Computer supplies	26,000	26,000	24,126	1,874
Electrical services	94,500	86,510	82,788	3,722
Event materials and supplies	40,300	28,700	14,191	14,509
Field supplies	119,000	124,303	39,607	84,696
Fuel	35,000	30,000	26,760	3,240
Kitchen and janitorial	70,000	76,914	66,716	10,198
Memberships	36,559	40,631	30,677	9,954
Office supplies	49,600	50,200	26,327	23,873
Postage	20,000	12,000	9,034	2,966
Promotional supplies	93,000	27,425	12,014	15,411
Subscriptions and publications	28,200	41,200	16,568	24,632
	<u>627,159</u>	<u>568,883</u>	<u>366,455</u>	<u>202,428</u>
Depreciation	-	-	762,328	(762,328)
Total operating expenditures	19,614,635	19,387,704	16,182,661	3,205,043
Nonoperating expenditures:				
Interest expense—debt	105,468	105,468	159,159	(53,691)
Capital expenditures and note principal*	874,000	1,100,932	1,309,681	(208,749)
Total expenditures, capital expenditures and note principal	\$ 20,594,103	\$ 20,594,104	\$ 17,651,501	\$ 2,942,603

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

Budget amendments:

(1) Budget Amendment approved 9/14/2021 \$ -

Edwards Aquifer Authority

**Schedule of Expenses—Budget and Actual (Habitat Conservation Plan)—Non-GAAP Basis
Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Program administration:				
Salaries and wages:				
Salaries and wages	\$ 519,254	\$ 519,254	\$ 447,393	\$ 71,861
Compensated absences	-	-	2,793	(2,793)
	<u>519,254</u>	<u>519,254</u>	<u>450,186</u>	<u>69,068</u>
Employee benefits:				
Allowances	3,600	3,600	4,200	(600)
Insurance	56,630	56,630	35,241	21,389
Medical allowance reimbursement	18,213	18,213	24,109	(5,896)
Pension expense and retirement contributions	48,966	48,966	30,922	18,044
Taxes	41,343	41,343	33,805	7,538
	<u>168,752</u>	<u>168,752</u>	<u>128,277</u>	<u>40,475</u>
Professional and technical services:				
Contractual professional services	320,000	320,000	244,835	75,165
	<u>320,000</u>	<u>320,000</u>	<u>244,835</u>	<u>75,165</u>
Property services:				
Event sponsorship	-	500	500	-
Noncapital furniture and equipment	6,000	6,000	4,068	1,932
	<u>6,000</u>	<u>6,500</u>	<u>4,568</u>	<u>1,932</u>
Other services:				
Bad-debt expense	-	-	1,129	(1,129)
Printing	8,000	8,000	2,196	5,804
Conferences, seminars and training	22,500	22,500	1,889	20,611
Meeting expenses	20,000	12,500	8,942	3,558
	<u>50,500</u>	<u>43,000</u>	<u>14,156</u>	<u>28,844</u>
Supplies:				
Office supplies	1,500	1,500	257	1,243
Promotional supplies	-	7,000	3,876	3,124
Memberships	2,000	2,000	1,199	801
	<u>3,500</u>	<u>10,500</u>	<u>5,332</u>	<u>5,168</u>
Total—program administration	<u>1,068,006</u>	<u>1,068,006</u>	<u>847,354</u>	<u>220,652</u>
Springflow Protection:				
Professional and technical services:				
SAWS ASR Leasing	6,009,530	6,009,530	5,987,530	22,000
VISPO	2,509,975	2,509,975	2,509,975	-
Total—Springflow Protection	<u>8,519,505</u>	<u>8,519,505</u>	<u>8,497,505</u>	<u>22,000</u>

(Continued)

Edwards Aquifer Authority

**Schedule of Expenses—Budget and Actual (Habitat Conservation Plan)—Non-GAAP Basis (Continued)
Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
San Marcos Springs:				
Professional and technical services:				
Biological Monitoring	\$ 371,929	\$ 371,929	\$ 211,769	\$ 160,160
Household Hazardous Waste Mgmt.	30,000	30,000	29,730	270
LID/BMP Management	1,000,000	1,100,000	34,952	1,065,048
Litter Control/Floating Vegetation	47,121	47,121	37,220	9,901
Management—Key Public Rec Areas	56,000	56,000	55,957	43
Non-Native Animal Species Control	23,256	23,256	23,256	-
Non-Native Plant Species Control	200,000	200,000	199,093	907
Restoration—Riparian Zones	20,000	20,000	20,000	-
TX Wild Rice Enhancement/Restoration	20,000	20,000	20,000	-
Water quality monitoring	20,000	46,000	25,343	20,657
	<u>1,788,306</u>	<u>1,914,306</u>	<u>657,320</u>	<u>1,256,986</u>
Supplies:				
Field supplies	2,500	2,500	505	1,995
	<u>2,500</u>	<u>2,500</u>	<u>505</u>	<u>1,995</u>
Total—San Marcos Springs	<u>1,790,806</u>	<u>1,916,806</u>	<u>657,825</u>	<u>1,258,981</u>
Comal Springs:				
Professional and technical services:				
Aquatic Vegetation Restoration	100,000	100,000	99,992	8
Biological Monitoring	383,845	383,845	209,543	174,302
Decaying Vegetation Removal	15,000	15,000	-	15,000
Gill Parasite Control	10,000	10,000	9,985	15
Household Hazardous Waste Program	40,385	40,385	37,428	2,957
LID/BMP Management	100,000	174,000	166,452	7,548
Litter Control/Floating Vegetation	25,000	25,000	21,063	3,937
Non-Native Animal Species Control	40,000	40,000	40,000	-
Old Channel Restoration	50,000	50,000	49,983	17
Restoration—Riparian Zones	85,000	85,000	84,990	10
Riparian Improvements—Riffle Beetle	5,000	5,000	5,000	-
Water Quality Monitoring	20,000	46,000	25,343	20,657
	<u>874,230</u>	<u>974,230</u>	<u>749,779</u>	<u>224,451</u>
Supplies:				
Field supplies	2,500	2,500	278	2,222
	<u>2,500</u>	<u>2,500</u>	<u>278</u>	<u>2,222</u>
Total—Comal Springs	<u>876,730</u>	<u>976,730</u>	<u>750,057</u>	<u>226,673</u>

