

**LOWER COLORADO RIVER AUTHORITY
401(K) PLAN**

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DEC. 31, 2019, and 2018**

With Report of Independent Auditors

Lower Colorado River Authority
401(k) Plan

Financial Statements
As of and for the
Years Ended
Dec. 31, 2019, and 2018

Table of Contents

Report of Independent Auditors	1
Required Supplemental Information - Management's Discussion and Analysis (Unaudited)	3
Financial Statements	
Statements of Fiduciary Net Position	6
Statements of Changes in Fiduciary Net Position	7
Notes to the Financial Statements	8



INDEPENDENT AUDITORS' REPORT

To the LCRA Retirements Benefits Board of Trustees
Lower Colorado River Authority 401(k) Plan
Austin, Texas

We have audited the accompanying financial statements of Lower Colorado River Authority Retirement 401(k) Plan (the Plan), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Plan's 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2019 and 2018, and the changes in the Plan's fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of the Lower Colorado River Authority, as of December 31, 2019 and 2018, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Baker Tilly Virchow Krause, LLP

Austin, Texas
June 5, 2020

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended Dec. 31, 2019, and 2018

This section of the Lower Colorado River Authority's (LCRA) 401(k) Plan (Plan) financial report presents our discussion and analysis of the Plan's financial performance for the years ended Dec. 31, 2019, and 2018. The reader should consider the information presented here in conjunction with the financial statements that follow.

Financial Statements Overview

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements, which comprise the following:

Management's Discussion and Analysis

This section provides an objective and easily readable analysis of financial activities based on currently known facts, decisions and conditions.

Statements of Fiduciary Net Position

The statements of fiduciary net position present the assets and liabilities of the Plan for the current year and prior year. All assets with a market value are stated at fair value and, accordingly, unrealized appreciation and depreciation are reported in the statements of changes in fiduciary net position. Purchases and sales of investments are recorded on a trade-date basis and, accordingly, the related receivables and payables for any unsettled trades are recorded. Amounts reported may include management's estimates. Actual results could differ from those estimates.

Statements of Changes in Fiduciary Net Position

The statements of changes in fiduciary net position present information showing how the Plan's net position changed during the current period. Changes are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported in these statements for some items that will only result in cash flows in future periods.

Notes to Financial Statements

The notes include a summary of significant accounting policies, a brief description of the Plan, and disclosures regarding liabilities, investments and administrative expenses, which are deemed necessary for a full understanding of the data provided in the Plan's financial statements.

Collectively, this information presents the net position restricted for pensions as of the end of each period and summarizes the changes in fiduciary net position for the period.

**LOWER COLORADO RIVER AUTHORITY 401(K) PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended Dec. 31, 2019, and 2018**

Financial Highlights

Statements of Fiduciary Net Position (Dollars in thousands)			
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Assets			
Investments at fair value	\$ 290,987	\$ 233,101	\$ 243,842
Loans to participants	6,056	5,667	5,655
Total assets	<u>297,043</u>	<u>238,768</u>	<u>249,497</u>
Liabilities			
Total liabilities	-	-	-
Net position restricted for pensions	<u>\$ 297,043</u>	<u>\$ 238,768</u>	<u>\$ 249,497</u>

Statements of Fiduciary Net Position Overview

Net position restricted for pensions increased by approximately \$58.3 million, or 24.4% for the year ended Dec. 31, 2019. The increase of \$58.3 million, or 24.4%, was due to the increase in the fair value of the Plan's investments compared to Dec. 31, 2018. The increase for 2019 was a result of consistently strong market conditions throughout 2019 as compared to weaker market conditions for the year ended Dec. 31, 2018.

Net position restricted for pensions decreased by approximately \$10.7 million, or 4.3% for the year ended Dec. 31, 2018. The decrease primarily resulted from an economic downturn in December 2018 that eclipsed relatively stable market conditions throughout 2018 as compared to consistently strong market conditions for the year ended Dec. 31, 2017.

