

# RETIREMENT PLAN FOR EMPLOYEES OF GUADALUPE-BLANCO RIVER AUTHORITY

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019

**abip**

CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**



**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**as of and for the years ended  
December 31, 2020 and 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Administrative Committee of  
the Retirement Plan for Employees of  
Guadalupe-Blanco River Authority

### **Report on the Financial Statements**

We have audited the accompanying statements of fiduciary net position of the Retirement Plan for Employees of Guadalupe-Blanco River Authority (the Plan), a fiduciary component unit of Guadalupe Blanco River Authority, as of and for the years ended December 31, 2020 and 2019, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the statements of fiduciary net position of the Retirement Plan for Employees of Guadalupe-Blanco River Authority (the Plan) as of December 31, 2020 and 2019, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability, schedule of net pension liability and ratios, schedule of plan contributions, schedule of investment returns and note to required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

ABIP, PC

San Antonio, Texas  
July 1, 2021

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**STATEMENTS OF FIDUCIARY NET POSITION**

**December 31,**

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
INVESTMENTS		
Cash equivalents	\$ 2,196,632	\$ 1,613,626
Equity securities	19,355,931	15,266,618
Fixed income securities	7,606,155	7,105,243
Alternative investments	8,782,627	9,400,503
Accrued interest receivable	<u>5,796</u>	<u>6,533</u>
 Total assets	 <u>\$ 37,947,141</u>	 <u>\$ 33,392,523</u>
 <u>FIDUCIARY NET POSITION</u>		
FIDUCIARY NET POSITION		
Net position restricted for pensions	<u>\$ 37,947,141</u>	<u>\$ 33,392,523</u>
 Fiduciary net position	 <u>\$ 37,947,141</u>	 <u>\$ 33,392,523</u>

The accompanying notes are an integral part of the financial statements.

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**

**For the years ended December 31,**

	2020	2019
<b>ADDITIONS</b>		
Additions to fiduciary net position		
Investment income:		
Net gain on sale of investments	\$ 1,693,462	\$ 935,254
Interest income	24,197	53,359
Dividends	490,521	394,263
Net increase in fair value of investments	3,314,937	4,098,529
Other security receipts	20,280	38,690
Employer contributions	1,000,000	1,003,540
Other contribution - plan sponsor	<u>35,000</u>	<u>35,000</u>
Total additions	<u>6,578,397</u>	<u>6,558,635</u>
<b>DEDUCTIONS</b>		
Deductions to fiduciary net position attributed to:		
Benefits paid to participants	1,945,699	1,817,087
Trustee fees	<u>78,080</u>	<u>80,728</u>
Total deductions	<u>2,023,779</u>	<u>1,897,815</u>
Net increase (decrease)	4,554,618	4,660,820
<b>FIDUCIARY NET POSITION</b>		
Beginning of period	<u>33,392,523</u>	<u>28,731,703</u>
Fiduciary net position - end of period	<u>\$ 37,947,141</u>	<u>\$ 33,392,523</u>

The accompanying notes are an integral part of the financial statements.

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(1) Description of plan

The following brief description of the Retirement Plan for Employees of Guadalupe-Blanco River Authority (GBRA) (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information. The Plan is a fiduciary component unit of the Guadalupe-Blanco River Authority. The Plan will be presented in Guadalupe-Blanco River Authority's financial statements as a fiduciary component unit.

General

GBRA contributes to the Retirement Plan for Employees of Guadalupe-Blanco River Authority (the Plan) which was established June 1, 1966, and restated effective January 1, 2013 and amended effective December 31, 2018. The Plan is a single employer, non-contributory, defined benefit plan. The Plan's benefits provisions were established and may be amended by GBRA's Board of Directors. The Plan is administered by the Retirement and Benefit Committee appointed by the GBRA Board. GBRA does not have access to nor can it utilize assets within the Retirement Plan Trust.

All full-time GBRA employees who were hired before January 1, 2011 participate in the Plan. Effective December 31, 2018, the plan was amended to be frozen and to provide a supplemental benefit in addition to the frozen accrued benefit as of December 31, 2018. The supplemental benefit is designed to make up for the difference between (a) the projected benefit if the plan were to continue as it was before the amendment and (b) the sum of (i) the frozen accrued benefit in the plan and (ii) the employer-funded portion of the benefit in a plan in the Texas County and District Retirement System (TCDRS) that began January 1, 2019.