(Continued)

Edwards Aquifer Authority

**Schedule of Expenses—Budget and Actual (Habitat Conservation Plan)—Non-GAAP Basis (Continued)
Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Modeling and research:				
Professional and technical services:				
Applied environmental research	\$ 240,000	\$ 240,000	\$ 9,984	\$ 230,016
Total—Modeling and Research	240,000	240,000	9,984	230,016
Refugia:				
Professional and technical services:				
NFHTC Refugia	1,177,340	1,222,107	923,311	298,796
Total—NFHTC Refugia	1,177,340	1,222,107	923,311	298,796
Depreciation	-	-	44,670	(44,670)
Total expenditures	13,672,387	13,943,154	11,730,706	2,212,448
Capital expenditures*:				
HCP—Program Administration				
Modeling and Research	10,000	10,000	-	10,000
Total expenditures and capital expenditures	10,000	10,000	-	10,000
Total expenditures and capital expenditures	\$ 13,682,387	\$ 13,953,154	\$ 11,730,706	\$ 2,222,448

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

Budget amendments:

(1) Budget Amendment approved 02/09/2021	\$ 126,000
(2) Budget Amendment approved 04/13/2021	44,767
(3) Budget Amendment approved 06/08/2021	100,000

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Statistical Section

(Unaudited)

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For Statistical Section

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These schedules provide the EAA's financial performance as reported in the Comprehensive Annual Report over the past ten years.

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Net Position by Component
Last Ten Fiscal Years
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015⁽¹⁾</u>	<u>2014^(1,2)</u>	<u>2013⁽²⁾</u>	<u>2012</u>
Business Type Activities										
Net Investment in Capital Assets										
Capital Assets, net	\$ 21,010,787	\$ 18,437,391	\$ 19,576,985	\$ 14,088,303	\$ 14,077,699	\$ 14,254,409	\$ 14,107,369	\$ 14,717,538	\$ 14,381,083	\$ 13,510,441
Capital Lease Liability	(2,122,401)	-	-	-	-	-	-	-	-	-
Note Payable	(2,745,000)	\$ (2,835,000)	\$ (2,920,000)	\$ (3,005,000)	\$ (3,085,000)	\$ (3,160,000)	\$ (3,235,000)	\$ (3,305,000)	\$ (3,370,000)	\$ (3,370,000)
Net Investment in Capital Assets, Total	<u>\$ 16,143,386</u>	<u>\$ 15,602,391</u>	<u>\$ 16,656,985</u>	<u>\$ 11,083,303</u>	<u>\$ 10,992,699</u>	<u>\$ 11,094,409</u>	<u>\$ 10,872,369</u>	<u>\$ 11,412,538</u>	<u>\$ 11,011,083</u>	<u>\$ 10,140,441</u>
Restricted - Habitat Conservation Plan										
Cash and cash equivalents	\$ 23,225,688	\$ 23,085,210	\$ 22,396,134	\$ 29,269,880	\$ 34,146,427	\$ 37,005,988	\$ 36,366,135	\$ 34,780,742	\$ 24,026,946	\$ 14,213,542
Investments	12,018,213	11,718,569	11,996,585	6,133,601	4,367,500	613,728	980,000	-	-	-
Program fees receivable, net	59,976	139,788	59,469	134,117	131,314	101,986	83,832	260,479	133,657	160,322
VISPO liabilities	(2,509,975)	(2,508,070)	(2,333,415)	(2,320,309)	(2,228,299)	(2,208,723)	(2,188,500)	(2,169,315)	-	-
ASR liabilities	(3,694,237)	(3,543,820)	(3,374,592)	(1,862,686)	-	-	-	-	-	-
Restricted - Habitat Conservation Plan, Total	<u>\$ 29,099,665</u>	<u>\$ 28,891,677</u>	<u>\$ 28,744,181</u>	<u>\$ 31,354,603</u>	<u>\$ 36,416,942</u>	<u>\$ 35,512,979</u>	<u>\$ 35,241,467</u>	<u>\$ 32,871,906</u>	<u>\$ 24,160,603</u>	<u>\$ 14,373,864</u>
Unrestricted	\$ 12,998,426	\$ 10,316,606	\$ 7,059,874	\$ 5,052,465	\$ 4,220,911	\$ 3,403,909	\$ 2,979,435	\$ 5,048,903	\$ 2,573,366	\$ 4,389,108
Total Net Position	<u><u>\$ 58,241,477</u></u>	<u><u>\$ 54,810,674</u></u>	<u><u>\$ 52,461,040</u></u>	<u><u>\$ 47,490,371</u></u>	<u><u>\$ 51,630,552</u></u>	<u><u>\$ 50,011,297</u></u>	<u><u>\$ 49,093,271</u></u>	<u><u>\$ 49,333,347</u></u>	<u><u>\$ 37,745,052</u></u>	<u><u>\$ 28,903,413</u></u>

Adjustments/Restatements

(1) Restated for adjustments to record the VISPO liabilities due at fiscal year end.