Total investments were approximately \$291.0 million as of Dec. 31, 2019, an increase of approximately \$57.9 million, or 24.8%, for the year ended Dec. 31, 2019, due to stronger market performance in 2019. Total investments were approximately \$233.1 million as of Dec. 31, 2018, a decrease of approximately \$10.7 million, or 4.4%, for the year ended Dec. 31, 2018, due to the economic downturn in December 2018 that did not rebound until 2019.

Participant loan activity remains at a high volume with 192 new loans in 2019 and 195 new loans in 2018. The total number of loans outstanding was 529 as of Dec. 31, 2019, and 584 as of Dec. 31, 2018. The change in loans to participants resulted in a \$0.39 million increase in loan balances from Dec. 31, 2018, to Dec. 31, 2019. There were 195 new loans in 2018 and 164 new loans in 2017. The total number of loans outstanding was 584 as of Dec. 31, 2018, and 657 as of Dec. 31, 2017. The increase in loans to participants resulted in a \$0.01 million increase in loan balances from Dec. 31, 2017, to Dec. 31, 2018.

**LOWER COLORADO RIVER AUTHORITY 401(K) PLAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
As of and for the Years Ended Dec. 31, 2019, and 2018**

Condensed Statements of Changes in Fiduciary Net Position (Dollars in thousands)			
	12 Months Ended Dec. 31, 2019	12 Months Ended Dec. 31, 2018	12 Months Ended Dec. 31, 2017
Additions			
Contributions	\$ 26,796	\$ 23,939	\$ 20,388
Investment income (loss) and interest income on loans receivable from participants	56,162	(16,228)	41,922
Total additions	82,958	7,711	62,310
Deductions			
Benefits paid to participants	(24,707)	(18,454)	(18,037)
General, administrative and other (expenses) income	24	14	(53)
Total deductions	(24,683)	(18,440)	(18,090)
Net increase (decrease)	58,275	(10,729)	44,220
Fiduciary net position restricted for pensions, beginning of period	238,768	249,497	205,277
Fiduciary net position restricted for pensions, end of period	\$ 297,043	\$ 238,768	\$ 249,497

Statements of Changes in Fiduciary Net Position Overview

Contributions made by both employees and LCRA increased by approximately \$2.9 million, or 11.9%, for the year ended Dec. 31, 2019, and increased by approximately \$3.6 million, or 17.4%, for the year ended Dec. 31, 2018. New participants to the Plan largely contributed to the increase for the both of the years ended Dec. 31, 2019, and 2018.

Investment income (loss) and interest income on loans increased by \$72.4 million, or 446.1%, for the year ended Dec. 31, 2019. The increase was a result from significant unrealized gains on Plan investments due to stable growth in global financial markets. Investment income (loss) and interest income on loans decreased by \$58.2 million, or 138.7%, for the year ended Dec. 31, 2018, compared to the previous year. The decrease was a result of significant unrealized losses on Plan investments. While the first three quarters of 2018 experienced a stable incline in global financial markets, the fourth quarter suffered a sudden downturn that resulted in heavy losses across most major asset classes.

The amount of benefits paid to participants increased by approximately \$6.3 million, or 33.9%, during the year ended Dec. 31, 2019, mostly due to the increase in participants. Benefits paid for the year ended Dec. 31, 2018, increased approximately \$0.4 million, or 2.3%. The increase resulted mostly from an increase in participants.

General, administrative and other (expenses) income did not materially change for the year ended Dec. 31, 2019, as compared to Dec. 31, 2018. Conversely, there was a \$0.1 million decrease for the year ended Dec. 31, 2018, due to increased offsetting revenue credits.

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which is currently affecting many parts of the world, including Texas (the "Pandemic"). The Pandemic will significantly impact economic activity within the United States and the State of Texas. Financial markets, both national and international, have seen significant declines and volatility attributed to concerns over the Pandemic. The duration, scope and severity of the adverse impact resulting from the Pandemic cannot be determined at the present time. LCRA continues to monitor the spread of the pandemic and its impacts. The LCRA 401k plan is being monitored for any adverse change but at present, no assurance can be given regarding the impact of the Pandemic on LCRA's operations, finances or this plan.