The table below summarizes the membership of the Plan included in the January 1, 2020 and 2019 actuarial valuation of the Plan, the most recently completed annual actuarial valuations.

	<u>2020</u>	<u>2019</u>
Retirees and beneficiaries currently receiving benefits	96	88
Terminated members entitled to benefits but not yet receiving them	41	43
Active participants (vested and nonvested)	<u>73</u>	<u>79</u>
	<u>210</u>	<u>210</u>

Employees are 100% vested in the accrued benefit upon completion of five (5) years of service. Employees with less than five (5) years of service are not vested. Normal retirement age is 65. An unreduced benefit is also provided for retirement at ages 60 to 64 with the sums of age and service equal to or greater than 85. The Plan also provides benefits for early and late retirement, death, and disability. The retirement benefit at normal retirement is equal to 1.3% of final average earnings times the number of years of credited service. The normal form of payment is a ten (10) year certain and lifetime monthly benefit. Other lifetime monthly benefit optional forms are available, but there is no partial lump sum option.

There is no provision for automatic postretirement benefit increases. The Plan has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(1) Description of plan (continued)

Pension benefits

The standard pension benefit is monthly payments for life or 120 months whichever is longer. Members can elect not to take the standard benefit; instead they may receive actuarially equivalent benefits of:

- A monthly annuity for life of the member with no payment made after the death of the member,
- A monthly annuity for the life of the member with 60, 180, or 240 months certain payments,
- A monthly annuity for the life of the member with 50%, 66 2/3%, or 100% of such monthly income continuing after the members death, or
- A single lump-sum provided that the actuarial equivalent of the benefit payable to the member does not exceed \$20,000 at the time of the distribution.

Death benefits

Death benefits are payable to the member's beneficiary as if the beneficiary were a member. If the member's death occurs before their normal retirement date, the benefit is the actuarial equivalent of the member's vested interest as determined on the member's date of death. If the member's death occurs before they have commenced receiving payments under the Plan and the actuarially equivalent present value of the member's vested benefit does not to exceed \$5,000, the member's beneficiary may request a lump-sum payout of the vested benefit.

Tax status

The Plan is not subject to the Employee Retirement Income Security Act because Guadalupe-Blanco River Authority is a governmental entity, and as such the information return (Form 5500) is not required to be filed.

(2) Summary of significant accounting policies

Basis of accounting

The financial statements of the Plan are prepared using the accrual method of accounting. Because GBRA is a government entity, the applicable GASB pronouncements are followed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(2) Summary of significant accounting policies (continued)

Investment policy

The Plan's investment policy was adopted and may be amended by the Retirement and Benefit Committee of the Guadalupe-Blanco River Authority. The policy outlines the prudent and acceptable investment philosophy of the Plan to make clear the understanding of the investment objectives and management practices. The Plans single investment objective is to achieve the actuarial assumed rate of return over a reasonable period of time while maintaining sufficient liquidity to timely meet all payment obligations of the Plan. There were no changes to the policy during 2020 and 2019.

Investment risk

State and local governments have deposits and investments that are subject to various risks. GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement Number 3*, provides disclosure requirements related to deposit and investment risk: custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Custodial credit risk

Custodial credit risk is the risk that, in the event of a bank or counterparty failure, the Plan's deposits or investments might not be recovered. At December 31, 2020 and 2019 the Plan did not maintain any depository accounts. At December 31, 2020 and 2019 all investment securities held by custodians were registered in the Plan's name.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan's Investment Policy Statement manages credit risk for the Global Fixed Income portfolio by requiring minimum credit ratings. The minimum quality rating on all issues in which the Plan may invest is BBB- or the security must be a government bond or a bond of a supranational authority which does not have a recognized credit rating. For investment grade fixed income managers the weighted average credit quality of the portfolio must be at least A-. The minimum requirements for fund managers may be waived in advance by the Plan's investment oversight committee.