(2) Restated for adjustments related to the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - and Amendment of GASB Statement No. 27 and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

Table 2

Changes in Net Position
Last Ten Fiscal Years
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015⁽¹⁾</u>	<u>2014^(1,2)</u>	<u>2013⁽²⁾</u>	<u>2012</u>
OPERATING REVENUES										
Aquifer Management Fees, net of rebates	\$ 18,260,032	\$ 18,505,365	\$ 17,015,440	\$ 15,524,731	\$ 16,730,505	\$ 15,165,324	\$ 14,234,872	\$ 14,714,463	\$ 12,463,039	\$ 13,198,806
Program fees - Habitat Conservation Plan	12,805,633	13,195,717	14,662,262	16,120,152	15,789,828	17,300,660	18,717,981	19,048,516	15,223,383	14,610,851
Enforcement Settlements	60,284	23,596	100,424	42,807	249,910	59,010	190,892	43,215	57,666	104,615
Other Charges	219,043	89,217	60,885	175,592	156,780	37,715	34,365	33,955	26,879	19,922
Total Operating Revenues	<u>\$ 31,344,992</u>	<u>\$ 31,813,895</u>	<u>\$ 31,839,011</u>	<u>\$ 31,863,282</u>	<u>\$ 32,927,023</u>	<u>\$ 32,562,709</u>	<u>\$ 33,178,110</u>	<u>\$ 33,840,149</u>	<u>\$ 27,770,967</u>	<u>\$ 27,934,194</u>
OPERATING EXPENSES										
Salaries and wages	\$ 8,335,357	\$ 8,482,086	\$ 7,657,437	\$ 7,115,797	\$ 7,020,020	\$ 6,718,377	\$ 6,201,680	\$ 5,867,391	\$ 5,696,658	\$ 5,567,321
Employee benefits	2,417,793	2,516,679	2,746,627	2,464,838	2,598,876	2,084,862	2,247,260	235,659	1,508,806	1,421,516
Professional and technical services	13,826,046	14,873,943	19,768,770	24,297,898	19,157,574	20,256,687	22,529,763	12,608,776	8,784,829	3,479,597
Property services	1,400,134	1,287,467	974,153	818,100	691,175	640,941	568,304	537,099	417,052	528,719
Other services	755,227	465,735	746,633	701,974	757,563	672,634	535,817	538,061	513,214	483,388
Supplies	372,570	348,926	401,887	421,700	377,523	370,064	422,797	434,211	448,790	331,711
Depreciation	809,951	653,211	935,930	859,411	922,522	960,357	895,985	822,215	541,125	429,216
Total Operating Expenses	<u>\$ 27,917,078</u>	<u>\$ 28,628,047</u>	<u>\$ 33,231,437</u>	<u>\$ 36,679,718</u>	<u>\$ 31,525,253</u>	<u>\$ 31,703,922</u>	<u>\$ 33,401,606</u>	<u>\$ 21,043,412</u>	<u>\$ 17,910,474</u>	<u>\$ 12,241,468</u>
Operating income (Loss)	<u>\$ 3,427,914</u>	<u>\$ 3,185,848</u>	<u>\$ (1,392,426)</u>	<u>\$ (4,816,436)</u>	<u>\$ 1,401,770</u>	<u>\$ 858,787</u>	<u>\$ (223,496)</u>	<u>\$ 12,796,737</u>	<u>\$ 9,860,493</u>	<u>\$ 15,692,726</u>
NONOPERATING REVENUES (EXPENSES)										
Grant Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	161,466	461,152	1,000,046	787,104	362,491	184,573	107,969	110,180	94,028	70,776
Miscellaneous	-	-	-	-	-	-	-	4,378	4,426	3,518
Interest Expense	(159,159)	(108,720)	(111,923)	(114,993)	(117,876)	(120,696)	(123,391)	(125,897)	(126,712)	-
Gain (Loss) on sale of capital assets	582	(1,188,646)	574	4,144	(27,130)	(4,638)	(1,158)	4,834	(555)	(29,692)
Total Nonoperating Revenues (Expenses)	<u>\$ 2,889</u>	<u>\$ (836,214)</u>	<u>\$ 888,697</u>	<u>\$ 676,255</u>	<u>\$ 217,485</u>	<u>\$ 59,239</u>	<u>\$ (16,580)</u>	<u>\$ (6,505)</u>	<u>\$ (28,813)</u>	<u>\$ 44,602</u>
Capital Contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,474,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Net Position	<u>\$ 3,430,803</u>	<u>\$ 2,349,634</u>	<u>\$ 4,970,669</u>	<u>\$ (4,140,181)</u>	<u>\$ 1,619,255</u>	<u>\$ 918,026</u>	<u>\$ (240,076)</u>	<u>\$ 12,790,232</u>	<u>\$ 9,831,680</u>	<u>\$ 15,737,328</u>
Total Net Position - Beginning Balance	<u>\$ 54,810,674</u>	<u>\$ 52,461,040</u>	<u>\$ 47,490,371</u>	<u>\$ 51,630,552</u>	<u>\$ 50,011,297</u>	<u>\$ 49,093,271</u>	<u>\$ 49,333,347</u>	<u>\$ 37,745,052</u>	<u>\$ 28,903,413</u>	<u>\$ 13,166,085</u>
Prior Period Adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,201,937)</u>	<u>\$ (990,041)</u>	<u>\$ -</u>
Total Net Position - Ending Balance	<u><u>\$ 58,241,477</u></u>	<u><u>\$ 54,810,674</u></u>	<u><u>\$ 52,461,040</u></u>	<u><u>\$ 47,490,371</u></u>	<u><u>\$ 51,630,552</u></u>	<u><u>\$ 50,011,297</u></u>	<u><u>\$ 49,093,271</u></u>	<u><u>\$ 49,333,347</u></u>	<u><u>\$ 37,745,052</u></u>	<u><u>\$ 28,903,413</u></u>

Adjustments/Restatements

(1) Restated for adjustments to record the VISPO liabilities due at fiscal year end.