Request for Information

This financial report is designed to provide a general overview of the finances of LCRA's 401(k) Plan for all parties with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Retirement Benefits Administrator, LCRA, 3700 Lake Austin Blvd., Austin, TX 78703.

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN STATEMENTS OF FIDUCIARY NET POSITION

(Dollars in thousands)

	Dec. 31, 2019	Dec. 31, 2018
Assets		
Investments at fair value	\$ 290,987	\$ 233,101
Loans to participants	6,056	5,667
Total assets	<u>297,043</u>	<u>238,768</u>
Liabilities		
Total liabilities	-	-
Net position restricted for pensions	<u>\$ 297,043</u>	<u>\$ 238,768</u>

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

(Dollars in thousands)

	Years Ended Dec. 31,	
	2019	2018
Additions		
Contributions:		
Participants	\$ 15,029	\$ 13,918
Employer	8,885	7,885
Rollovers	2,882	2,136
Total contributions	26,796	23,939
Investment income:		
Net appreciation (depreciation) on investments	25,499	(41,214)
Interest and dividends	30,328	24,699
Total investment income (loss)	55,827	(16,515)
Interest income on loans receivable from participants	335	287
Total additions	82,958	7,711
Deductions		
Benefits paid to participants	(24,707)	(18,454)
General, administrative and other (expenses) income	24	14
Total deductions	(24,683)	(18,440)
Net increase (decrease) in net position	58,275	(10,729)
Net position restricted for pensions, beginning of period	238,768	249,497
Net position restricted for pensions, end of period	\$ 297,043	\$ 238,768

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Years Ended Dec. 31, 2019, and 2018

1. Plan Description

The following description of the Plan provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General: The Plan is a single-employer defined contribution plan sponsored by LCRA and administered by the LCRA Retirement Benefits Board of Trustees (Board). The Board has seven members: two LCRA Board members, two employees from upper-management positions and three employees from positions other than upper management. The LCRA Board of Directors has sole authority to amend the Plan. LCRA employees are eligible to participate in the Plan immediately upon employment. As of Dec. 31, 2019, and Dec. 31, 2018, 2,006 employees and 1,927 employees, respectively, were eligible to participate in the Plan, and 1,828 employees and 1,768 employees, respectively, were actively participating in the Plan.

Contributions: Participants may elect to contribute from 1.0% of eligible compensation up to the maximum allowed annual contribution as prescribed in Internal Revenue Code (IRC) Section 402(g)(4). Participants who fail to submit the proper election as of the Participant's Deemed Election Date are deemed to have made an election to contribute 8.0% of eligible compensation. Participants who are 50 years old before the end of the Plan year are eligible to make catch-up contributions. Participants also may contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

LCRA matches 25.0% of the first 4.0% of contributions for employees who were employed prior to Jan. 1, 2002, and did not elect to participate in the cash balance feature. LCRA matches 100.0% of the first 4.0% of contributions and 50.0% of the next 2.0% of contributions, as defined in the Plan, for employees who were employed prior to Jan. 1, 2002, and elected to participate in the cash balance feature of the LCRA Retirement Plan and Trust, as well as those participants employed after Jan. 1, 2002. LCRA matches 100.0% of the first 8.0% of contributions for employees hired after May 1, 2012. Contributions are subject to certain limitations.

Participants can elect to contribute on a pretax basis, an after-tax basis, or a combination of the two.

Participant accounts: Participants direct the investment of their contributions into various investment options offered by the Plan.

Each participant's account is credited with the participant's contribution and allocations of LCRA's contributions and Plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined in the Plan agreement. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting: Participants employed prior to May 1, 2012, are 100% vested in their voluntary contributions and employer contributions. A participant whose period of service began on or after May 1, 2012, is 100% vested in their voluntary contributions at the date of contribution. However, a participant whose period of service began on or after May 1, 2012, will be 100% vested in employer contributions only after reaching three years of service.