<u>Investment</u>	<u>Rating</u>
Brandywine Portfolio	A
Johnson Institutional Core Bond Fund	A+
Courage Credit Opportunities	Not Rated
Aberdeen Emerging Markets Debt Fund	Not Rated

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(2) Summary of significant accounting policies (continued)

Investment risk (continued)

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's Investment Policy Statement establishes an asset allocation by class to mitigate the concentration of credit risk. The minimum and maximum authorized investment exposures to the various asset classes are as follows:

<u>Asset Class</u>	<u>Exposure</u>	<u>Percentage of Plan</u>
Domestic equities	Maximum	60%
	Minimum	25%
International equities	Maximum	25%
	Minimum	0%
Alternatives	Maximum	25%
	Minimum	0%
Real estate	Maximum	10%
	Minimum	0%
Global fixed income	Maximum	50%
	Minimum	20%
Short-term investments	Maximum	25%
	Minimum	0%

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan's Investment Policy Statement establishes an overall investment objective of achieving the actuarial assumed rate of return (6.50% and 6.75% in 2020 and 2019, respectively). The Plan's oversight committee will assess returns from investments against market indices weighted in proportion to the actual structure of the Plan portfolio.

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(2) Summary of significant accounting policies (continued)

Investment risk (continued)

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan's investment policy statement limits investments in international equity holdings in one company of an investment manager's portfolio to 7%. Also the Plan's exposure to any one currency should not exceed the following:

<u>Currency</u>	<u>Maximum Exposure</u>
Euro	70%
Japanese Yen	50%
British Sterling	40%
Other	25%

Investment valuation and income recognition

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs other than quoted prices that are observable for the asset.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(2) Summary of significant accounting policies (continued)

Investment valuation and income recognition (continued)

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments in equity securities and fixed income securities are valued based on quoted market prices from active markets. Alternative investments and short-term investments are valued at net asset value at the date of the valuation. There have been no changes in methodologies used at December 31, 2020 and 2019.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Payment of benefits

Benefits are recorded when paid.

Contribution policy

The GBRA Board of Directors has sole authority to establish or amend the obligations to contribute to the Plan by participants or the employer. Employees are not required to contribute to the Plan. GBRA management intends to fully fund the Plan in not more than 10 years beginning January 1, 2019, expecting to contribute more in the first few years than the minimum required amount to fully fund the Plan with level dollar payments over that 10-year period. GBRA will contribute at least the minimum amount each year, usually in December, that will amortize the unfunded actuarial liability (UAL) over the 10-year closed period. A formal funding policy was adopted by the Board on November 20, 2019, with a target funding ratio of 110%. All of the costs of administering the Plan, except investment management fees, are paid by GBRA and are not considered in the determination of the employer contribution.

Based on this contribution policy, the actuaries' recommended contribution for the Plan years ending December 31, 2020 and 2019 was \$897,338 and \$653,540, respectively. The 2019 contribution was funding both the Plan's normal cost for the year and the amount expected to amortize the UAL as a level percent of employee compensation over nine years. The 2020 contribution is expected to amortize the UAL as a level dollar amount over the 10-year period that began January 1, 2019. There are no required contributions by the participants.

GBRA has also made periodic supplemental contributions to the Plan in an effort to improve the funding status of the Plan and accelerate the amortization of the Plan's net pension liability. The supplemental contributions made during the 2020 and 2019 reporting periods were \$102,662 and \$350,000, respectively.

**RETIREMENT PLAN FOR EMPLOYEES OF  
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**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(2) Summary of significant accounting policies (continued)

Contribution policy (continued)

Ultimately, the funding policy also depends upon the total return of the Plan's assets, which varies from year to year. Investment policy decisions are established and maintained by the Retirement and Benefit Committee. The committee selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the years ending December 31, 2020 and 2019, the money-weighted rate of return on pension plan investments were 16.97% and 19.62%, respectively. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

Reclassifications

Certain reclassifications have been made in the presentation of the December 31, 2020 financial statement. All comparative information for prior periods has been reclassified to match the new presentation. The changes in presentation had no impact on the changes in net position.