(2) Restated for adjustments related to the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - and Amendment of GASB Statement No. 27 and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

Table 3

Aquifer Management Fee Rates Per Acre-Foot Last Ten Fiscal Years (Unaudited)

Fiscal Year	Aquifer Management Fee		Program Aquifer Management Fee ³
	Non-Agricultural ¹	Agricultural ²	Non-Agricultural ¹
2021	\$50.00	\$2.00	\$34.00
2020	\$50.00	\$2.00	\$34.00
2019	\$46.00	\$2.00	\$38.00
2018	\$42.00	\$2.00	\$42.00
2017	\$44.00	\$2.00	\$40.00
2016	\$40.00	\$2.00	\$44.00
2015	\$37.00	\$2.00	\$47.00
2014	\$37.00	\$2.00	\$47.00
2013	\$47.00	\$2.00	\$37.00
2012	\$47.00	\$2.00	\$37.00

- (1) The EAA Board of Directors sets the Non-Agricultural Aquifer Management Fee Rate on an annual basis through the budget adoption process.
- (2) The EAA Act limits agricultural fees to no more than \$2 per acre-foot.
- (3) The program aquifer management fee was implemented in 2012 in support of the Edwards Aquifer Authority Habitat Conservation Plan.

Table 4

Principal Aquifer Management Fee Payers
Current Year and Nine Years Ago
(Unaudited)

2021							
Fee Payer	County	Type of Business	Aquifer Management Fee ¹	Program Aquifer Management Fee ²	Total Fees Assessed	Percentage of Total Collected	
San Antonio Water System (Including former Bexar Metropolitan Water District)	Bexar	Water Purveyor	\$ 13,472,065	\$ 9,161,004	\$ 22,633,069	72.86%	
New Braunfels Utilities	Comal	Water Purveyor	463,499	315,180	778,679	2.51%	
City of San Marcos	Hays	Water Purveyor	271,671	184,736	456,407	1.47%	
City of Uvalde	Uvalde	Water Purveyor	256,628	174,507	431,135	1.39%	
Martin Marietta Materials Southwest	Bexar	Quarry	237,180	161,282	398,462	1.28%	
Vulcan Construction Materials, L.P.	Bexar	Construction Materials	189,369	128,771	318,140	1.02%	
City of Universal City	Bexar	Water Purveyor	184,591	125,522	310,113	1.00%	
Flying W Properties	Comal	Quarry	170,562	115,982	286,544	0.92%	
City of Converse	Bexar	Water Purveyor	167,841	114,132	281,973	0.91%	
City of Alamo Heights	Bexar	Water Purveyor	141,121	95,962	237,083	0.76%	
Subtotal (Top 10 Principal Fee Payers)			\$ 15,554,527	\$ 10,577,078	\$ 26,131,605	84.12%	
Balance from other fee payers			2,705,505	2,228,555	4,934,060	15.88%	
Total Aquifer Management Fees			\$ 18,260,032	\$ 12,805,633	\$ 31,065,665	100.00%	

2012							
Fee Payer	County	Type of Business	Aquifer Management Fee ¹	Program Aquifer Management Fee ²	Total Fee	Percentage of Total Collected	
San Antonio Water System	Bexar	Water Purveyor	\$ 12,159,510	\$ 9,568,681	\$ 21,728,191	65.29%	
Bexar Metropolitan Water District	Bexar	Water Purveyor	1,672,518	1,316,663	2,989,181	8.98%	
New Braunfels Utilities	Comal	Water Purveyor	435,689	342,990	778,679	2.34%	
City of San Marcos	Hays	Water Purveyor	255,371	201,036	456,407	1.37%	
Martin Marietta Materials SW	Bexar	Quarry	248,904	177,445	426,349	1.28%	
City of Uvalde	Uvalde	Water Purveyor	243,930	192,030	435,960	1.31%	
City of Universal City	Bexar	Water Purveyor	171,587	135,079	306,666	0.92%	
Flying W Properties, Ltd.	Comal	Quarry	160,329	126,216	286,545	0.86%	
City of San Antonio (CPS Energy)	Bexar	Governmental	144,012	113,371	257,383	0.77%	
City of San Antonio (Zoo)	Bexar	Governmental	129,250	101,750	231,000	0.69%	
Subtotal (Top 10 Principal Fee Payers)			\$ 15,621,100	\$ 12,275,261	\$ 27,896,361	83.82%	
Balance from other fee payers			3,049,484	2,335,590	5,385,074	16.18%	
Total Gross Aquifer Management Fees			\$ 18,670,584	\$ 14,610,851	\$ 33,281,435	100.00%	
Less Aquifer Management Fee Rebate ³			\$ 5,471,778	\$ -	\$ 5,471,778		
Total Aquifer Management Fees			\$ 13,198,806	\$ 14,610,851	\$ 27,809,657		

(1) Gross Aquifer Management Fees are reported.

(2) In 2012, the program aquifer management fee was implemented in support of the Edwards Aquifer Authority Habitat Conservation Plan.

(3) Under the quifer management fee conservation 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 program aquifer management fee. The EAA discontinued the rebate program in 2014.

Demographic Statistics*

Last Ten Fiscal Years (Unaudited)