Notes receivable from participants: Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. The loans are secured by the balance in the participant's account and bear interest, as determined by the Plan administrator. Principal and interest are paid through after-tax payroll deductions.

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Years Ended Dec. 31, 2019, and 2018

Notes receivable from participants are measured at their unpaid principal balance plus accrued, but unpaid, interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. If a participant ceases to make loan repayments and the Plan administrator deems the participant loan to be in default, the participant loan balance is reduced, and a benefit payment is recorded.

Payment of benefits: On termination of service or age 59½, a participant may elect to receive a distribution up to the value of the participant's vested interest in his or her account. Any balance under \$1,000 is automatically paid out as soon as administratively possible. Hardship withdrawals also are available for active employees subject to certain limitations.

Administrative expenses: Administrative expenses may be paid by either the Plan sponsor or the Plan, as provided by the Plan document. Loan administration fees are paid by the participant electing to take the loan.

Forfeitures: Participant forfeitures of nonvested balances may be used to reduce future employer contributions. During the year ended Dec. 31, 2019, employer contributions were reduced by \$0.2 million and there were \$0.2 million in unallocated forfeitures. During the Dec. 31, 2018, Plan year, employer contributions were reduced by \$0.2 million and there were \$0.2 million in unallocated forfeitures.

2. Summary of Significant Accounting Policies

Reporting entity: The Plan is sponsored by LCRA. The Plan does not purport to, and does not present, the financial position or changes in financial position of LCRA as of any date or for any period. Certain information regarding the Plan is included in the notes to LCRA's financial statements.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein. Actual results could differ from those estimates.

Risk: The Plan invests in different types of investments, which are exposed to various risks that have the potential to result in losses. These risks are custodial credit risk, credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Each risk is described in detail on the following pages. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the fair values of investments will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net position.

Basis of accounting: The financial statements of the Plan are reported using the economic resources measurement focus and are prepared on the accrual basis of accounting in conformity with U.S. GAAP. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The Plan applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and presents its financial statements in accordance with the GASB Codification of Government Accounting and Financial Reporting Standards.

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Years Ended Dec. 31, 2019, and 2018

Investment valuation and income recognition: GASB Statement No. 72, *Fair Value Measurement and Application* (Statement No. 72), addresses the accounting and reporting issues related to fair value measurements.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. Investments are reported at fair value based upon quoted market prices, or when quoted market prices are not readily determinable, estimated fair values using observable inputs, including quoted prices for similar securities, interest rates and a fixed income pricing model that uses available market rates. The Plan values its fixed income securities using a fixed income pricing model provided by its investment custodian. Shares of registered investment companies (mutual funds) are reported at fair value based on the quoted market price per share of the fund.

The Plan uses various methods to measure the fair value of investment on a recurring basis. Statement No. 72 establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that the Plan has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Plan's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Investments measured at net asset value do not have significant terms or conditions for redemption or commitment for additional funding. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

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. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold, as well as unrealized gains and losses on investments still held at year-end.

Payment of benefits: Benefits are recorded when paid.

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Years Ended Dec. 31, 2019, and 2018

3. Investments

The Plan's trustees have the following responsibilities:

- Operate the Plan in compliance with legal requirements and Plan documents for the exclusive benefit of the participants.
- Adopt an Investment Policy Statement that provides the appropriate investment options.
- Identify appropriate investment options allowing for adequate levels of asset allocation.
- Select qualified investment administrators.
- Select a custodian.
- Monitor investment results.
- Monitor administrators' compliance with the Investment Policy Statement and the fees charged for services.
- Take appropriate action if objectives are not being met or guidelines are not being followed.

Investment administrators have the following responsibilities:

- Develop and implement the investment strategy.
- Manage assets within guidelines, regulations and the investment strategy.
- Communicate to the Board, at least annually, the performance of the Plan's investments.

Trustees provide trustee services and provide for the education of participants regarding the importance of equities and asset allocation. The record keeper maintains account balance information on a participant, as well as on a total Plan basis. Participants determine personal risk level and select options appropriate for meeting their unique investment objectives.