(3) Fair value of investments

	December 31, 2020	Level 1	Level 2	Level 3
Investments measured by fair value level:				
Equity securities	\$ 19,355,931	\$ 19,200,903	\$ 155,028	\$ -
Fixed income	<u>4,493,619</u>	<u>4,493,619</u>	<u>-</u>	<u>-</u>
Total investments measured by fair value level	<u>23,849,550</u>	<u>23,694,522</u>	<u>155,028</u>	<u>-</u>
Investments measured at net asset value (NAV):				
Cash equivalents/short-term investment funds	2,196,632			
Fixed income	3,112,536			
Alternative investments	<u>8,782,627</u>			
Total investments measured at NAV	<u>14,091,795</u>			
Total	<u>\$ 37,941,345</u>			

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(3) Fair value of investments (continued)

	December 31, 2019	Level 1	Level 2	Level 3
Investments measured by fair value level:				
Equity securities	\$ 15,266,618	\$ 15,115,898	\$ 150,720	\$ -
Fixed income	<u>4,187,019</u>	<u>4,187,019</u>	-	-
Total investments measured by fair value level	<u>19,453,637</u>	<u>19,302,917</u>	<u>150,720</u>	<u>-</u>
Investments measured at net asset value (NAV):				
Cash equivalents/short-term investment funds	1,613,626			
Fixed income	2,918,224			
Alternative investments	<u>9,400,503</u>			
Total investments measured at NAV	<u>13,932,353</u>			
Total	<u>\$ 33,385,990</u>			

(4) Investments representing 5% of fiduciary net position

	2020		2019	
	MARKET VALUE	PERCENT OF TOTAL	MARKET VALUE	PERCENT OF TOTAL
Equity securities:				
Diamond Hill Large Cap Fund	\$ 3,692,400	9.73%	\$ 3,385,487	10.14%
Oppenheimer International Growth Fund	4,294,488	11.32%	3,514,878	10.53%
Wells Fargo Advantage Growth Fund	8,118,247	21.39%	5,430,523	16.26%
Fixed income securities:				
Aberdeen Emerging Markets Debt Fund	2,191,057	5.77%	2,088,153	6.25%
JIC Institutional Bond III	2,302,562	6.07%	2,098,866	6.29%
Brandywine Global Opp Fixed Income Fund	2,790,777	7.35%	2,499,138	7.48%
Alternative investments:				
Ironwood Institutional Multi-Strategy Fund, LLC	3,299,449	8.69%	2,589,861	8.76%
Eastern Shore CIT	2,770,370	7.30%	2,382,363	7.13%
Terracap Partners LP	1,646,901	4.34%	1,811,318	5.42%

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**(5) Investments held**

Investments held are as follows:

	2020		2019	
	MARKET VALUE	PERCENT OF TOTAL	MARKET VALUE	PERCENT OF TOTAL
Cash and cash equivalents	\$ 2,196,632	5.79%	\$ 1,613,626	4.83%
Equity securities:				
Abbvie Inc	\$ 80,684	0.21%	\$ 91,285	0.27%
Accenture PLC	82,542	0.22%	36,639	0.11%
AES Corp	78,232	0.21%	89,749	0.27%
Affiliated Managers Group, Inc Com	-	0.00%	34,065	0.10%
Allstate Corp	35,397	0.09%	-	0.00%
Altria Group Inc	50,225	0.13%	59,143	0.18%
American Express Co	91,529	0.24%	57,265	0.17%
Ameriprise Finl Inc	108,436	0.29%	90,120	0.27%
Amgen Inc.	67,826	0.18%	69,669	0.21%
Apple Inc.	102,437	0.27%	96,905	0.29%
AT & T Inc.	47,943	0.13%	62,215	0.19%
Boeing Co	34,892	0.09%	61,569	0.18%
Bristol Myers Squibb Co	69,660	0.18%	93,782	0.28%
Celanese Corp	90,958	0.24%	46,047	0.14%
Clorox Co	60,172	0.16%	43,452	0.13%
Coca Cola Co.	60,598	0.16%	29,668	0.09%
Comerica Inc.	-	0.00%	23,965	0.07%
Conocophillips	30,472	0.08%	71,468	0.21%
Discover Financial Services	123,392	0.33%	50,553	0.15%
Eastman Chemical Co	57,561	0.15%	42,721	0.13%
Eaton Vance Corp	-	0.00%	49,165	0.15%
EOG Resources Inc.	26,980	0.07%	68,599	0.21%
Gilead Sciences Inc.	45,618	0.12%	69,074	0.21%
Hartford Financial Services Group	37,568	0.10%	-	0.00%
Home Depot Inc.	65,874	0.17%	67,479	0.20%
Illinois Tool Work Inc.	58,310	0.15%	51,374	0.15%
Johnson & Johnson	31,633	0.08%	-	0.00%
Kimberly Clark Corp	44,898	0.12%	43,466	0.13%
Kroger Co	73,016	0.19%	66,648	0.20%
Lockheed Martin Corp	50,407	0.13%	55,292	0.17%
Lowes Cos Inc.	40,770	0.11%	-	0.00%
Lyondellbasell Industries	71,403	0.19%	73,600	0.22%
Marathon Petroleum Corp	35,900	0.09%	49,827	0.15%
Mastercard Inc	61,037	0.16%	76,439	0.23%
Merck & CO Inc.	29,775	0.08%	-	0.00%
Metlife Inc.	36,668	0.10%	-	0.00%
Moody's Corp	78,655	0.21%	64,338	0.19%
Mylan Labs Inc.	-	0.00%	40,481	0.12%
Northrop Grumman Corp	27,425	0.07%	-	0.00%
Occidental Pete Corp	1,083	0.00%	52,708	0.16%
Omnicom Group	69,730	0.18%	52,015	0.16%