Atascosa County						Bexar County						Caldwell County					
Fiscal Year	Population ¹	Personal Income ²	Per Capita Income ²	School Enrollment ³	Unemployment Rate ⁴	Fiscal Year	Population ¹	Personal Income ²	Per Capita Income ²	School Enrollment ³	Unemployment Rate ⁴	Fiscal Year	Population ¹	Personal Income ²	Per Capita Income ²	School Enrollment ³	Unemployment Rate ⁴
2021	49,939	\$ 2,151,669	\$ 41,599	8,774	6.2	2021	2,028,236	\$ 98,440,756	\$ 48,569	343,290	5.4	2021	46,791	\$ 1,703,464	\$ 38,734	7,803	4.9
2020	51,724	\$ 1,925,578	\$ 37,644	8,781	8.4	2020	2,026,823	\$ 95,829,678	\$ 47,830	343,276	7.5	2020	43,979	\$ 1,511,526	\$ 34,617	7,682	6.3
2019	51,153	\$ 1,844,379	\$ 36,660	9,068	3.6	2019	2,003,554	\$ 91,473,170	\$ 46,058	353,354	3.1	2019	43,664	\$ 1,456,019	\$ 33,668	7,800	3.3
2018	48,828	\$ 1,741,925	\$ 35,697	9,071	3.8	2018	1,925,865	\$ 84,122,309	\$ 43,617	349,962	3.3	2018	41,401	\$ 1,293,669	\$ 31,429	7,737	3.6
2017	48,981	\$ 1,741,925	\$ 35,697	9,138	4.2	2017	1,958,578	\$ 84,122,309	\$ 43,617	354,828	3.5	2017	42,338	\$ 1,293,669	\$ 31,429	7,556	3.9
2016	48,797	\$ 1,861,698	\$ 38,437	8,928	5.3	2016	1,928,680	\$ 81,038,194	\$ 42,702	354,665	3.7	2016	41,161	\$ 1,253,147	\$ 30,925	7,325	4.3
2015	48,435	\$ 1,775,868	\$ 37,172	9,081	5.0	2015	1,897,753	\$ 75,825,317	\$ 40,857	353,621	3.5	2015	40,522	\$ 1,165,738	\$ 29,283	6,975	4.0
2014	47,774	\$ 1,698,184	\$ 36,060	9,138	4.9	2014	1,855,866	\$ 70,896,476	\$ 39,005	344,548	4.6	2014	39,810	\$ 1,156,676	\$ 29,483	6,736	5.1
2013	47,085	\$ 1,554,745	\$ 33,474	8,984	6.2	2013	1,822,154	\$ 68,567,177	\$ 38,398	340,030	6.0	2013	39,248	\$ 1,068,564	\$ 27,587	6,594	6.7
2012	46,436	\$ 1,378,230	\$ 30,238	8,882	6.6	2012	1,788,858	\$ 63,532,926	\$ 36,177	334,351	6.6	2012	38,711	\$ 983,222	\$ 25,577	6,431	7.0

Comal County						Guadalupe County						Hays County					
Fiscal Year	Population ¹	Personal Income ²	Per Capita Income ²	School Enrollment ³	Unemployment Rate ⁴	Fiscal Year	Population ¹	Personal Income ²	Per Capita Income ²	School Enrollment ³	Unemployment Rate ⁴	Fiscal Year	Population ¹	Personal Income ²	Per Capita Income ²	School Enrollment ³	Unemployment Rate ⁴
2021	174,986	\$ 10,382,141	\$ 62,994	37,311	4.5	2021	177,036	\$ 8,428,889	\$ 49,405	26,421	4.4	2021	255,397	\$ 12,119,423	\$ 50,212	40,665	4.1
2020	164,812	\$ 9,381,221	\$ 60,056	35,141	6.2	2020	170,608	\$ 7,641,166	\$ 45,797	25,904	6.1	2020	241,365	\$ 10,435,043	\$ 45,332	38,719	6.3
2019	156,209	\$ 8,615,549	\$ 58,067	35,038	3.0	2019	166,847	\$ 7,334,889	\$ 44,809	26,680	2.9	2019	230,191	\$ 9,733,094	\$ 43,719	39,282	2.8
2018	135,097	\$ 7,188,696	\$ 53,333	33,510	3.2	2018	155,137	\$ 6,546,645	\$ 62,164	26,613	3.1	2018	204,150	\$ 7,956,341	\$ 38,912	37,968	3.0
2017	141,009	\$ 7,188,696	\$ 53,333	32,558	3.4	2017	159,659	\$ 6,546,645	\$ 62,164	26,505	3.3	2017	214,485	\$ 7,956,341	\$ 38,912	37,518	3.1
2016	134,788	\$ 6,931,196	\$ 53,710	31,447	3.6	2016	155,265	\$ 6,216,789	\$ 41,103	26,177	3.6	2016	204,470	\$ 7,398,078	\$ 37,990	36,237	3.3
2015	129,048	\$ 6,138,500	\$ 49,626	30,118	3.4	2015	151,249	\$ 5,660,132	\$ 38,439	25,868	3.3	2015	194,739	\$ 6,468,355	\$ 34,959	34,925	3.1
2014	123,694	\$ 5,742,217	\$ 48,466	28,114	4.5	2014	147,250	\$ 5,784,395	\$ 40,399	24,546	4.3	2014	185,025	\$ 6,148,146	\$ 34,927	32,295	4.2
2013	118,891	\$ 5,248,803	\$ 45,888	26,934	6.1	2013	143,191	\$ 5,534,047	\$ 39,574	24,052	5.6	2013	176,483	\$ 5,741,395	\$ 33,975	31,209	5.2
2012	115,097	\$ 4,984,481	\$ 44,519	26,022	6.1	2012	139,714	\$ 5,044,267	\$ 37,157	23,480	5.8	2012	168,855	\$ 5,364,409	\$ 32,700	30,343	5.7