The investment objective of the Plan is to provide a manageable group of mutual funds that offers the participants a quality product with the ability to properly diversify their investment holdings.

The fund manager and investment administrator are expected to manage the Plan's assets in a manner consistent with the investment objectives, guidelines and constraints outlined in the Plan's investment policy and in accordance with state and federal requirements. This includes discharging responsibilities with respect to the Plan consistent with the prudent expert standard as described above and all other fiduciary responsibility provisions and regulations. The fund manager and investment administrator shall at all times be registered in good standing as an investment adviser under the Investment Advisers Act of 1940, and shall acknowledge in writing that it is a fiduciary of the Plan.

The Board has determined a wide range of alternative investment options will be available to participants.

A representative of the fund administrator and/or fund manager meets with the Board annually to review and explain the Plan's investment results. Written reports of interim performance are provided on a quarterly basis. Monthly statements of portfolio holdings and transactions are provided to the Board. The fund manager is available on a reasonable basis for telephone communication when needed. Any material event that affects the ownership of a fund manager firm or the management of this account must be reported immediately to the Board.

The Board monitors each fund's performance on a quarterly basis and evaluates each fund's and the Plan's success in achieving the investment objectives over a rolling three-year to five-year horizon.

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended Dec. 31, 2019, and 2018

Investments are valued at fair value. A comparison of original cost to fair value as of Dec. 31, 2019, and Dec. 31, 2018, is as follows:

LCRA 401(k) Plan, Fair Value of Investments (Dollars in thousands)				
	Dec. 31, 2019		Dec. 31, 2018	
	Fair Value	Cost	Fair Value	Cost
Common stock	\$ 6,401	\$ 3,874	\$ 3,470	\$ 2,861
Mutual funds	284,586	276,002	229,631	244,367
Total	<u>\$ 290,987</u>	<u>\$ 279,876</u>	<u>\$ 233,101</u>	<u>\$ 247,228</u>

Investments measured at fair value hierarchy levels as of Dec. 31, 2019, are as follows:

LCRA 401(k) Plan Investments, Fair Market Value (Dollars in thousands)				
Investments	Dec. 31, 2019			Total Amount
	(Level 1)	(Level 2)	(Level 3)	
Equity securities	\$ 6,401	-	-	\$ 6,401
Total equity securities	\$ 6,401	-	-	6,401
Investments measured at net asset value:				
Mutual funds				284,586
Total investments measured at NAV				284,586
Total investments				<u>\$ 290,987</u>

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended Dec. 31, 2019, and 2018