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**(5) Investments held (continued)**

Investments held are as follows (continued)

	2020		2019	
	MARKET VALUE	PERCENT OF TOTAL	MARKET VALUE	PERCENT OF TOTAL
Equity securities continued:				
Oracle Corp	\$ 64,431	0.17%	\$ -	0.00%
Pfizer Inc.	29,742	0.08%	-	0.00%
Pepsico Inc.	31,588	0.08%	-	0.00%
Phillip Morris International Co.	44,541	0.12%	43,566	0.13%
Phillips 66	37,907	0.10%	57,376	0.17%
Principal Financial Group	-	0.00%	58,410	0.17%
Progressive Corp Ohio	30,455	0.08%	-	0.00%
Prudential Financial Inc.	86,189	0.23%	58,962	0.18%
Ross Stores Inc.	93,827	0.25%	70,318	0.21%
S&P Global Inc.	69,033	0.18%	78,638	0.24%
Simon Property Group Inc.	47,927	0.13%	23,089	0.07%
Synchrony Financial	-	0.00%	66,619	0.20%
T Rowe Price Group Inc.	80,691	0.21%	64,941	0.19%
TJX Companies Inc	63,168	0.17%	70,769	0.21%
United Parcel Service	68,202	0.18%	64,734	0.19%
United Rental Inc Com	73,052	0.19%	88,055	0.26%
Verizon Communications	52,464	0.14%	52,190	0.16%
Viatis Inc.	76,628	0.20%	-	0.00%
Visa Inc. Class A Shrs	31,060	0.08%	-	0.00%
Yum Brands Inc.	48,309	0.13%	44,825	0.13%
3M Co	61,876	0.16%	62,453	0.19%
Diamond Hill Large Cap Fund	3,692,400	9.73%	3,385,487	10.14%
Oppenheimer International Growth Fund	4,294,488	11.32%	3,514,878	10.53%
Wells Fargo Growth Fund	8,118,247	21.39%	5,430,523	16.26%
	<u>\$ 19,355,931</u>	<u>51.01%</u>	<u>\$ 15,266,618</u>	<u>45.72%</u>
Fixed income securities:				
Aberdeen Emerging Markets Debt Fund	\$ 2,191,057	5.77%	\$ 2,088,153	6.25%
JIC Institutional Bond III	2,302,562	6.07%	2,098,866	6.29%
Courage Credit Opportunities Onshore	321,759	0.85%	419,086	1.26%
Brandywine Global Opp Fixed Income Fund	2,790,777	7.35%	2,499,138	7.48%
	<u>\$ 7,606,155</u>	<u>20.04%</u>	<u>\$ 7,105,243</u>	<u>21.28%</u>
Alternative investments:				
Ironwood Institutional Multi-Strategy Fund, LLC	\$ 3,299,449	8.69%	\$ 2,924,745	8.76%
Eastern Shore CIT	2,770,370	7.30%	2,382,363	7.13%
BTG Pactual Open Ended Core US Timberland Fund LP	1,065,907	2.81%	1,017,192	3.05%
Terracap Partners LP	1,646,901	4.34%	1,811,318	5.42%
LMCG Collective Trust	-	0.00%	1,264,885	3.79%
	<u>\$ 8,782,627</u>	<u>23.14%</u>	<u>\$ 9,400,503</u>	<u>28.15%</u>
Accrued interest	<u>\$ 5,796</u>	<u>0.02%</u>	<u>\$ 6,533</u>	<u>0.02%</u>