Medina County						Uvalde County					
Fiscal Year	Population ¹	Personal Income ²	Per Capita Income ²	School Enrollment ³	Unemployment Rate ⁴	Fiscal Year	Population ¹	Personal Income ²	Per Capita Income ²	School Enrollment ³	Unemployment Rate ⁴
2021	51,981	\$ 2,327,617	\$ 44,456	11,963	5.0	2021	24,729	\$ 1,210,220	\$ 45,255	5,140	5.0
2020	52,358	\$ 2,119,867	\$ 41,095	11,280	6.3	2020	26,742	\$ 1,099,483	\$ 41,116	5,238	6.4
2019	51,584	\$ 2,006,434	\$ 39,403	11,181	3.1	2019	26,741	\$ 1,059,298	\$ 39,458	5,387	3.8
2018	49,334	\$ 1,832,851	\$ 37,190	10,816	3.5	2018	27,009	\$ 1,035,597	\$ 37,955	5,424	4.3
2017	50,066	\$ 1,832,851	\$ 37,190	10,584	3.8	2017	27,132	\$ 1,035,597	\$ 37,955	5,644	4.7
2016	49,283	\$ 1,776,770	\$ 36,697	10,199	4.4	2016	27,285	\$ 1,062,921	\$ 39,013	5,917	5.3
2015	48,417	\$ 1,699,199	\$ 35,478	9,971	4.1	2015	27,245	\$ 924,320	\$ 34,086	5,898	5.3
2014	47,894	\$ 1,718,633	\$ 36,259	9,461	4.8	2014	27,117	\$ 1,057,818	\$ 39,286	6,000	5.7
2013	47,366	\$ 1,622,435	\$ 34,693	9,308	6.0	2013	26,916	\$ 931,042	\$ 34,803	5,954	7.1
2012	46,867	\$ 1,513,307	\$ 32,638	9,133	6.4	2012	26,760	\$ 859,853	\$ 32,404	6,063	8.0

* The EAA's jurisdiction includes all or portions of eight counties in south central Texas — Atascosa, Bexar, Caldwell, Comal, Guadalupe, Hays, Medina and Uvalde. This table includes information for the entire population of each county.

(1) Census.gov Annual Estimates of Resident Population for Counties in Texas: April 1, 2020 to July 1, 2021.
 (2) Bureau of Economic Analysis, using Census Bureau midyear estimates for 2010-2020 as of March 2021.
 (3) Texas Education Agency (FY2020-2021)
 (4) Texas Labor Market Information, 2021

Table 6

Principal Employers ⁽¹⁾

Current Year and Nine Years Ago
(Unaudited)

2021			
Employer	Type of Business	Total Employees	Percentage - Total County Employment
Joint Base San Antonio ²	Governmental	74,289	8.65%
H.E.B. Grocery Company	Retail	27,487	3.20%
USAA	Finance/Insurance	18,690	2.18%
Northside Independent School District	Services	14,567	1.70%
City of San Antonio	Governmental	12,259	1.43%
Methodist Healthcare System ⁴	Medical	9,761	1.14%
University Health System	Medical	9,542	1.11%
Northeast Independent School District ⁴	Services	8,386	0.98%
Skanska ⁴	Construction	7,600	0.88%
San Antonio Independent School District	Services	7,504	0.87%
<i>Subtotal - Top 10 Principal Employers</i>		190,085	22.13%
Total County employment for 2021 ³		858,831	
2012			
Employer	Type of Business	Total Employees	Percentage - Total County Employment
Joint Base San Antonio ²	Governmental	92,301	12.44%
H.E.B. Grocery Company	Retail	17,866	2.41%
USAA	Finance/Insurance	17,000	2.29%
Northside Independent School District	Services	16,242	2.19%
City of San Antonio	Governmental	12,211	1.65%
Northeast Independent School District	Services	8,417	1.13%
Methodist Healthcare System	Medical	8,000	1.08%
San Antonio Independent School District	Services	7,390	1.00%
UT Health Science Center at San Antonio	Medical	6,751	0.91%
Baptist Health System	Medical	6,216	0.84%
<i>Subtotal - Top 10 Principal Employers</i>		192,394	25.94%
Total County employment for 2012 ³		741,902	

(1) Because Bexar County represents approximately 72% of the EAA's region, only the top employers in Bexar County are included in this schedule. The information on this schedule was obtained from the 2021 Bexar County, Texas ACFR.

(2) Under the BRAC Joint Basing Recommendation for San Antonio, installation support functions at the the Army's Fort Sam Houston were combined with those at Randolph and Lackland Air Force Bases under a single organization (Joint Base San Antonio). Includes military personnel and civilian personnel.

(3) Total County Employment figure for 2012 and 2021 - Texas Workforce Commission website.

(4) Figures for 2020 were used for 2021 as responses to inquiries would not be met by deadline.

Table 7

Cash and Investment Balances

December 31, 2021
(Unaudited)

Type	Percentages	Carrying Amounts
Petty cash	0.00%	\$ 1,051
Money market and checking account	62.43%	33,303,128
CDs	37.56%	20,036,425
Totals	100.00%	\$ 53,340,604

Table 8

Number of Employees ⁽¹⁾
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Officials or Administrators	Professional	Technical	Administrative Support	Total
2021	17	65	8	10	100
2020	16	65	9	10	100
2019	16	63	12	10	101
2018	17	61	13	9	100
2017	16	60	12	9	97
2016	16	55	13	10	94
2015	15	50	15	12	92
2014	15	47	15	13	90
2013	15	45.5	16	13.5	90
2012	13	45	17	15	90

(1) EAA authorized positions approved by the EAA Board of Directors on an annual basis through the budget adoption process.