Investments Measured at Net Asset Value as of Dec. 31, 2019 (Dollars in thousands)								
Investments Measured at NAV	Equities	Fixed Income	Net Asset Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Weighted Average Maturity	Credit Rating
Mutual funds								
Fidelity Contrafund K6 ¹	\$ 48,139	\$ -	\$ 48,139	\$ -	Daily	N/A	N/A	N/A
American Funds 2035 Target Date Retirement Fund Class R-6 ⁴	32,708	3,093	35,801	-	Daily	N/A	N/A	N/A
Fidelity 500 Index Institutional ¹	33,010	-	33,010	-	Daily	N/A	N/A	N/A
American Funds 2045 Target Date Retirement Fund Class R-6 ⁴	5,498	23,652	29,150	-	Daily	N/A	N/A	N/A
American Funds 2025 Target Date Retirement Fund Class R-6 ⁴	16,476	10,780	27,256	-	Daily	N/A	N/A	N/A
Vanguard Equity-Income Fund Admiral Shares ¹	13,904	-	13,904	-	Daily	N/A	N/A	N/A
American Funds 2015 Target Date Retirement Fund Class R-6 ⁴	5,079	8,772	13,851	-	Daily	N/A	N/A	N/A
American Funds 2055 Target Date Retirement Fund Class R-6 ⁴	2,487	10,699	13,186	-	Daily	N/A	N/A	N/A
BrokerageLink ⁵	4,673	-	4,673	-	Daily	N/A	N/A	N/A
Fidelity Government Money Market Fund	-	10,635	10,635	-	Daily	N/A	0.99 years	N/A
Fidelity Diversified International K6 Fund ²	10,119	-	10,119	-	Daily	N/A	N/A	N/A
Fidelity Low-Priced Stock K6 Fund ¹	9,814	-	9,814	-	Daily	N/A	N/A	N/A
Vanguard Intermediate-Term Bond Index Fund Admiral Shares ³	-	6,808	6,808	-	Daily	N/A	7.2 years	AA/Aa2
Nuance Mid Cap Value Fund Z Class Shares ¹	6,561	-	6,561	-	Daily	N/A	N/A	N/A
Vanguard Total Bond Market Index Fund Admiral Shares ³	-	6,115	6,115	-	Daily	N/A	8.3 years	AA/Aa2
Fidelity Intermediate Bond Fund ³	-	5,633	5,633	-	Daily	N/A	4.5 years	A/A2
Fidelity Extended Market Index Premium ¹	4,829	-	4,829	-	Daily	N/A	N/A	N/A
American Funds 2010 Target Date Retirement Fund Class R-6 ⁴	464	1,230	1,694	-	Daily	N/A	N/A	N/A
Fidelity International Index Premium ²	1,443	-	1,443	-	Daily	N/A	N/A	N/A
Vanguard Total International Stock Index Fund Admiral Shares ²	1,375	-	1,375	-	Daily	N/A	N/A	N/A
American Funds 2030 Target Date Retirement Fund Class R-6 ⁴	165	26	191	-	Daily	N/A	N/A	N/A
American Funds 2050 Target Date Retirement Fund Class R-6 ⁴	24	105	129	-	Daily	N/A	N/A	N/A
American Funds 2060 Target Date Retirement Fund Class R-6 ⁴	24	104	128	-	Daily	N/A	N/A	N/A
American Funds 2040 Target Date Retirement Fund Class R-6 ⁴	108	10	118	-	Daily	N/A	N/A	N/A
American Funds 2020 Target Date Retirement Fund Class R-6 ⁴	11	13	24	-	Daily	N/A	N/A	N/A
Total investments measured at NAV	\$ 196,911	\$ 87,675	\$ 284,586	\$ -				

¹ Domestic equity managers invest in U.S.-based companies utilizing bottom-up stock selection and quantitative screening. Some managers may be passively managed and seek to replicate performance of their respective indices. Active managers seek to outperform their respective indices over a long-term investment horizon.

² International equity managers invest in internationally based companies and seek either to replicate or outperform their respective indices over a long term investment horizon.

³ Fixed income managers invest in U.S.-related debt securities and pursue capital preservation in lieu of capital growth. These managers seek either to replicate or outperform their respective indices over a long-term investment horizon.

⁴ Target date managers may invest in both equity and debt strategies and shift their asset allocation over time. As a fund approaches its intended retirement year (e.g., 2025), it will shift its asset allocation to debt securities to preserve capital.

⁵ BrokerageLink allows participants to directly invest. Market value shown includes the Fidelity fund and external fund.

⁶ The trust currently has no unfunded commitments due to investment managers; all of the current investment managers are fully funded.

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended Dec. 31, 2019, and 2018

Investments measured at fair value hierarchy levels as of Dec. 31, 2018, are as follows:

LCRA 401(k) Plan Investments, Fair Market Value (Dollars in thousands)		Dec. 31, 2018			
Investments	(Level 1)	(Level 2)	(Level 3)	Total Amount	
Equity securities	\$ 3,470	-	-	\$ 3,470	
Total equity securities	\$ 3,470	-	-	3,470	
Investments measured at net asset value:					
Mutual funds				229,631	
Total investments measured at NAV				229,631	
Total investments				\$ 233,101	