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(6) Net pension liability

2020 plan year

The Plan'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 based on the actuarial valuation as January 1, 2020 and rolled forward to December 31, 2020.

Total pension liability	\$ 38,241,721
Plan fiduciary net position	<u>(37,947,141)</u>
Plan's net pension liability	<u>\$ 294,580</u>

Plan fiduciary net position as a percentage of the total pension liability	99.20%
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Actuarial assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75%, for the supplemental benefit, none for the frozen accrued benefit
Investment rate of return	6.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubG-2010 total dataset tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP 2018.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.30%) and by adding expected inflation (2.75%). In addition, the final 6.50% assumption was selected by rounding down and thereby reflects a reduction of 0.55% for adverse deviation.

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(6) Net pension liability (continued)

2020 plan year (continued)

Actuarial assumptions (continued)

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities		
Large cap domestic	30%	5.77%
Small cap domestic	7	6.05
International developed	12	6.06
Emerging markets	3	7.60
Hedge fund of funds	12	2.75
Real estate	10	3.60
Fixed income	26	1.92
Cash	<u>0</u>	0.35
Total	<u>100%</u>	
Weighted Average		4.30%

Discount rate

The discount rate used to measure the total pension liability was 6.50%. No projection of cash flows was used to determine the discount rate because the January 1, 2020 actuarial valuation showed that expected contributions would amortize the unfunded actuarial liability (UAL) in nine years. Because of the 9-year amortization period of the UAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.50% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the Plan, calculated using the discount rate of 6.50%, compared to what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Plan's net pension liability	<u>\$4,521,068</u>	<u>\$294,580</u>	<u>\$(3,264,489)</u>

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(6) Net pension liability (continued)

2019 plan year

The Plan's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuation as of January 1, 2019 and rolled forward to December 31, 2019.

Total pension liability	\$ 36,065,018
Plan fiduciary net position	<u>( 33,392,523)</u>
Plan's net pension liability	<u>\$ 2,672,495</u>

Plan fiduciary net position as a percentage of the total pension liability	92.60%
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Actuarial assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75%, plus merit and promotion increases that vary by age and service
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubG-2010 total dataset tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP 2018.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.33%) and by adding expected inflation (2.75%). In addition, the final 6.75% assumption was selected by rounding down and thereby reflects a reduction of 0.33% for adverse deviation.

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(6) Net pension liability (continued)

2019 plan year (continued)

Actuarial assumptions (continued)

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities		
Large cap domestic	30%	5.77%
Small cap domestic	7	6.05
International developed	12	6.06
Emerging markets	3	7.60
Hedge fund of funds	10	2.75
Real estate	12	3.60
Fixed income	26	2.04
Cash	<u>0</u>	0.35
Total	<u>100%</u>	
Weighted Average		4.33%

Discount rate

The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because the January 1, 2019 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial liability (UAL) in nine years. Because of the nine year amortization period, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the Plan, calculated using the discount rate of 6.75%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Plan's net pension liability	<u>\$6,697,433</u>	<u>\$2,672,495</u>	<u>\$(714,149)</u>

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(7) Plan termination

The Board of Directors of GBRA may terminate the Plan at any time. On December 12, 2018 the Board approved an amendment to freeze the plan effective December 31, 2018 and provide supplemental benefits through TCDRS to its employees effective January 1, 2019. GBRA will continue to fund the Plan through contributions as may be required to fund the frozen Plan and the Plan shall continue to hold and administer the Trust Fund in accordance with the Plan documents.

(8) Risks and uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect Plan's net position and the amounts reported in the statement of net position.