Table 9

Operating Indicators for Demand or Level of Service ⁽¹⁾
Last Ten Fiscal Years
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Irrigation Permits										
Number of Permits	1,149	1,125	1,068	1,041	1,006	935	1,081	1,031	976	926
Authorized Use (acre-feet)	179,899.875	174,765.100	174,294.965	152,110.042	150,536.415	148,160.773	160,209.639	161,626.988	172,414.372	169,211.300
Actual Use (acre-feet)	74,283.284	97,684.340	73,728.098	84,088.009	74,119.466	54,669.030	41,761.933	75,288.368	74,845.312	94,165.280
Industrial Permits										
Number of Permits	401	416	412	398	403	418	430	468	482	481
Authorized Use (acre-feet)	42,461.440	42,556.020	41,293.616	39,655.584	39,196.983	40,474.855	43,355.299	46,703.724	48,615.368	48,020.149
Actual Use (acre-feet)	25,744.463	26,782.160	23,802.586	23,214.281	22,872.376	24,076.870	21,886.842	22,845.356	23,991.394	24,684.962
Municipal Permits										
Number of Permits	571	610	632	786	805	822	742	723	705	675
Authorized Use (acre-feet)	349,238.185	354,278.380	356,010.919	379,833.874	381,866.102	382,963.872	368,034.562	363,268.788	350,569.760	354,368.051
Actual Use (acre-feet)	206,580.277	217,990.380	241,488.951	245,092.936	262,937.283	227,248.578	241,858.583	214,814.888	232,183.994	254,674.185
Total										
Number of Permits	2,121	2,151	2,112	2,225	2,214	2,175	2,253	2,222	2,163	2,082
Authorized Use (acre-feet)	571,599.500	571,599.500	571,599.500	571,599.500	571,599.500	571,599.500	571,599.500	571,599.500	571,599.500	571,599.500
Actual Use (acre-feet)	306,608.024	342,456.880	339,019.635	352,395.226	359,929.125	305,994.478	305,507.358	312,948.612	331,020.700	373,524.427

(1) Data extracted from EAGIS and reported by the EAA Permits Department as of December 31 for year represented.

Table 10

Revenues by Source

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Aquifer Management Fees	Program Aquifer Management Fees ¹	Enforcement Settlements	Other	Interest Income	Capital Contributions	Total
2021	\$ 18,260,032	\$ 12,805,633	\$ 60,284	\$ 219,043	\$ 161,466	\$ -	\$ 31,506,458
2020	18,505,365	13,195,717	23,596	89,217	461,152	-	32,275,047
2019	17,015,440	14,662,262	100,424	60,885	1,000,046	5,474,398	38,313,455
2018	15,524,731	16,120,152	42,807	175,592	787,104	-	32,650,386
2017	16,730,505	15,789,828	249,910	156,780	362,491	-	33,289,514
2016	15,165,324	17,300,660	59,010	37,715	184,573	-	32,747,282
2015	14,234,872	18,717,981	190,892	34,365	107,969	-	33,286,079
2014	14,714,463	19,048,516	43,215	38,333	110,180	-	33,954,707
2013	12,463,039	15,223,383	57,666	31,305	94,028	-	27,869,421
2012	13,198,806	14,610,851	104,615	23,440	70,776	-	28,008,488

(1) The program aquifer management fee was implemented in 2012 in support of the Edwards Aquifer Authority Habitat Conservation Plan.

Table 11

Expenses by Function

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Salaries & Wages	Employee Benefits	Professional & Technical Services	Property Services	Other Services	Supplies	Depreciation	(Gain)/Loss on sale of capital assets	Interest Expense	Total
2021	\$ 8,335,357	\$ 2,417,793	\$ 13,826,046	\$ 1,400,134	\$ 755,227	\$ 372,570	\$ 809,951	\$ (582)	\$ 159,159	\$ 28,075,655
2020	8,482,086	2,516,679	14,873,943	1,287,467	465,735	348,926	653,211	1,188,646	108,720	29,925,413
2019	7,657,437	2,746,627	19,768,770	974,153	746,633	401,887	935,930	(574)	111,923	33,342,786
2018	7,115,797	2,464,838	24,297,898	818,100	701,974	421,700	859,411	(4,144)	114,993	36,790,567
2017	7,020,020	2,598,876	19,157,574	691,175	757,563	377,523	922,522	27,130	117,876	31,670,259
2016	6,718,377	2,084,862	20,256,687	640,941	672,634	370,064	960,357	4,638	120,696	31,829,256
2015 ⁽¹⁾	6,201,680	2,247,260	22,529,763	568,304	535,817	422,797	895,985	1,158	123,391	33,526,155
2014 ^(1,2)	5,867,391	235,659	12,608,775	537,099	538,061	434,211	822,215	(4,834)	125,897	21,164,474
2013 ⁽²⁾	5,696,658	1,508,806	8,784,829	417,052	513,214	448,790	541,125	555	126,712	18,037,741
2012	5,567,321	1,421,516	3,479,597	528,719	483,388	331,711	429,216	29,692	-	12,271,160

Adjustments/Restatements

(1) Restated for adjustments to record the VISPO liabilities due at fiscal year end.

(2) Restated for adjustments related to the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - and Amendment of GASB Statement No. 27 and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

Table 12

Outstanding Debt ⁽¹⁾
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Principal Outstanding	Net Revenues ⁽²⁾	Ratio of Debt to Net Revenues	Total Authorized Acre-Feet for Withdrawals ⁽³⁾	Debt Per Authorized Acre-Foot	Jurisdictional Population ⁽⁴⁾	Debt per Capita
2021	\$ 2,745,000	\$ 2,077,371	1.32	571,599.500	4.80	2,809,095	0.98
2020	2,835,000	3,079,825	0.92	571,599.500	4.96	2,778,411	1.02
2019	2,920,000	1,380,137	2.12	571,599.500	5.11	2,729,943	1.07
2018	3,005,000	182,931	16.43	571,599.500	5.26	2,586,821	1.16
2017	3,085,000	2,191,983	1.41	571,599.500	5.40	2,642,248	1.17
2016	3,160,000	627,148	5.04	571,599.500	5.53	2,589,729	1.22
2015	3,235,000	(2,759,507) ⁽⁵⁾	(1.17)	571,599.500	5.66	2,537,408	1.27
2014	3,305,000	2,951,276	1.12	571,599.500	5.78	2,474,430	1.34
2013	3,370,000	(162,344)	(20.76)	571,599.500	5.90	2,421,334	1.39
2012	3,370,000	1,262,477	2.67	571,599.500	5.90	2,371,298	1.42

(1) General Improvement Revenue Note, Series 2011, is the only outstanding debt of the Edwards Aquifer Authority. Details regarding this outstanding debt can be found in the notes to the financial statements.

