

SAN ANTONIO WATER SYSTEM

San Antonio, Texas

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

For the Year Ended December 31, 2020

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Trustees and Management
San Antonio Water System

We have performed the procedures enumerated on the following pages, which were agreed to by San Antonio Water System (SAWS) solely, to assist SAWS and the specified users in evaluating if SAWS complied with the general conditions required by paragraph (C)(i), (C)(ii), and (C)(v) of the Texas Administrative Code, Title 30, Part 1, Chapter 37, Subchapter C for the year ended December 31, 2020, as required by the Texas Commission on Environmental Quality (TCEQ). Management of SAWS is responsible for its compliance with the general conditions required above. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures, and findings relative thereto, are set forth in the related accompanying Appendix A.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the general conditions required above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the SAWS' Board of Trustees, SAWS' management, and the TCEQ and is not intended to be, and should not be, used by anyone other than those specified parties.

Baker Tilly US, LLP

Austin, Texas
April 2, 2021

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Appendix A – Summary of Procedures and Findings

The agreed-upon procedures relate to the general conditions required by paragraph (C)(i), (C)(ii), and (C)(v) of the Texas Administrative Code, Title 30, Part 1, Chapter 37, Subchapter C for the year ended December 31, 2020 as required by the Texas Commission on Environmental Quality (TCEQ). Management of SAWS reviewed and discussed the following sections of the Texas Administrative Code, Title 30, Part 1, Chapter 37, Subchapter C with TCEQ and both SAWS and TCEQ agreed on the following requirements:

Paragraph (C)(i) of the Texas Administrative Code, Title 30, Part 1, Chapter 37, Subchapter C requires the following: SAWS shall prepare its financial statements in conformity with Generally Accepted Accounting Principles for governments and have its financial statements audited by an independent certified public accountant (or appropriate state agency).

Paragraph (C)(ii) of the Texas Administrative Code, Title 30, Part 1, Chapter 37, Subchapter C requires the following: SAWS must not have operated at a deficit equal to 5.0% or more of total annual revenue in each of the past two fiscal years. In consultation with TCEQ, management of SAWS has defined the following:

Surplus (deficit) Ratio – Total Surplus as a percent of Total Annual Revenues
Total Surplus – Total Annual Revenues less Total Expenditures
Total Annual Revenues – operating revenues per the annual audited financial statements
Total Expenditures – the sum of operating expenses before depreciation, non-operating revenues, and non-operating expenses per the annual audited financial statements.

Paragraph (C)(v) of the Texas Administrative Code, Title 30, Part 1, Chapter 37, Subchapter C requires the following: SAWS must not have received an adverse opinion, disclaimer of opinion, or other qualified opinion from the independent certified public accountant (or appropriate state agency) auditing its financial statements.

Accordingly, we performed the following agreed-upon procedures:

1. **Procedure:** We obtained the Independent Auditors' Report included in SAWS' 2020 annual audited financial statements (Annual Financial Report) and observed whether the opinion paragraph stated that the financial statements were prepared in accordance with Generally Accepted Accounting Principles for governments.

Finding: We found the opinion paragraph stated the financial statements were prepared in accordance with Generally Accepted Accounting Principles for governments (accounting principles generally accepted in the United States of America).

2. **Procedure:** We obtained SAWS' 2020 annual audited financial statements (Annual Financial report) and observed if it included a signed independent auditors' report.

Finding: We found the Independent Auditors' Report was signed.

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Appendix A – Summary of Procedures and Findings

3. **Procedure:** We obtained management's computation of the Surplus (Deficit) Ratio for 2020 and 2019 (Attachment I) and SAWS' 2020 and 2019 annual audited financial statements (Annual Financial Reports). We agreed amounts used by management in their computation of the Surplus (Deficit) Ratio to the Annual Financial Reports. We recomputed the Surplus (Deficit) Ratio as defined above.

Finding: We were able to agree the amounts in the surplus (deficit) ratio calculation to the annual reports and recalculate the surplus (deficit) ratio provided by SAWS of 39.4 percent and 41.6 percent for 2020 and 2019, respectively. The surplus (deficit) ratios were greater than a deficit of 5 percent in each of the past two fiscal years.

4. **Procedure:** We obtained the Independent Auditors' Report included in SAWS' 2020 annual audited financial statements (Annual Financial Report) and observed the type of opinion issued by the independent certified public accountant (or appropriate state agency) auditing its financial statements.

Finding: We found SAWS did not receive an adverse opinion, disclaimer of opinion or other modified opinion from the independent certified public accountant auditing its financial statements.

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Attachment I-Surplus (Deficit) Ratio
For the Years Ended December 31, 2020 and 2019
(Dollars in Thousands)

	2020	2019
Total Annual Revenues	\$ 794,917 (a)	\$ 733,179 (a)
Total Expenditures	<u>482,071 (b)</u>	<u>428,408 (b)</u>
Total Surplus	<u><u>\$ 312,846 (a)-(b)=(c)</u></u>	<u><u>\$ 304,771 (a)-(b)=(c)</u></u>
Surplus (Deficit) Ratio	39.4% (c)/(a)	41.6% (c)/(a)
Total Annual Revenues:		
Operating Revenues	<u><u>\$ 794,917</u></u>	<u><u>\$ 733,179</u></u>
Total Expenditures:		
Operating Expenses before Depreciation	\$ 341,940	\$ 338,084
Non operating Revenues	(17,974)	(32,583)
Non operating Expenses	<u>158,105</u>	<u>122,907</u>
Total Expenditures	<u><u>\$ 482,071</u></u>	<u><u>\$ 428,408</u></u>