Plan contributions are made and the actuarial present value of accumulated Plan benefits are reported based on certain assumptions pertaining to interest rates, employee demographics and inflation rates which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is reasonably possible that changes in these estimates in the near term would be material to the financial statements.

(9) Investment expenses

Investment expenses are summarized in the following table:

Asset Class	Management Fees Paid from Trust
Public Equity	\$ 17,960
Fixed Income	10,894
Alternative/Other	14,226
Total Investment Management Fees	\$ 43,080
<u>Investment Services</u>	
Investment Consulting	\$ 35,000
<u>Investment Expenses</u>	
Investment Management Fees	\$ 43,080
Investment Services	35,000
Total Investment Expenses	\$ 78,080

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

(9) Investment expenses (continued)

Alternative investments and investment managers are summarized in the following table:

<u>Alternative Investments</u>	<u>Investment Manager</u>
Ironwood Institutional Multi-Strategy Fund, LLC	Ironwood Capital Management
Eastern Shore CIT	Eastern Shore Capital Management
BTG Pactual Open Ended Core US Timberland LP	BTG Pactual Asset Management
Terracap Partners LP	Terracap Management, LLC

**REQUIRED SUPPLEMENTARY INFORMATION**

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**

**December 31,\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability				
Service cost	\$ -	\$ -	\$ 283,744	\$ 310,415
Interest	2,393,378	2,337,907	2,454,094	2,377,209
Changes of benefit provisions	-	(3,504,857)	-	-
Difference between expected and actual experience	756,092	-	135,472	502,207
Changes in assumptions	972,932	2,358,552	(177,119)	-
Benefit payments	<u>(1,945,699)</u>	<u>(1,817,087)</u>	<u>(1,644,165)</u>	<u>(1,397,727)</u>
Net change in total pension liability	2,176,703	(625,485)	1,052,026	1,792,104
Total pension liability - beginning	<u>36,065,018</u>	<u>36,690,503</u>	<u>35,638,477</u>	<u>33,846,373</u>
Total pension liability - ending	<u>\$ 38,241,721</u>	<u>\$ 36,065,018</u>	<u>\$ 36,690,503</u>	<u>\$ 35,638,477</u>
Plan fiduciary net position				
Contributions by the employer	\$ 1,000,000	\$ 1,003,540	\$ 1,128,049	\$ 1,067,716
Net investment income	5,500,317	5,474,367	(1,390,831)	4,336,286
Benefit payments	<u>(1,945,699)</u>	<u>(1,817,087)</u>	<u>(1,644,165)</u>	<u>(1,397,727)</u>
Net change in plan fiduciary net position	4,554,618	4,660,820	(1,906,947)	4,006,275
Plan fiduciary net position - beginning	<u>33,392,523</u>	<u>28,731,703</u>	<u>30,638,650</u>	<u>26,632,375</u>
Plan fiduciary net position - ending	<u>37,947,141</u>	<u>33,392,523</u>	<u>28,731,703</u>	<u>30,638,650</u>
Plan's net pension liability - ending	<u>\$ 294,580</u>	<u>\$ 2,672,495</u>	<u>\$ 7,958,800</u>	<u>\$ 4,999,827</u>

\* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 363,322	\$ 383,725	\$ 370,825
2,251,021	2,146,004	2,046,056
-	-	-
553,030	54,130	-
477,891	605,445	-
<u>(1,124,173)</u>	<u>(841,560)</u>	<u>(698,521)</u>
2,521,091	2,347,744	1,718,360
<u>31,325,282</u>	<u>28,977,538</u>	<u>27,259,178</u>
<u>\$ 33,846,373</u>	<u>\$ 31,325,282</u>	<u>\$ 28,977,538</u>
\$ 1,338,202	\$ 1,733,464	\$ 1,684,302
650,186	(440,231)	486,549
<u>(1,124,173)</u>	<u>(841,560)</u>	<u>(698,521)</u>
864,215	451,673	1,472,330
<u>25,768,160</u>	<u>25,316,487</u>	<u>23,844,157</u>
<u>26,632,375</u>	<u>25,768,160</u>	<u>25,316,487</u>
<u>\$ 7,213,998</u>	<u>\$ 5,557,122</u>	<u>\$ 3,661,051</u>