Investments Measured at Net Asset Value as of Dec. 31, 2018 (Dollars in thousands)									
Investments Measured at NAV	Equities	Fixed Income	Net Asset Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Weighted Average Maturity	Credit Rating	
Mutual funds									
Fidelity Contrafund K ¹	\$ 40,624	\$ -	\$ 40,624	\$ -	Daily	N/A	N/A	N/A	
Fidelity Freedom 2035 Fund ⁴	21,860	3,391	25,251	-	Daily	N/A	N/A	N/A	
Fidelity 500 Index Institutional ¹	24,149	-	24,149	-	Daily	N/A	N/A	N/A	
Fidelity Freedom 2025 Fund ⁴	13,931	9,115	23,046	-	Daily	N/A	N/A	N/A	
Fidelity Freedom 2045 Fund ⁴	18,727	1,771	20,498	-	Daily	N/A	N/A	N/A	
Fidelity Freedom 2015 Fund ⁴	6,701	7,917	14,618	-	Daily	N/A	N/A	N/A	
Vanguard Equity-Income Fund Admiral Shares ²	12,758	-	12,758	-	Daily	N/A	N/A	N/A	
Fidelity Money Market Trust Retirement Government Money Market Portfolio ⁵	-	9,216	9,216	-	Daily	N/A	24 days	N/A	
Fidelity Low-Priced Stock Fund Class K ¹	8,641	-	8,641	-	Daily	N/A	N/A	N/A	
Fidelity Freedom 2055 Fund ⁴	7,770	733	8,503	-	Daily	N/A	N/A	N/A	
Fidelity Diversified International Fund Class K ²	7,327	-	7,327	-	Daily	N/A	N/A	N/A	
Vanguard Total Bond Market Index Fund Admiral Shares ³	-	5,648	5,648	-	Daily	N/A	8.3 years	AA/Aa2	
Fidelity Intermediate Bond Fund ³	-	5,077	5,077	-	Daily	N/A	4.6 years	A/A2	
BrokerageLink ⁵	4,897	-	4,897	-	Daily	N/A	N/A	N/A	
Vanguard Selected Value Fund ¹	4,863	-	4,863	-	Daily	N/A	N/A	N/A	
Vanguard Intermediate-Term Bond Index Fund Admiral Shares ⁴	-	4,854	4,854	-	Daily	N/A	7.2 years	AA/Aa2	
Fidelity Extended Market Index Premium Fund ²	4,058	-	4,058	-	Daily	N/A	N/A	N/A	
Fidelity International Index Fund Premium Class ²	2,001	-	2,001	-	Daily	N/A	N/A	N/A	
Vanguard Total International Stock Index Fund Admiral Shares ²	1,599	-	1,599	-	Daily	N/A	N/A	N/A	
Fidelity Freedom Income Fund Class K ⁴	221	952	1,173	-	Daily	N/A	N/A	N/A	
Fidelity Freedom 2010 Fund ⁴	296	512	808	-	Daily	N/A	N/A	N/A	
Fidelity Freedom 2005 Fund ⁴	6	16	22	-	Daily	N/A	N/A	N/A	
Total investments measured at NAV	\$ 180,429	\$ 49,202	\$ 229,631	\$ -					

¹ Domestic equity managers invest in U.S.-based companies utilizing bottom-up stock selection and quantitative screening. Some fund managers may be passively managed and seek to replicate performance of their respective indices. Active managers seek to outperform their respective indices over a long-term investment horizon.

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Years Ended Dec. 31, 2019, and 2018

² International equity managers invest in internationally-based companies and seek either to replicate or outperform their respective indices over a long-term investment horizon.

³ Fixed income managers invest in U.S.-related debt securities and pursue capital preservation in lieu of capital growth. These managers seek either to replicate or outperform their respective indices over a long-term investment horizon.

⁴ Target date managers may invest in both equity and debt strategies and shift their asset allocation over time. As a fund approaches its intended retirement year (e.g., 2025), it will shift its asset allocation to debt securities to preserve capital.

⁵ BrokerageLink allows participants to directly invest. Market value shown includes the Fidelity fund and external fund.

Custodial credit risk: Custodial credit risk for investments is the risk that in the event of a failure of a counterparty to a transaction, the Plan will not be able to recover the value of the investment or collateral securities in the possession of an outside party. The Plan has no formal investment policy regarding custodial credit risk, and it is exposed to custodial credit risk. For the year ended Dec. 31, 2019, the amount of equity securities was \$6.4 million and for the year ended Dec. 31, 2018, the amount of equity securities was \$3.5 million.