(2) Net Revenues (Pledged Revenues) is defined as Net Aquifer Management Fees less EAA General Operations Operating Expenses, including Depreciation.

(3) Total authorized acre-feet of withdrawal permits issued by the Edwards Aquifer Authority.

(4) The Edwards Aquifer Authority jurisdictional area includes all, or portions of, eight (8) counties. Population, by county, can be found on Table 5, Demographic Statistics.

(5) Includes accrued legal settlement of \$4,000,000.

Table 13

Pledged Revenue Coverage ⁽¹⁾

Last Ten Fiscal Years (Unaudited)

Fiscal Year	Gross Pledged Revenues ⁽²⁾	Operating Expenses ⁽³⁾	Net Pledged Revenues	Principal	Interest Expense	Total	Debt Coverage
2021	\$ 18,260,032	\$ 16,182,661	\$ 2,077,371	\$ 90,000	\$ 159,159	\$249,159	8.34
2020	18,505,365	15,425,540	3,079,825	85,000	108,720	193,720	15.90
2019	17,015,440	15,635,303	1,380,137	85,000	111,923	196,923	7.01
2018	15,524,731	15,341,800	182,931	80,000	114,993	194,993	0.94
2017	16,730,505	14,538,522	2,191,983	75,000	117,876	192,876	11.36
2016	15,165,324	14,538,176	627,148	75,000	120,696	195,696	3.20
2015	14,234,872	16,994,379 ⁽⁴⁾	(2,759,507)	70,000	123,391	193,391	(14.27)
2014	14,714,463	11,763,187	2,951,276	65,000	125,897	190,897	15.46
2013	12,463,039	12,625,383	(162,344)	-	126,712	126,712	(1.28)
2012	13,198,806	11,936,329	1,262,477	-	126,712	126,712	9.96

(1) General Improvement Revenue Note, Series 2011, is the only outstanding debt of the Edwards Aquifer Authority. Details regarding this outstanding debt can be found in the notes to the financial statements.

(2) Gross Pledged Revenues is defined as Aquifer Management Fees, Net of Rebates (if applicable).

(3) Operating Expenses is defined as Total General Fund Operating Expenses, including Depreciation.

(4) Includes accrued legal settlement of \$4,000,000.

Miscellaneous Statistics

December 31, 2021

(Unaudited)

EAA created under	Act of May 30, 1993, 73rd Leg., R.S., ch. 626, 1993 Tex. Gen. Laws 2350; as amended by Act of May 16, 1995, 74th Leg., R.S., ch. 524, 1995 Tex. Gen. Laws 3280; Act of May 29, 1995, 74th Leg., R.S., ch. 261, 1995 Tex. Gen. Laws 2505; Act of May 6, 1999, 76th Leg., R.S., ch. 163, 1999 Tex. Gen. Laws 634; Act of May 25, 2001, 77th Leg., R.S., ch. 1192, 2001 Tex. Gen. Laws 2696; Act of May 28, 2001, 77th Leg., R.S., ch. 966, §§ 2.60–2.62 and 6.01–6.05, 2001 Tex. Gen. Laws 1991, 2021-22 and 2075-76; Act of June 1, 2003, 78th Leg., R.S., ch. 1112, § 6.01(4), 2003 Tex. Gen. Laws 3188, 3193; Act of May 23, 2007, 80th Leg., R.S., ch. 510, 2007 Tex. Gen. Laws 900; Act of May 28, 2007, 80th Leg., R.S., ch. 1351, §§ 2.01–2.12, 2007 Tex. Gen. Laws 4612, 4627; Act of May 28, 2007, 80th Leg., R.S., ch. 1430, §§ 12.01–12.12, 2007 Tex. Gen. Laws 5848, 5901; and Act of May 21, 2009, 81st Leg., R.S., ch. 1080, 2009 Tex. Gen. Laws 2818; Act of May 20, 2013, 83rd Leg., R.S., ch. 783, 2013 Tex. Gen. Laws 1998; Act of May 20, 2019, 86th Leg., R.S., ch. 904 Tex. Gen. Laws; Act of May 22, 2019, 86th Leg., R.S., ch. 1135 Tex. Gen. Laws; and Act of May 25, 2019, 86th Leg., R.S., ch 585 Tex. Gen. Laws.
Year created	1996
Domicile	San Antonio, Texas
Last Revision of Enabling Act	2019
Population of EAA jurisdiction (8 counties)	2,809,095 (2021 Census Bureau Population Estimate)
EAA jurisdiction	Bexar, Medina and Uvalde counties, plus portions of Atascosa, Caldwell, Guadalupe, Comal and Hays counties
Area of Edwards Aquifer	3,600 square miles, 180 miles long from west to east; 5-40 miles wide
10 -Year Average Recharge	569,000 acre feet (for period 2012-2021)
Average Annual Recharge	695,000 acre feet (for period 1934-2021)
10 -Year Average Spring Discharge	379,000 acre feet (for period 2012-2021)
Average Annual Spring Discharge	384,000 acre feet (for period 1934-2021)
10 -Year Average Total Discharge (Springs and Wells)	733,000 acre feet (for period 2011-2020); Wells data not available for 2021
Mean Average Total Discharge (Springs and Wells)	701,000 acre feet (for period 1934-2020); Wells data not available for 2021
Aquifer Water Level Record High	703.3 feet above sea level, June 1992, as recorded at the Bexar County Index Well (J-17)
Aquifer Water Level Record Low	612.51 feet above sea level, August 1956, as recorded at the Bexar County Index Well (J-17)
Groundwater Withdrawal Permits	2,151 through December 31, 2021 (571,599.500 acre-feet)
Groundwater Transferred in 2021	31,298.084 acre-feet (372 transfers)



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