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**SCHEDULE OF NET PENSION LIABILITY AND RATIOS**

**December 31,\***

YEAR	TOTAL PENSION LIABILITY	FIDUCIARY NET POSITION	NET PENSION LIABILITY	FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	ANNUAL COVERED EMPLOYEE PAYROLL	NET PENSION LIABILITY AS A PERCENTAGE OF ANNUAL COVERED EMPLOYEE PAYROLL
2020	\$ 38,241,721	\$ 37,947,141	\$ 294,580	99.20%	\$ 6,031,498	4.90%
2019	36,065,018	33,392,523	2,672,495	92.60%	5,636,970	47.40%
2018	36,690,503	28,731,703	7,958,800	78.30%	5,826,719	136.60%
2017	35,638,477	30,638,650	4,999,827	86.00%	6,279,213	79.63%
2016	33,846,373	26,632,375	7,213,998	78.69%	7,096,581	101.65%
2015	31,325,282	25,768,160	5,557,122	82.26%	7,566,022	73.45%
2014	28,977,538	25,316,487	3,661,051	87.37%	7,423,408	49.32%

\* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**SCHEDULE OF PLAN CONTRIBUTIONS**

**December 31, 2020 and last nine years**

FISCAL YEAR ENDED DECEMBER 31,	ACTUARIALLY DETERMINED CONTRIBUTION EMPLOYER	ACTUAL CONTRIBUTION	ACTUARIALLY DETERMINED LESS ACTUAL	ANNUAL COVERED PAYROLL	ACTUAL CONTRIBUTION AS A PERCENTAGE OF ANNUAL COVERED PAYROLL
2020	\$ 897,338	\$ 1,000,000	\$ 102,662	\$ 6,031,498	17%
2019	653,540	1,003,540	350,000	5,636,970	18%
2018	1,128,049	1,128,049	-	5,826,719	19%
2017	1,067,716	1,067,716	-	6,279,213	17%
2016	1,038,202	1,338,202	300,000	7,096,581	19%
2015	1,033,464	1,733,464	700,000	7,566,022	23%
2014	984,302	1,684,302	700,000	7,428,025	23%
2013	993,893	1,593,893	600,000	7,661,304	21%
2012	1,011,297	1,511,297	500,000	8,203,042	18%
2011	1,014,388	1,620,832	606,444	8,447,077	19%

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**SCHEDULE OF INVESTMENT RETURNS**

**December 31,\***

<u>YEAR</u>	<u>ANNUAL MONEY - WEIGHTED NET REAL RATE OF RETURN</u>
2020	16.97%
2019	19.62%
2018	-4.66%
2017	16.72%
2016	2.58%
2015	-1.75%
2014	2.05%
2013	13.64%

\* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE-BLANCO RIVER AUTHORITY**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**December 31,**

(1) Methods and assumptions used to determine contribution rates

	ACTUARIAL VALUATION DATE		
	12/31/2020	12/31/2019	12/31/2018
Actuarial cost method	None since plan is frozen	None since plan is frozen	Entry age
Amortization method	Level dollar closed period	Level dollar closed period	Level percentage of payroll, open
Amortization period	9 years	10 years	8 years
Asset valuation method	5 year smoothed market value	5 year smoothed market value	5 year adjusted market value
Actual assumptions:			
Investment return*	6.50%	6.75%	7.00%
Projected salary increase*	None for frozen accrued benefit 2.75% for supp. benefits	None for frozen accrued benefit 2.75% for supp. benefits	2.75% plus merit**
Inflation	2.75%	2.75%	2.75%
Cost-of-living adjustments	0.00%	0.00%	0.00%

\* Includes inflation at the stated rate

\*\* Merit increases range from 0.0% to 5.0%

ACTUARIAL VALUATION DATE			
12/31/2017	12/31/2016	12/31/2015	12/31/2014
Entry age	Entry age	Entry age	Entry age
Level percentage of payroll, open			
9 years	9 years	9 years	8 years
5 year adjusted market value			
7.00%	7.00%	7.00%	7.25%
3.00% plus merit**	3.00% plus merit**	3.00% plus merit**	3.95% plus merit**
3.00%	3.00%	3.00%	3.95%
0.00%	0.00%	0.00%	0.00%