Credit risk: Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation. The Plan has no formal investment policy regarding credit quality rating guidelines. These associated risks will vary according to each participant's investment elections.

As of Dec. 31, 2019, and Dec. 31, 2018, there were three fixed income managers in the Plan. Vanguard Total Bond Market Index Fund Admiral Shares held a portfolio-level credit rating of AA/Aa2, Fidelity Intermediate Bond Fund held a portfolio-level credit rating of A/A2, and Vanguard Intermediate-Term Bond Index Fund Admiral Shares held a portfolio-level credit rating of AA/Aa2.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Plan has no formal investment policy for the management of interest rate risk. See charts on previous pages measuring the investments by net asset value.

Foreign currency risk: Foreign currency risk is the risk changes in exchange rates will adversely affect the fair value of an investment. The Plan has no formal investment policy for the management of foreign currency risk. As of Dec. 31, 2019, and Dec. 31, 2018, the Plan had mutual funds that were exposed to foreign currency risk totaling \$44.4 million and \$14.1 million, respectively. For Dec. 31, 2018, the mutual funds that compose the foreign currency risk balances mentioned are the Fidelity Contrafund Class K, Fidelity Low-Priced Stock Fund Class K, Fidelity Diversified International Fund Class K, Fidelity International Index Fund Premium Class and Vanguard Total International Stock Index Fund Admiral Shares. For Dec. 31, 2019, the mutual funds that compose the foreign currency risk balances are all of the ones listed for Dec. 31, 2018, as well as all of the target date funds used in the plan. The additional target date funds added approximately \$27.2 million to the foreign currency balance for the period ended Dec. 31, 2019. The amounts will not tie back to the sum of the individual funds, as the U.S. investments have been removed for this exhibit.

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended Dec. 31, 2019, and 2018

Foreign Currency, Fair Value (U.S. dollars in thousands)		
Investment	Dec. 31, 2019	Dec. 31, 2018
Euro	\$11,835	\$ 3,527
Great Britain, Pound Sterling	6,971	2,383
Japan, Yen	6,588	3,012
Canada, Dollar	3,586	1,209
Hong Kong, Dollar	3,159	610
Switzerland, Franc	2,610	674
India, Rupee	2,205	851
Taiwan, Dollar	1,302	228
Korea (South), Won	1,165	292
Brazil, Brazilian Real	821	45
Denmark Krone	757	124
Sweden, Krona	715	290
Australia, Dollar	710	265
China, Yuan	397	71
Norway, Krone	289	182
Singapore, Dollar	241	52
S. Africa, Cent	240	48
Indonesia, Rupiah	222	100
New Zealand Dollar	100	36
Other	523	111
Total Investment Fair Value	<u>\$44,436</u>	<u>\$ 14,110</u>

4. Related-Party Transactions

Certain Plan investments are shares of mutual funds managed by Fidelity Investments. Fidelity Investments is the trustee, as defined by the Plan, and therefore, these investments qualify as related-party transactions.

5. Plan Termination

Although it has not expressed any intent to do so, the Plan sponsor has the right under the Plan to discontinue its contributions at any time and to terminate the Plan. The event of complete discontinuance of contributions to the Plan by the employer does not constitute a formal termination of the Plan and does not preclude later contributions; however, the accounts of all participants will, as of the date of the discontinuance, become 100% vested and nonforfeitable.

6. Tax Status

The Internal Revenue Service has determined and informed LCRA the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code. The Board and the Plan's tax counsel believe the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the Internal Revenue Code and, therefore, believe the Plan is qualified and the related trust is tax-exempt.

The Plan is not subject to the provisions of the Employee Retirement Income Security Act.

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended Dec. 31, 2019, and 2018

7. Subsequent Events

The Plan has evaluated subsequent events through June 5, 2020, the date the financial statements were available to be issued, and there were no subsequent events to be disclosed.